

PUBLIC HEARING

SUBJECT: ADOPTION OF FISCAL YEAR 2014-2015 BUDGET

SOURCE: City Manager

COMMENT: Consistent with the City Charter, the City Manager has submitted for Council's consideration a proposed Budget for the 2014-2015 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 2013-2014 Fiscal Year budget expires after June 30, 2014. Therefore, a new budget must be adopted which allows payroll to be paid and routine expenditures to be incurred effective July 1, 2014. 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.

This year, the recent election will cause a change in City Council positions. As a result, the Council considering the Budget at this meeting will not have the same membership as the Council which implements the Budget over the 2014-2015 Fiscal Year. The City Manager recommends that the Council adopt the draft budget (as modified by the City Council) subject to the ratification of the new City Council after it has been seated. The adopted budget would be presented to the newly-seated City Council at its meeting of July 1, 2014.

C/M



Item No. 20

RECOMMENDATION: The City Manager recommends that the City Council consider adoption of the proposed 2014-2015 Fiscal Year Budget, including any modifications and for the time period designated by Council, subject to the ratification of a newly-seated City Council at the July 1, 2014 meeting.

ATTACHMENTS:

1. Budget Message
2. Draft Resolution for General Fund Budget
3. Recertification of Measure H Expenditure Plan
4. Draft Resolution for Special Revenue, Enterprise, Internal Service, and Capital Projects Fund Budgets
5. Preliminary Budget for FY 2014/2015

FY 2014-15 Preliminary Budget
June 3, 2014

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, both the current and approaching fiscal years are anticipated to be the least challenging of the past five years, as well as perhaps the remainder of this decade. Given improving economic conditions, the State’s budgetary condition appears to have stabilized, with no negative impacts by the State expected upon the City budget as we have experienced in recent years (“borrowing” of Property Tax, 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 new South County Justice Center completed construction and became operational this past year. With the assistance of a \$60 million State grant, the County is continuing its design in the development of a new South County detention facility, with construction anticipated to begin in 2015 and become operational in 2017. The Henderson Avenue mixed-use commercial project will be breaking ground and begin development over the next year to two years, as well as four other significant development projects being planned for on Henderson Avenue in the same timeframe.

The opening of Kohl’s in the Porterville Marketplace precipitated the expected companion retail development (PetSmart, Marshall’s, Famous Footwear, Rue21, etc), with Panera and Me-N-Ed’s Pizza the latest announced additions to the Marketplace. There continues to be significant interest by national-brand retailers to locate in Porterville, either on the Henderson Avenue, Olive Avenue or Highway 190 commercial corridors. Although the Superior Court ruled resoundingly in favor of the City and the Council’s approval of the Riverwalk Phase II (Super Walmart) EIR, the opponents filed an Appeal to the decision, with best case scenarios forecasting Walmart to begin construction in the 2015 calendar year 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 and Olive Avenue commercial corridors), 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 \$22.2 million estimated in the current 2013-14 fiscal year. As tax revenues have been moderately improving, staff has conservatively estimated General Fund revenues for the coming fiscal year at approximately \$22.5 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 \$22.1 million in the current 2013-14 fiscal year. Expenditures for the coming 2014-15 fiscal year are currently budgeted at \$23.6 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 \$1.18 million (95%).

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. In the coming fiscal year, the City will be experiencing an effective employer contribution rate of 32.507% for Public Safety Tier 1 "Classic" employees (1.25% increase), and 24.743% for Miscellaneous Tier 1 "Classic" employees (1.75% increase), for every \$1.00 of payroll paid.

Utilizing Proposition 84 grant funds (\$2.1 million), construction of the new Fallen Heroes Park is underway, with construction expected to be complete and become operational this Summer 2014. No additional full-time Parks & Leisure Services Department staffing is expected to be necessary, with the use of part-time personnel to augment operations, although staff recommends the City Council consider the allocation of the full-time position to the Parks Division should the State not fund the City's Off-Highway Vehicles (OHV) grant application for the coming year and the full-time position the funds support.

