SUBJECT: Consideration of Porterville City Budget for FY 02/03

SOURCE: CITY MANAGER/ACTING FINANCE DIRECTOR

On June 3, 2002, the City Council considered the proposed City Budget at a noticed study session. At that time both a base and curtailed General Fund budget were presented along with proposed enterprise, capital improvement and internal service funds.

General Fund Budget

The proposed Base Budget for General Fund expenditures is $15,152,514. The curtailed General Fund expenditure budget is $14,917,349.

The City would begin the year with the Curtailed General Fund Budget. In September, the status of carry-overs would be known and the City Manager would be able to adjust to the Base Budget if $1,325,000 of projected reserve remains for June 30, 2003. If not, the Curtailed Budget would continue.

The target June 30, 2003 reserve of $1,325,000 would be adjusted based upon State action. If VLF or other State revenues are reduced by State Action, the target reserve would be reduced, pro rata down to $1,000,000. Any reduction below this “floor” would require the Budget to be resubmitted to the City Council.

Reducing the reserve to $1,000,000 is a matter of concern. The City over the course of the year, would define service strategies to build the reserve back. This would be implemented through the FY 2003/04 Budget.

To support programs, the Parks and Leisure Services Department will propose modifications this year in fees including sports facility, swimming, and arbor fees.
Proposed Overall Expenditures & Fund Strategies

Estimated expenditures for the year are proposed to be about $42,243,473 (using the “curtailed” General Fund Budget). The proposed strategy for various funds is as follows:

**Solid Waste**: The fund is projected with an ending deficit of ($103,978). A rate adjustment will be proposed to address this deficiency. The Fund has operated several years without a rate increase.

**Airport Operating**: The fund has a large deficit, however, it is proposed for reduction during FY 2002/03 based upon a business plan approved by the Council. The proposed reduction in the deficit is about $95,000 in the first year, and smaller amounts in subsequent years based upon aviation fuel sales.

**Golf Course**: A small increase in the deficit is projected during FY 2002/03. In fact, except for the debt service, the Fund is nearly balanced.

**Other Funds which require special approaches include:**

**Local Transportation Funds**: The City has accumulated balances over several years which are being expended for necessary capital improvements.

**Zalud Estate**: The erosion in the Fund’s savings will be addressed through proposed special programs. These will be developed by Parks and Leisure Services and submitted to the Council for consideration.

**Wastewater Treatment Facility Reserve**: During FY 2002/03, the staff will undertake the development of a revised revenue program, based upon the cost of system improvements. Undoubtedly, during FY 2003/04 a financing approach will be provided to the Council. This will be accompanied by a proposed adjustment in fees to cover system costs.

**Transit Fund**: The Transit Budget has been prepared based on the most current information available. Timely notification has been received from service provider, Sierra Management, that increases in Vehicle Revenue Hour Rates are warranted due to noticed increases in various insurance and bond requirements under the City’s contract that are not within the control of the service provider to reconcile. Sufficient information will not be available to document the exact extent of such increases until later next month, and staff anticipates presenting an amended Transit Budget to the Council for consideration in late July or early August, 2002.
Equipment Replacement Fund

The Funds Summary does not include a statement for the Equipment Replacement Fund. The Council directed that this be a matter of consideration whether to place this fund in the summary. For FY 2002/03, the Fund is projected to begin the year with $7,275,388 and end the year with $7,077,331. All of these funds are committed to the replacement of specific equipment.

If the Fund were used for other purposes, equipment replacement would not be funded and would have to be submitted to annual appropriations and would be in competition with other service programs. In the City Manager’s opinion, the Equipment Replacement Fund is a strong and supportive aspect of the City’s budgetary approach.

Specific Questions & Presentation Materials

A series of specific questions have been asked. Departmental responses have been attached. In addition, the pages explaining the proposed approach has been attached.

RECOMMENDATION

• Approve the Curtailed Budget Resolution and the procedure authorizing the City Manager to implement the Base Budget in September, 2002.

• Approve the Process for Reducing the General Fund Balance to correspond with State Action.

• Adopt the attached 2002/03 annual Enterprise, Internal Service and Capital Projects budgets.

• Specify whether the Equipment Replacement Fund be listed in the Fund Summary.

