Call to Order: 8:30 a.m.
Roll Call: Council Member Irish (arrived after roll call), Council Member Martinez, Mayor Pro Tem Hamilton, Council Member Stadtherr, Mayor West

Pledge of Allegiance Led by Council Member Ron Irish
Invocation - Mayor Martinez offered a prayer.

ORAL COMMUNICATIONS
None

SCHEDULED MATTER
1. 2005/06 ANNUAL BUDGET - PRELIMINARY REVIEW

Recommendation: That the Council review the City’s 2005/2006 Draft Annual Budget and schedule the Public Hearing to receive public comment to consider and adopt the final Fiscal Year 2005/2006 Budget.

City Manager John Longley presented the item and Deputy City Manager Darrel Pyle presented the staff report.

Mr. Pyle referred everyone to the “Letter of Transmittal” in the Preliminary Budget 2005/2006 Package. He stated that staff’s approach to the proposed Budget considered a 3 year strategic plan, although the Budget was a 1 year Budget. He stated that staff proposed to return to the Council with “snap shots” of the Budget picture throughout the year, specifically in November, January and April to ensure everything was on target. He added that staff conservatively estimated revenue, and if the plan changed, modifications would be brought back to the Council. He then discussed “General Fund Targets” and stated that staff recommended that the General Fund Targets be achieved within a range of plus or minus 5%.

In terms of “General Fund Revenues and Transfers,” Mr. Pyle stated there were, for the first time, above $20 Million. He stated this was an increase of 6.67% from the current Fiscal Year, largely due to grant revenue. He stated that a significant portion of the grant revenue was for Skate Park funding. As far as General Fund Expenditures and Transfers, Mr. Pyle stated that the target was $20,973,749, which was up 6.73% from the prior year. He attributed this increase to the same grant-funded capital projects. He stated that if the grant revenue did not materialize, that particular project would not move forward. He indicated that as the Council could see, the Budget proposed a General Fund cash deficit of approximately $654,000, as had been projected during the current Fiscal Year. He stated that staff projected a cash surplus in Fiscal Year 2006/2007, assuming the State of California stayed the course with the Governor’s word. With respect to the General Fund Reserve, Mr. Pyle stated that the Reserve was currently holding at $1.5 Million, and that the proposed Budget did not jeopardize that Reserve.
As to some major assumptions in the proposed Budget, Mr. Pyle stated that in the “out” years, staff recognized that the State would once again borrow $340,000 from the City, and then in FY 2006/2007, the State would cease borrowing the $340,000. He stated that the plan was that the State would return the total $743,000 in one lump sum, which would create a $1 Million swing in available cash for that year. With respect to FY 2007/2008, the City would be hovering around a balanced Budget. Mr. Pyle added that the proposed Budget did not take into account any revenue from any proposed ballot measure. He stated that the Council was currently considering a ballot measure for a special tax for various Public Safety features, which would include increased staffing for police and fire. He stated that if the tax measure was not implemented, and staffing levels were increased to fill service needs, the City would encounter a deficit of $1.2 Million in FY 2005/2006 and approximately $500,000 deficit in 2006/2007.

Mr. Pyle then proceeded to review specific “Budgetary Objectives,” which included an increase in Police staffing to 46 Officers using grant funding, and to 52 Officers, if the sales tax increase was approved. It was added that there might be a proposal to consider increasing Police staffing to 47 Officers, as another grant source was located. He stated that other Budgetary Objectives included increasing Fire Fighter staffing to 36, if the sales tax measure was approved, and establishing a half-time Code Enforcement Officer, the funding for which would come from a .24% reallocation from each General Fund Department.

Mayor Pro Tem Hamilton commented that he had thought the Code Enforcement Officer would come out of Building Inspections. A discussion ensued as to the methodology in budgeting the position as proposed. It was stated that staff proposed to freeze Building Inspection Revenues at a reasonable level, and if growth was achieved, any additional revenues would be utilized to hire contract inspectors.

