PORTERVILLE CITY COUNCIL MINUTES
ADJOURNED MEETING - MAY 25, 2004
CITY HALL CONFERENCE ROOM - 4:00 P.M.

Call to Order: 4:00 p.m.
Pledge of Allegiance by Council Member West
 Invocation by Mayor Pedro Martinez
Roll Call: City Council: West, Irish, Hamilton, Stadtherr, Martinez

ORAL COMMUNICATIONS
None

SCHEDULED MATTERS

1. BUDGET STUDY SESSION

   The City Manager stated that the purpose of the study session was to provide the initial review of the budget, to answer and clarify questions, and to give directions as to modifications to the budget. He stated that it was anticipated that the budget would go to a public hearing after the study session process was completed, probably the second meeting in June when a full Council would be present. The City Manager stated that the budget had been generally outlined in narrative material, and he then went through the budget narrative with the Council.

   Council Member Hamilton expressed his concern about running a deficit budget, and using the equipment replacement fund to do it also.

   The Deputy City Manager stated that they were under-funding the budget between $250,000 and $400,000, and under-funding the Equipment Replacement Fund for the 2004/05 Fiscal Year. He stated that the General Fund Departments would not contribute to the Equipment Replacement Fund in 04/05, while all the Enterprise Funds would continue to contribute. He stated that the strategy was that in Fiscal Year 06/07, when recovery began and if all variables fell into place, they would bring back to Council a recommendation on how to catch up for lost time and lost contributions to the Equipment Replacement Fund. He stated that they were seeking grants that were clean air related to replace older equipment which were partially funded in the Equipment Replacement Fund. He stated that perhaps they could reallocate any saved resources to other General Fund areas.

   Council Member Hamilton stated that another major concern was the drastic increase in salaries and health and benefits in the departmental budgets, while reducing operational expenses.

   The Deputy City Manager stated that they were monitoring the benefits costs, and they would be meeting and conferring, and would be bringing back to Council the costs and a strategy.

   Council Member Hamilton spoke on the high cost of the retirement system. He stated that he was concerned because the citizens take care of them and the budget was structured to take care of the employees. He stated that they were not maintaining the level of service for them, and the citizens were the ones getting short changed.

   City Manager Longley stated that he felt that they delivered a good service level, and having a continuity of employees was one of the crucial aspects of that. He stated that what was proposed was a bridge
type program because of State action visited upon the City, especially the cuts, in order to maintain service levels. He stated that in order to do that, they had to maintain their employment base. He stated that the salary increases defined in this budget to be expended were the raises already agreed to through MOUs or resolutions. He stated that everything else was subject to future Council determination through the meet and confer process.

Council Member Hamilton stated that what was being proposed now was not funding the Equipment Replacement now, and hopefully refunding in 06/07, which would be backfilling their own coffers and wouldn’t be doing any capital projects—so where was the hope for the future.

The City Manager stated that it was to maintain the momentum from the past, and that was what this budget attempted to do. He stated that the option was to go back and revisit service levels, which was a Council decision.

Staff then reviewed the Departmental General Fund Budget and Service Review Statement, and the corresponding General Fund Expenditure Estimates which was broken down by department.

Council made the request that during the MSI Study the consultant should review a cost center for charges to Schools for police calls to respond on campus, or at least a charge to the parent or person generating the call.

The Deputy City Manager then handed out and reviewed the All Funds Summary, and a matrix of changes in the General Budgets from 2003/04 to 2004/05.

Council took a break at 5:17 p.m. to 5:25 p.m.

The City Manager then reviewed the ‘Other City Funds’ narrative, and the Deputy City Manager reviewed corresponding Budget Fund documentation. The Field Services Manager presented the Farming Operation with revenue decreases and expenditures increases for 03/04 and 04/05. The Deputy City Manager also presented the proposed modification in the Healthcare program.

During the review, City Council made the following requests:

• Staff to bring to Council different advertising programs available and anticipated revenues estimates from selling advertising space on the fixed route buses, along with examples of how much money some other cities and agencies have generated from their ad space sales.
• Staff to provide information to Council on the cost of adding fluoride to the water system.
• Mayor Pro Tem Irish requested that Council look at passing a resolution saying that they could not take the equipment replacement funds down past a five year minimum reserve without a four-fifths vote.

City Manager stated that the erosion this year was 5%, and there were red flags all over the place, but they had entered into this as a disclosure thing to tell the Council what the problems were. He stated that they could do it as a promotional thing and tell Council the good stories, and the good stories were that they were very strong and very financially strong as a government, at times when other people weren’t. They have had two challenging years, and through savings they had accumulated revenues, and it was in the context of where they were as a government that they had prepared this budget which carries them through and keeps them strong at the end of the year. He stated that what had happened to them was nearly a perfect storm, and they had gone through it and addressed fund deficiencies in airport, golf and Zalud House variously through reorganization and through some subsidy. He stated that they had addressed deficiencies in the underfunded healthcare cost program. The City Manager stated that they were funding the high cycle of PERS costs at this time, but PERS savings had actually bailed budgets out in the past. He stated that they were covering large
losses from State curtailments, and every year they were visited by eroding per capita revenue base as a result of residential development which does not pay for itself because of the configuring of property taxes. So in what was nearly a perfect storm of problems, they were presenting a budget that was 5% or 6% out in terms of a one year deficit. It was a spending plan, and staff felt that they had told the Council about every wart. He stated that they had proposed an approach to the budget where they were continually revisiting it. In terms of an approach, they had provided targets, and if they didn’t hit their targets, then there was a problem that needed to be discussed. He stated that there were targets throughout the year, and there was accountability. He stated that all of that was done in the context that they have an effective service that could be carried on over a three year time frame, and they could come out the other side O.K. City Manager Longley stated that they could also meet a whole series of bullet points of expectations set for the service in terms of service levels and where they were focusing the priority effort. He stated that the staff was bringing forward this preliminary budget which they felt was a strong future step to continue service levels within a set of reasonable economic expectations.

