Call to Order: 9:00 a.m.
Roll Call, Council: West, Joyner, Gurrola, Hamilton
Absent: Woods

WRITTEN COMMUNICATIONS - None

ORAL COMMUNICATIONS - None

SCHEDULED MATTER

1. FINANCIAL STATUS REPORT

The City Manager stated that the purpose of this meeting was to provide an opportunity to initially review where they were financially. He stated that at the last meeting the Administrative Services Manager extensively explained where the City was with revenues and expenditures. He stated that tonight they would present a status report of where they were budget-wise, and where they anticipate they would be going regarding that, and what the milestones were that they had set. The City Manager stated that beyond that, this was an opportunity to receive questions and comments from the Council on things they could address.

Darrel Pyle, Administrative Services Manager, then presented the status report. He stated that the City Manager had met with the Department Head group to do an initial review of the 2002/2003 Fiscal Year Budget. He stated that this gave them time to get the 2001/2002 Fiscal Year books closed, and to give them a beginning cash balance. He stated that in the adopted budget the 2002/2003 budget numbers start with an estimate of where they think they will be as of June 30, and now they have an exact figure as to where they were June 30. The adopted budget estimated that they would have cash in the General Fund of $1,335,906, as of the books close, the cash balance was a little higher at $1,432,026. He stated that they adopted a Budget which showed a curtailed budget and a base budget. Mr. Pyle then reviewed the budget sheets of the Departments and special accounts, such as grants. He stated that they saw an reduction in the initial revenue estimate for mandated cost reimbursements of $130,000, a reserve for capital projects of $75,000 for software, and a grant amount of $121,907 for Library grants which needs to be tracked separately in the General Fund. The staff discussed the available balances and it was evident that they would have to remain in the curtailed budget. The budget documents will be reviewed again in January to allow the State to finish their election for Governor, and make determinations if additional fiscal impacts will be dealt to the local governments to help balance the State budget. The budget was left with a carry-over balance of $40,119 to discuss, and staff determined that their primarily goal was to build sufficient cash reserves to move the curtailed budget back to the base budget. Mr. Pyle stated that they were also in the process of unbundling the previous Community Development and Services Department budget into the new, reorganized Budgets for Community Development and Public Works. He stated that they looked at their inspections, permits and parcels software which needs
to be updated, which was an $80,000 problem they would solve within their budgets. He that the $40,000 carry-over could possibly be part of the solution, and they were also looking at asset management in each department in terms of equipment replacement and perhaps delaying the replacement of some items for a while longer. He stated that they also looked at expanding the budget through outside sources such as grants, and allocating monies back to the departments to achieve additional revenues. Mr. Pyle stated that the City Manager set the date of January 24 to meet again with the Department Heads to assess what was happening on the State level and the local level. He stated that they would be coming back in January with the second quarter financial status report to share with the Council regarding the first six months of the fiscal year, and they hoped to meet again in February to go over the budget resolution. He stated that they would be working on the 2003/2004 budget at that time and would be watching the State very closely, and would be trying to stay very proactive and stay one step ahead of any action coming their way.

Council Member West asked why they couldn’t use the Equipment Replacement Fund for the $80,000 software upgrade.

Mr. Pyle stated that equipment replacement dollars had not been set aside for software in the past, and all the monies in that account were attached to individual pieces of equipment. He stated that the Community Development Department and the Public Works Department would be looking at the items scheduled for replacement, and determining if they could hold off on the replacement of some of those items, and use the money for the software, which would then also be set up on an equipment replacement schedule.

The City Manager explained the Equipment Replacement Fund and stated that he had asked Mr. Pyle to provide a listing of all the equipment, and the amounts allocated to each piece, for the Council.

Council Member Hamilton stated that if the Departments were going to delay replacement and come up with the $80,000, what was the problem.

The City Manager stated that the Council needs to approve the policy on this so they would have a standard procedure which was consistent.