Mr. Pyle continued with his review of the Budgetary Objectives, stating that other identified Objective were to restore Library funding with a focus on literacy; continue with the General Plan Update; continue with the Master Planning of Murry Park; focus on priority Public Works projects; implement the revised City service charges; incorporate more City employees and retirees within the reformed health care program; complete the review of employee classification and compensation; continue the processing of monumental commercial and residential projects; allocate financial support in the amount of $5,000 to a county-wide public university development project; coordinate with Tule River Tribal Council to develop projects in Porterville; and to closely manage the City’s Budget to assure a balanced Budget in Fiscal Year 2006/2007.

Council Member Martinez commented that while he was pleased with most of the identified objectives, he was disappointed with a proposed half-time Code Enforcement Officer. He stated that the would rather see a full-time position added. A discussion ensued as to whether the position would operate on a proactive or reactive basis, during which it was pointed out that if the position was to be proactive, three or four Officers would actually be needed. Mr. Longley indicated that the matter would be brought back to the Council with the provision of the parameters for both a half-time position and a full-time position so as to identify the impact on each department. It was then pointed out that if the sales tax measure passed, the City might be able to hire a full-time Code Enforcement Officer, or possibly even more.
Mr. Pyle next briefly discussed “Risk” associated with the Budget and attributed most of it to the actions by the State of California.

Regarding “Allocation to General Fund Formula Amounts,” Mr. Pyle explained that in prior years, General Fund Budgets had grown by a formula amount that was representative of a change in population and the CPI. He stated that based on available resources, a roll over Budget approach had been taken, and indicated that the General Fund formula was proposed to be postponed in 2005/2006. He added that there were minor changes in healthcare, but that everything else was status quo for the General Fund for FY 2005/2006.

As to staffing, Mr. Pyle stated that a hiring freeze had been maintained throughout the majority of FY 2004/2005 and as the projections had been met, a request had been made to Council to fill the vacancies and reinstate the freeze for quarterly monitoring. He stated that currently, outside of the sales tax measure, the Code Enforcement Officer and grant-funded positions through the Police Department were the only additional staffing that should be brought before the Council.

Mr. Longley added that one of the grant-funded positions with the Police Department would be the Gang Program Officer funded with the Indian Gaming Funds. He stated another position would be a Traffic Safety position, which would be presented at a future Council Meeting.

Mr. Pyle continued that the draft Budget also included proposed Departmental priorities and the proposed Service Review Statements prepared by each Department, both of which would be reviewed that morning.

Mayor Pro Tem Hamilton reiterated the Council’s concerns with regard to hiring only a half-time Code Enforcement Officer, and commented that he would like to look at a full-time Code Enforcement Officer.

Mr. Pyle then distributed a spreadsheet entitled “Summary of All Funds” which he stated offered a macro view of the entire Budget. He proceeded to review each of the Funds with regard to the Estimated Beginning Balances for FY 2005/2006, Estimated Revenues, Operating Transfers and Appropriations, Capital Projects, Debt Service and the Estimated Ending Balances for FY 2005/2006.

With respect to the Zalud Estate Fund, Council Member Irish confirmed that no restoration would be conducted on the Zalud House until funds were available. He then voiced concern with proceeding with that work when the City had parking issues that were a priority.

Council Member Martinez confirmed that the proposed restoration was needed to maintain the facility. Mr. Longley confirmed that staff would bring the item before Council in August or September for consideration.