With the recent authorization to advertise for bids, the new Animal Shelter is expected to begin construction and become operational in the coming fiscal year. With \$1.3 million previously appropriated from the Building Construction Fund and County PTAF Lawsuit Settlement, and an estimated total construction cost of \$1.2 million, the facility is anticipated to be fully funded. No additional full-time Police Department staffing is expected to be necessary, given an allocated Community Services Officer position is to be assigned to the facility, and the use of part-time personnel to augment operations. The City Council may also wish to consider the contracting with a recognized non-profit organization to operate the new facility and facilitate adoption and licensing of animals,

which is becoming an increasingly popular trend with agencies that operate animal shelter facilities.

RISK MANAGEMENT

Staff is perhaps most concerned by the performance of the Risk Management Fund, and most specifically the Health & Life component of the Fund, with multi-year deficits of at least \$1 million. Although revenues have remained consistent, Health & Life Plan expenditures have steadily increased. To address this continuing shortfall, staff recommends this next fiscal year that the City work with its employee associations on Health Plan modifications for cost-savings, increased employer and employee contributions to the Fund, as well as increasing retired employee contributions.

MEASURE H

The construction of the new Public Safety Station is the primary project of emphasis this coming fiscal year. The recently-awarded low bid of \$4,602,270 for construction of the Public Safety Building was to local contractor, Webb & Son. Approximately \$4.6 million is currently in the Measure H Fund Reserve and allocated for construction of the Public Safety Station, which given the annual Measure H Fund revenues projected in excess of expenditures of approximately \$300,000 this coming fiscal year, the Fund is expected to maintain at least a \$300,000 Reserve, which is equivalent to ten percent (10%) of budgeted Fund annual expenditures. Given the past uncertain economic climate, and to ensure adequate staffing for the Public Safety Station upon construction, the City entered into an Agreement with the Porterville City Firefighters Association to limit the use of vacation to one (1) Fire personnel per shift. With at least \$300,000 in annual surplus expected to continue, staff recommends the City Council consider the hire of three (3) additional Fire Department personnel when the facility is expected to become operational in the 2015-16 fiscal year.

STREET PROJECTS

The completion of the Plano Street Bridge Widening Project remains the primary project this coming fiscal year. The estimated total project cost is approximately \$13.3 million, of which the City's match is 11.47% (\$1,353,800), which is funded through Certificates of Participation (COP) and Local Transportation Funds (LTF). Though originally anticipated to be completed in two construction phases due to the seasonal flow requirements of the Tule River, the project will likely be completed in a single phase (October 2014) 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 (\$13.2 million); 2) Jaye Street Roundabout & Montgomery Street Reconstruction (\$1.67 million); 3) W. North Grand Avenue Reconstruction, Phase 3 – Newcomb Street to Prospect Street (\$1.67 million); 4) Westwood Street Shoulder Stabilization/Widening - Henderson Avenue to Westfield Avenue (\$1.31 million); 5) Lime Street Reconstruction, Phase I – Henderson

Avenue to former railroad ROW (\$1.25 million); 6) Newcomb Street Shoulder Stabilization/Widening, Phase 2 – Roby Avenue to Olive Avenue (\$1.14 million); 7) Gibbons Avenue Reconstruction, Phase I – Jaye Street to Indiana Street (\$660,935); 8) Downtown Pedestrian Walkway - Oak Avenue (\$557,000); 9) Morton Avenue Shoulder Stabilization - Westwood Street to Highway 65 (\$431,000); and 10) Date Avenue Reconstruction – Jaye Street to “H” Street (\$217,259).

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 Condition Index (PCI), Council approved the micro-surfacing of Date Avenue (Main Street to Orange Avenue), Henderson Avenue (Main Street to Jaye Street), Indiana Street (Olive Avenue to Putnam Avenue), Jaye Street (Highway 190 to Springville Avenue), and Main Street (Highway 190 to Yates Avenue).

Significant staff time will be spent in continued facilitation with Caltrans on the implementation of the Highway 190 Corridor Study and the immediate term interchange and intersection improvements, with TCAG Measure R “Regional” funds as the source of funding.