Darrel Pyle, Administrative Services Manager, then spoke on financial practices in terms of the current philosophy in terms of budgeting.

The City Manager explained the locked box concept. He stated that there should be a minimum balance in the General Fund which would be determined by the Council.

Mayor Pro Tem Gurrola stated that looking at the budget, they had done some great projects over the last several years, and have really shown to the community what they could produce in the City. She proposed to the Council that they take on a goal to strengthen the financial status of their budget, and put energy into that. She stated that Mr. Longley would be forwarding to the Council the Equipment Replacement Fund, but she would like to have the Council look at all Risk Management Funds, the replacement funds, all non-enterprise funds, and take a look and see where
they were really at in each of those areas, and then find a way, through the Council, and even possibly bringing someone in, to do an audit. She stated that Darrel had just come back, and John had just begun his time there with them, and maybe this was a time they should have someone from the outside come in and look at the City, and give them feedback in terms of the budget. She stated that it was very important over the next few years, given the condition of the State, that they strengthen themselves here in our own home. She stated that she didn’t want to lose any more safety personnel, and as Mr. Pyle indicated, would like the Council to be proactive and look start looking at the budget a little more closely, and not just for this Council, but the future Council members. Mayor Pro Tem Gurrola stated that Council could give staff direction to bring that back to them in January.

Council Member West stated that he thought transportation costs were getting out of hand, and if they were going to look at all their finances, then they should include all of them. They could have an outside auditor audit the whole thing, including the books of the transportation people. He stated that they needed to take a good look.

The City Manager stated that annually there was at least one audit of everything, and a consolidated financial report was prepared. He stated that the auditor reported to the Council, not the staff. He stated that the Council was receiving that now, and he expected that the question was what level did they want the audit at—are they looking at a financial audit to assure everything was in place and the CAFR was correct, or were they looking for a management audit. What type of audit were they looking for.

Council Member West stated that he was looking for something they could put their teeth in to make sure that this was an actual, true audit, not because they didn’t trust the auditor 100%, but the auditor gets his numbers from the different Department Heads and different people, and he couldn’t vouch that the numbers were actual, real numbers. How does the Council know that the numbers they receive are really the true numbers. He stated that they trust their people, but do they trust their outside people.

The City Manager stated that an independent auditor comes in once a year and audits the entire books and reviews them and does the necessary tests and go through and validates that, in fact, the information that is supposed to be there, is there.

Council Member Hamilton stated that he thought what he was hearing from Council Member West was about the transit. Council Member West agreed.

Mayor Pro Tem Gurrola stated that she didn’t make the recommendation because she thought there was something going on, but because it was something they needed to look at. They had the internal audit, and perhaps the City Manager could guide them in this discussion. They needed to look at strengthening their budget so that when other cities are telling their woes, this City would have had a little more foresight on what they needed to do to tighten their belts a little bit.

The City Manager stated that he would appreciate the opportunity to respond to this, with Mr. Pyle, when they submit the information back in January. He stated that perhaps they could provide
an overview of where things are, and some thoughts about it, and standards that the Council might want to consider establishing, or looking at, but in addition to that, potential further steps. He stated that it was standards in terms of process, such as those adopted last year in the budget resolution, and such as those reviewed by Mr. Pyle this evening. He stated that beyond that, there may be standards as to what is an adequate fund balance, which was a Council question. He stated that there needed to be some options, and pros and cons, presented on that, and there were other substantive areas that maybe should have recommendations. Also, in the transit area, and performance measures regarding transit, was something they could address and make recommendations on how there could be an independent review of that.

At Council Member Joyner’s request, the City Manager clarified what he meant by management audit. He stated that what was done now was a finance audit based on statistical techniques basically to assure that it was being done correctly, and that they were doing it honestly. He stated that the financial audit was 60% to 80% level of confidence. He stated that a management audit looks at how managers manage, and was more subjective, it was a review by an outside “independent” authority about how good a job the management is doing managing.