A discussion then ensued regarding the status of the Community Development Block Grant (“CDBG”) Fund. Community Development Director Brad Dunlap indicated that over the last two years, the entitlement allocation that the City had received was reduced. He stated that in the previous Fiscal Year, the entitlement had been reduced by $18,000, and that in the current year it was reduced by an additional $42,000. He pointed out that at the Federal level, there were moves
towards the elimination of HUD and the consolidation of Departments within the Federal Government. Mr. Dunlap stated that in that event, the HUD Budget would be cut by 50%. He explained that in the event that happened, the City’s entitlement, which he stated was $808,000 that year, stood to be cut by 50%. He stated that the funds currently funded the Neighborhood Youth Center, with an administrative fee to administer all of the HUD-funded projects. He indicated it also covered debt service on the construction of the Heritage Center. He stated if the entitlement were cut by 50%, debt service would not even be covered. He added that staff had been monitoring the situation closely. Mr. Dunlap then updated the Council on various Redevelopment projects in the Downtown Area.

With regard to the Water Replacement Fund, Mr. Pyle pointed to the proposed Capital of $8.55 Million, a large portion of which he attributed to a water tie in at the industrial property around the Porterville Airport. He stated that this subject would be addressed in the General Plan Update. It was stated that the opportunity for major economic development out at the Airport was dependent upon the water tie in. The importance of efforts in the water system on the Eastside was also identified. Mr. Pyle then clarified that the debt service would begin the following year.

Mr. Pyle then stated that there would be a modification to the Budget that would be presented to the Council on June 21, 2005. He stated this modification related to the commercial property directly across the street from City Hall. He indicated that staff would propose that the resources from the sale of the commercial property be allocated to some maintenance items at City Hall and the Library, including some roofing repairs. He stated that staff would prepare a report for Council’s consideration.

Mr. Longley indicated that the Directors would then present each Department’s priority projects, and referenced the handout titled “Agency Comparison” that Mr. Pyle had prepared for the Council. Mr. Longley stated that staff had not before conducted a revenue/expenditure per capita analysis and that it provided an interesting view. He then proceeded to review the Analysis. It was pointed out that the Comparison was a macro view and that the figures could be skewed by loans and/or grants.

The Council recessed for ten minutes.

Mr. Pyle next referred everybody to the “Project Priority Coding Sheet” in the Budget Packet, explained the coding system, and moved onto the Project List. The first Project List to be reviewed was that of City Manager, Administrative Services and City Clerk. Mr. Pyle reviewed the priority status of each of the identified activities and stated that those could be re-prioritized at the Council’s direction.

Mayor Pro Tem Hamilton suggested that the meeting focus on the Budget and that with regard to prioritizing projects, the Council should be able to review them and offer direction at a later date. The Council agreed.

Police Chief Silver Rodriguez next reviewed the Project List for the Police Department, noting that his Department was not necessarily project-driven. He identified upgrading the Communications Console and the Emergency 9-1-1 System as significant priorities. In response to a question from Council, Chief Rodriguez stated that there was no cost difference between an
Officer on a bicycle versus an Officer in a patrol car. A discussion then ensued as to the merits of Officers on bicycles.

The Public Works Department’s Work Effort Listing was next presented to the Council by Director Baldo Rodriguez. Mr. Rodriguez proceeded to review each of the items identified on the list, beginning with those of the highest priority. It was pointed out that the projects identified as Level 1, were projects that were not expected to incur any significant progress. In response to a question from Council, Mr. Rodriguez clarified that the Henderson Reconstruction Project (Newcomb to Westwood) had been stalled due to land acquisition and encroachment permits for widening the culvert, but that the project could now proceed. Mr. Rodriguez added that the Henderson Reconstruction Project (Jaye Street to SJVRR) would likely move from a Level 0 priority to a Level 3 priority. Mr. Longley added the Recycling project should also be added as a Level 3 priority.

Council Member Stadtherr questioned the viability of creating an overpass/underpass at the in the intersection of Henderson Avenue and Main Street. It was pointed out that the location in question consisted of solid rock and that such a project would prove difficult and costly.