The Deputy City Manager stated that during the course of the upcoming fiscal year, as they worked with other agencies in Tulare County towards joint solutions to public safety funding levels, they would be bringing information back to City Council for review and possible action. He stated that all the Departments shared the philosophy that steps needed to be implemented to provide additional public safety staffing, and a plan needed to be developed to provide on-going growth in public safety staffing to keep pace with the population.

Mayor Pro Tem Irish asked about PERS savings being used to offset budgets, and he asked that staff provide an accounting of the PERS costs and refunds over the past ten years.

The Deputy City Manager spoke regarding the PERS savings, and its drop to the bottom line for inclusion as beginning resources in the budget line items. He stated that the reason the funds were as much as they were in the budgets was because of departmental savings, and one component of the departmental savings was because of the anticipated PERS rates in years past which were not expended. The Deputy City Manager went on to explain that the $1.5 million in the “locked box” was not included in the computation, and the money stayed in the General Fund and generated interest income. The interest then became part of the revenue mix as the $1.5 million was not designed to grow by the amount of allocated interest. He stated that they proposed that over the next three years the $1.5 million stay as a reservation and not grow by either contribution or interest, which would be affected by inflation.

Mayor Pro Tem Irish stated that perhaps they needed to look at that to make sure the “locked box” stayed with a $1.5 million value that was anticipated to be used three, five or ten years from now. He stated that it would not be the same as the $1.5 million would represent less ten years from now.

The Deputy City Manager stated that it was a mechanism available since they knew the dollar amount. He stated that they could calculate the annual portfolio earnings that were generated and increase the “locked box” by its allocated interest, and that would be the new “locked box” number for the next budget.

The City Manager then reviewed the final ‘Other City Funds’ narrative, and the Deputy City Manager completed reviewing the corresponding Budget Fund documentation.

The City Manager stated that this summarized their explanations of their proposal to the Council for a budget for 04/05, and asked if Council desired subsequent study sessions, or whether staff should schedule a public hearing for consideration of the final budget. Council concurred on the June 15 public hearing. The
Deputy City Manager stated that staff would prepare a finished budget document, as stated tonight, prior to June 15.

The Deputy City Manager stated that in the General Fund Summary they tried to take into account all the things they knew as of the date they pushed the button on May 20. They accounted for the triple flip, the Governor’s deal, the loss of booking fees reimbursement from the State, the lack of mandated cost reimbursements, all those things, and they tried to take into consideration normal growth and property tax revenue, and normal growth and sales tax revenue. He stated that in appropriations, to try and make the picture as realistic as possible, they calculated and could see some bounce and the picture began to improve in 2006/07, as designed in the Governor’s deal. He stated that the appropriations listed for 2005/06 and 2006/07 were increased by a little over 2.9%. Those were the things that, since this was a one year budget document, what they were hoping to do was look at the vision and actually see that, if these things take place, do they begin to recover? He stated that this documented that if these things take place, then yes they do. The Deputy City Manager stated that they still had control over several components of the document for the next two years, and they would bring it back before the Council as part of development for 2005/06 and 2006/07 with recommendations for appropriations in the departments. He stated that in public safety it might be substantially more than 2.9%, and in other departments substantially less. He stated that in total they tried to make it as realistic as possible—the decision was still Council’s and the control was still there to improve the picture potentially, substantially by what action was taken in terms of approved appropriations in 2005/06 and 2006/07.

City Manager stated that was Council policy, and if Council would accept this for this year, they could give directives for next year that all equipment replacement funds should be 50% funded, or whatever the Council said, and when staff put together the budget next year, that became how they put it together.

Mayor Pro Tem Irish stated that he would like a study session on the equipment replacement fund prior to the next budget.

The Deputy City Manager stated that by the January date they would know whether the ballot initiatives passed, and whether the State has taken steps to fund those constitutional provisions. He stated that right now the budget was based on the deal passing, the voters approving those pieces, and if those don’t happen, changes would happen.

Council Member West congratulated staff on the good job on the budget.

Mayor Pro Tem Irish stated that they needed to look at the farming issue again, and the City Manager stated that it was something they would look at.

The Council took a break from 6:40 p.m. to 6:45 p.m.

2. OFF-HIGHWAY VEHICLE PARK INSURANCE

Recommendation: That the City Council accept the liability insurance proposal from Save the Tracks, Inc. for casual/practice riding at the Porterville Off Highway Vehicle Park in the amount of $9,020.00 and authorize opening of the OHV track once liability insurance coverage is obtained.

The Parks and Leisure Services Director presented the staff report.

Council Member Hamilton questioned why the City wasn’t promoting their own races.
COUNCIL ACTION

MOVED by Council Member Hamilton, SECONDED by Council Member West that Council accept the liability insurance proposal from Save the Tracks, Inc. for casual/practice riding at the Porterville Off Highway Vehicle Park in the amount of $9,020.00 and authorize opening of the OHV track once liability insurance coverage is obtained. The motion carried unanimously.

M. O. 01-052504

OTHER MATTERS/COUNCIL COMMENTS

Mayor Pro Tem Irish stated that he would be absent from the June 1 Council Meeting.

The City Manager clarified that he had direction in terms of summary of costs in adding fluoridation, also the PERS rate history, but asked if he should schedule something on equipment replacement also.

Mayor Pro Tem Irish stated that staff should do equipment after January 1.

ADJOURNMENT

The Council adjourned at 6:48 p.m. until June 1, 2004.

Georgia Hawley, Deputy City Clerk

SEAL

Pedro R. Martinez, Mayor