Mr. Pyle stated that somewhere there was documentation and guidelines from the League of California Cities on established practices as to what was adequate General Fund balance reserves and what was adequate reserves in various enterprise-type activities. He stated that he would attempt to get the most current set of guidelines.

The City Manager asked the Council if they had any feedback.

Council Member Joyner stated that he thought the in-house stuff was fairly consistent, and he concurred on the extensive audit on the transit system. He stated that they needed to take a hard look at that and do an assessment on how well it’s working, and could they do a better job in-house.

The City Manager stated that they would get some options and make some recommendations, if January was an acceptable time frame. He stated that they could bring back some recommendations on how to pursue such a review, and they could bring back some ideas on where to get the funding for such a review.

Mayor Pro Tem Gurrola stated that her concern was the General Revenue Budget. With what Mr. Pyle will give them, they could establish an amount to have in their, and be assured that they had the funds to carry on the City business.

Ron Irish, 768 N. Prospect, asked how the COP funds were kept away from the other funds.

Mr. Pyle stated the COP funds were kept with a trust agent, and the funds were drawn down as the projects were done. The money goes only to the COP projects and there is no intermingling. The funding is done on a reimbursement basis by a trustee.

Council Member West questioned what safety factors they had on the Equipment Replacement Fund.
The City Manager stated that they had been very careful about the use of this fund except to replace equipment. He stated that they policy they would be proposing was a procedure whereby they could substitute equipment, but they want to make sure the procedure includes a full consideration and a full documentation so it just doesn’t become a simple thing to go that fund to buy something, and then write other stuff off. He stated that staff would be bringing that procedure to Council so they could maintain the discipline.

Council Member Joyner questioned how they delayed replacement to use the money somewhere else once something was depreciated out.

Mayor Pro Tem Gurrola asked if the staff was looking at anything like hydro-cars to save fuel, promote air quality, reduce pollution, etc.

The City Manager stated that they could formally look into that report back to Council.

Council Member West stated that he thought Mr. Longley had done a fantastic job since he had been here, and the public needs to know that. He stated that the City Manager had done an amazing amount of work, with staff.

The City Manager stated that he appreciated that, and he expressed his appreciation to the Directors. He stated that he and Mr. Pyle owed the Council a comprehensive report in January, with recommendations and options.

The Council took a short recess from 6:55 p.m. to 7:00 p.m.

2. CLOSED SESSION PURSUANT TO GOV. CODE § 54956.8 - CONFERENCE WITH REAL PROPERTY NEGOTIATORS/ PROPERTY: 13144 ROAD 216/ AGENCY NEGOTIATOR: JOHN LONGLEY/NEGOTIATING PARTIES: CITY OF PORTERVILLE AND ROBERT NUCKOLS/UNDER NEGOTIATION: PRICE AND TERMS OF CONVEYANCE.

The Council adjourned to a closed session at 7:00 p.m. and reconvened at 7:50 p.m.

3. APPROPRIATION FOR AND APPROVAL OF CONTRACT FOR SERVICE AGREEMENT - RICHARD HOPPER

COUNCIL ACTION MOVED by Council Member West, SECONDED by Council Member Hamilton that Council appropriate $5,000 from the Wastewater Capital Reserve Fund, and authorize the City to enter into an agreement with Mr. Hopper for appraisal services subject to ratification by the Council.

M. O. 01-102202

Ayes: West, Joyner, Hamilton, Gurrola
Noes: None
Abstain: None
Absent: Woods
Disposition: Approved.

The City Attorney stated that she would contact Mr. Hopper tomorrow and find out where the agreement was.

**ORAL COMMUNICATIONS**

None

**OTHER MATTERS**

Council Member West spoke about a problem with the loading dock on Hockett Street behind the Savemart Grocery Store. He stated that the entire street was blocked that morning by trucks.

**ADJOURNMENT**

Council adjourned at 8:12 p.m. until November 5, 2002.

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John Longley, City Clerk

SEAL

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Virginia R. Gurrola, Mayor Pro Tem