Community Development Director Brad Dunlap next reviewed the Work Effort List for his Department. In response to Mr. Dunlap’s identification of Associate Planner Recruitment as a Level 3 priority, Mayor Pro Tem Hamilton questioned why the City had not utilized the services of a headhunter. The Council directed staff to proceed with hiring a consultant to assist in the recruitment of an Associate Planner and an Assistant Engineer. Mr. Longley confirmed that he would proceed and provide a staff report with identified funding sources at the next Council Meeting.

Mr. Dunlap continued to review the Community Development Department Work Effort Listing. A discussion ensued as to using a mitigation bank for the Head Gate project, during which Mr. Dunlap noted that staff was conducting due diligence on options for the Habitat Conservation Plan and indicated potential benefits in coordinating efforts.

Next, Fire Chief Frank Guyton presented the Prioritized Project List for the Fire Department, identifying those projects categorized as Level 4 priority first. No comments were offered by the Council.

Director Jim Perrine followed with a review of the Parks and Leisure Services Department Work Effort List. Mr. Perrine pointed out that many of the Level 2 projects related to the Heritage Center and indicated that the delay in the project was attributed to the contractor. A discussion ensued regarding the Heritage Center Project during which it was stated that the contractor was now into liquidated damages. Mr. Perrine continued with his review of the Work Effort List, noting that some projects were crossed referenced on the Lists of other Departments, such as the Rails to Trails Project identified as a Level 1 priority on the Parks and Leisure Services Department List, yet classified as a higher priority on the Public Works List.

In response to a question from Council Member Stadtherr, City Librarian Carolyn Johnson clarified that circulation records of library patrons remained on record until the book(s) were returned.
Mr. Longley then concluded the presentation of the Departmental Project Priority Lists and pointed out that the List had been a new addition to the Budget that year. He requested that the Council provide feedback during the Public Hearing process when the Budget was brought before the Council.

Mr. Pyle indicated that staff would prepare a draft resolution that established the appropriations for the General Fund and other Funds. He stated that during the Public Hearing, modifications could be made at the request of Council and the draft resolution modified that evening. He stated that once the document was then published, it would reflect those modifications.

In response to a question from Council, Mr. Perrine and Mr. Longley elaborated on the Lighted Softball Field Feasibility Study identified on the list as a Level 0 priority, and clarified the difference between that and the Sports Field Analysis currently underway. Mr. Longley confirmed that this project would likely not progress for another 2 to 3 years, and that the Commission would likely review the Sports Field Analysis to make recommendations to Council. A discussion ensued as to potential funding options, such as through partnerships with the School Districts, for a Lighted Ball Fields Project and the role in which the Commission would play.

Mr. Longley indicated that in his Follow-up to staff on that meeting, he would request that Mr. Dunlap identify pursuing partnerships with other agencies as an objective for facility development in the planning process.

Mayor Pro Tem Hamilton commented that a Lighted Ball Fields Project was very important for economic development.

In response to a question from Council as to why pocket parks had not been identified as a priority project, it was pointed out that a Committee had already been formed to make recommendations to the Council on pocket parks. Mr. Dunlap stated that the Committee had recommended to incorporate pocket parks into the Subdivision Ordinance. He then noted that the Work Effort List had been drafted prior to that recommendation and stated that the Subdivision Ordinance Amendment should be reclassified from a Level 1 priority to a Level 2 or 3.

Mr. Pyle moved on to a review of the (10 Year) “Capital Improvement Strategies,” referring everyone to the handout. Mr. Pyle noted staff efforts to consolidate projects so as to maximize efficiencies. He added that the spreadsheet offered a macro view of activity, some of which was funded and some of which was not. He stated that the Summary also included items that, at the Council’s direction, could be brought forward more quickly for consideration. He pointed to a potential opportunity of acquiring additional revenue of approximately $1.7 Million without increasing annual debt service through the refinance of COPs. Mr. Pyle then proceeded to review the line items throughout the Summary.