• Grant the time extension to Transit to provide for the finalization of the contract negotiations with the service provider, Sierra Management.

ATTACHMENTS:

1. Draft Resolutions
2. 2002/03 Annual Budgets
3. Time Extension
4. Responses
RESOLUTION NO. ______

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF PORTERVILLE ADOPTING THE
GENERAL FUND BUDGETS
FOR FISCAL YEAR 2002-2003

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 Base Budget and a proposed Operating and Capital Improvement Curtailed Budget for the period beginning July 1, 2002, and ending June 30, 2003; 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 General Fund of the City of Porterville for the 2002-2003 fiscal year based on the cash reserve balance;

NOW, THEREFORE, BE IT RESOLVED:

1. The City of Porterville General Fund Base Budget for the 2002-2003 fiscal year is adopted in the following amounts:

   Operating Budget $15,167,464
   Capital Projects 233,000
   Debt Service 1,837,508

   Total $17,237,972

2. The City of Porterville General Fund Curtailed Budget for the 2002-2003 fiscal year is adopted in the following amounts:

   Operating Budget $14,934,464
   Capital Projects 233,000
   Debt Service 1,837,508

   Total $17,004,972
3. The City Council grants authority to the City Manager to implement either the base budget or the curtailed budget, with this decision dependent on the final outcome of financial activities for the 2001/2002 fiscal year and the ability to maintain adequate reserves.

4. The budgeting system and methods for increasing future budgets shall continue as provided by Resolution No. 9614. It is the intention of Council that expenditures for 2002-2003 fiscal year for General Fund operating functions are frozen at 2001-2002 fiscal year levels, plus seventy-five percent (75%) of the total sum of the increase in the Consumer Price Index and the population increase in the City of Porterville since 2000-2001 fiscal year, less adjustments made by the City Manager to balance the budget and maintain a minimum cash reserve.

Budget savings realized during fiscal year 2002-2003 within each department may be carried forward into the 2003-2004 fiscal year.

5. The City Manager is authorized to transfer General Fund operating budget appropriations between functions as required.

6. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

__________________________________
Gordon T. Woods, Mayor

ATTEST:

__________________________________
John R. Longley, Jr., City Manager

* * * *
STATE OF CALIFORNIA

COUNTY OF TULARE

I, JOHN R. LONGLEY, JR., the duly appointed City Clerk of the City of Porterville, do hereby certify and declare that the foregoing is a full, true and correct copy of a resolution duly and regularly passed and adopted by the Council of the City of Porterville at an adjourned meeting of the Porterville City Council regularly called and held on the 18th day of June, 2002.

THAT said resolution was duly passed and adopted by the following vote:

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JOHN R. LONGLEY, JR., City Clerk

By ________________________________
Georgia Hawley, Deputy City Clerk
RESOLUTION NO. ________

A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF PORTERVILLE ADOPTING THE
ENTERPRISE, INTERNAL SERVICE AND CAPITAL
BUDGETS FOR FISCAL YEAR 2002-2003
IN THE AMOUNT OF $26,331,549

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 period beginning July 1, 2002, and ending June 30, 2003; 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 Enterprise and Internal Service Fund of the City of Porterville for the 2002-2003 fiscal year;

NOW, THEREFORE, BE IT RESOLVED:

1. The City of Porterville Enterprise and Internal Service Funds budgets for the 2002-2003 fiscal year is adopted in the following amounts:

   Operating Budget       $20,189,466
   Capital Projects       5,056,150
   Debt Service           865,933
   Total                  $26,111,549

2. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

__________________________
Gordon T. Woods, Mayor

ATTEST:

__________________________
John R. Longley, Jr., City Manager
STATE OF CALIFORNIA

COUNTY OF TULARE

I, JOHN R. LONGLEY, JR., the duly appointed City Clerk of the City of Porterville, do hereby certify and declare that the foregoing is a full, true and correct copy of a resolution duly and regularly passed and adopted by the Council of the City of Porterville at an adjourned meeting of the Porterville City Council regularly called and held on the 18th day of June, 2002.

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JOHN R. LONGLEY, JR., City Clerk

By

Georgia Hawley, Deputy City Clerk