WATER PROJECTS

Utilizing the approximate \$1.4 million remainder of the CIEDB loan, development of Well #32 is expected to be completed in the coming fiscal year, which is located southwest of the Airport near the Porterville Fairgrounds. As part of the recently-approved Akin Water Company Services Agreement, the development of Well #33 will begin this coming fiscal year, with approximately \$1.5 million in funding to be provided by the Department of Water Resources (DWR). DWR has also begun discussions of providing full funding for yet another new well (Well #34), in consideration of connecting another small disadvantaged community water system. 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.

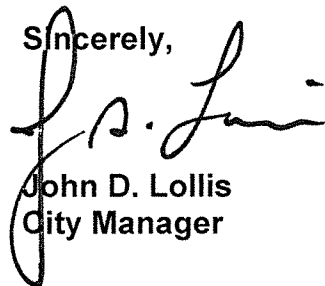
Staff recommends in the coming fiscal year that the City Council undertake a comprehensive review of the City's Water Development, Operations, and Replacement Funds and programs. Although the City's existing water supply is expected to remain sufficient to meet the needs of its residents, given the current drought conditions, the City Council can anticipate that an increasing number of private wells in the community (both inside and outside City limits) will become dry, and parties will be seeking approval to connect to the City's water system. Although the Operation Fund continues to statically function with revenues essentially equal to expenditures, the City's Development and Replacement Funds are not as stable, with especially water system replacement projects being deferred due to lack of funding. Fortunately, with DWR committing funding for new well development, the shortage of Development Fund monies will likely be significantly mitigated.

SEWER PROJECTS

With the third of the Island Annexation Sewer Extension Projects having begun construction, it is anticipated that more than \$7 million in sewer extension projects will have been constructed during the 2012-2013, 2013-2014, 2014-2015, and possibly 2015-2016 fiscal years, with the objective of connecting to City sewer the approximate 5,000 former County residents that were subject to annexation in 2006.

In summary, the Preliminary Budget proposed for the upcoming 2014-15 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 continue its regular quarterly budget review.

Sincerely,

A handwritten signature in black ink, appearing to read "J. D. Lollis". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke at the end.

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 2014-2015

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, 2014 and ending June 30, 2015, 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 budget and covers the necessary expenses of the General Fund of the City of Porterville for the 2014-2015 Fiscal Year based on the cash reserves balance;

NOW, THEREFORE, BE IT RESOLVED:

1. The City of Porterville General Fund Budget for the 2014-2015 fiscal year is adopted in the following amounts:

Operating Budget	\$23,638,243
Capital Projects	1,397,400
Debt Service	<u>1,231,178</u>
Total	<u>\$26,266,821</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, February and May 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.

Cameron J. Hamilton, Mayor

ATTEST :

John Lollis, City Manager / City Clerk

***RECERTIFICATION FOR 2014-15 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 2014-15 Revenues

Sales Tax – Measure H Revenues	\$3,245,254
Interest	25,000
Other Revenues	<u>2,500</u>
Total Revenues	<u>\$3,272,754</u>

Fiscal Year 2014-15 Expenditures

Maintain expanded patrol operations and gang suppression and narcotics operations with 10 sworn and 3 non-sworn Police personnel	\$1,452,142
Maintain 8 additional sworn Fire personnel and 1 Public Education Officer	1,012,000
Maintain public library hours and continue expansion of literacy programs as outlined in the library business plan with 3 full-time library assistants, part-time staffing and one third of a parks maintenance worker	<u>475,000</u>
Subtotal	<u>\$2,939,142</u>
Construction of Public Safety Station	\$4,600,000
Development of Library Literacy Center	<u>100,000</u>
Subtotal	<u>\$4,700,000</u>
Total Expenditures	<u>\$7,639,142</u>

John D. 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 2014-2015

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 Funds for the period beginning July 1, 2014, and ending June 30, 2015; 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 2014-2015 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 2014-2015 fiscal year, are adopted in the following amounts:

Operating Budget	\$33,906,024
Capital Outlay	47,162,895
Debt Service	<u>5,408,392</u>
Total	<u>\$ 86,477,311</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 2014-2015 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 2014-2015 fiscal year.
3. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

Cameron J. Hamilton, Mayor

ATTEST:

John Lollis, City Manager / City Clerk