Mayor Pro Tem Hamilton questioned why the figures in the analysis did not reflect inflation, but rather were projected to remain static, even though the numbers would increase. A discussion ensued as to adding an inflation factor to the projected figures, after which it was determined that the numbers would be adjusted for inflation.
Proceeding project by project, Mr. Pyle pointed out that some of the projects identified in the Summary were unfunded. Mr. Longley elaborated that unfunded meant that the project would not move forward until funds were acquired. It was stated that even though some projects were identified as unfunded, staff believed they were important enough to be identified.

With respect to the refinancing of COPs, Mr. Pyle indicated that the refinance would not have a negative Budget impact, but rather the debt service would last 4 to 5 years longer at the same rate.

Council Member Irish stated that if a COP refinance was considered by the Council, he would want the ability to earmark exactly what projects would be funded and the timelines for those projects. A discussion ensued regarding the process by which staff would proceed if so directed by Council.

Regarding the “Poplar Road Connecting to Main Street” Project, Mayor West suggested that some of the developers should be responsible for a portion of the work. Staff indicated that there was a connection between that project and the proposed development at Jaye Street and Highway 190. Mr. Dunlap elaborated that there were a number of constraints regarding the issue that almost warranted a study session.

Mr. Longley noted that the $7,500 budgeted for Success Seismic Remediation in FY 2005/2006 should come from the Water Fund and not the Storm Drain Fund as was shown. Mr. Pyle confirmed that this revision would be made in the final version.

Mr. Pyle then moved onto the CDBG/ Redevelopment portion, and noted that Casas Del Rio should be changed to Casas Buena Vista. With respect to Parks and Leisure Services Projects, Mr. Pyle noted that the $65,000 budgeted for re-roofing the City Hall Annex would be run through the Building Construction Fund once the commercial property identified earlier sold.

In response to a question posed by Mayor Pro Tem Hamilton, a discussion ensued regarding which items were covered by Equipment Replacement, and which items were not, yet needed to be. Mr. Pyle indicated that staff was currently working on identifying those big ticket items through their work with Johnson Controls.

Council Member Stadtherr commented that he saw no street projects proposed in the Walnut/Orange/Date area. It was pointed out that most of the area was still within the County and not yet annexed, but that it was in the first batch of proposed annexations.

The Council recessed for ten minutes.

Council Member Martinez questioned whether funding for relocating the Parks and Leisure Service Department had been identified. Mr. Longley stated that staff would prepare a memorandum addressing the options available.

Mr. Longley next pointed the Council to the “Service Narratives” provided in the Budget Package. He stated that he would not review them at that point, but that staff was available to answer any questions the Council might have. He then referred everyone to the handout entitled
“Indicator Analysis for Data through June 30, 2005.” He summarized that as the City grew, it was not keeping up in terms of available resources. Mr. Longley indicated that this concluded the presentation and that staff would be happy to address any questions and/or comments. He stated that a public hearing would be scheduled for the next regular Council Meeting to receive public comment and to approve the Budget.

Council Member Stadtherr suggested that the Council submit written questions to the City Manager, and that staff compile all of the questions and provide the comprehensive list along with the answers to the Council.

Mr. Pyle then distributed the “Revenue Detail” for the Airport Fund which had been omitted from the Budget packages, along with a “2005/2006 Proposed Equipment Replacement Schedule.” He proceeded to briefly review each line item on the Equipment Replacement Schedule.

In response to a question posed by Council Member Irish regarding the status of COP funds, Mr. Pyle indicated that he would provide the Council with the payoff information for the COPs. A discussion ensued regarding the City’s options with respect to the rates of return. It was noted that there were different issuances with different rates of return on the COPs.

Mr. Longley confirmed that a list would be compiled of the questions and requested that all comments and questions be funneled through him.

ADJOURNMENT
The Council adjourned at 11:35 a.m. to the meeting of June 21, 2005 at 6:00 p.m.

Patrice Hildreth, Deputy City Clerk

SEAL

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Kelly E. West, Mayor