

**PUBLIC HEARING**

SUBJECT: ADOPTION OF FISCAL YEAR 2013-2014 BUDGET

SOURCE: City Manager

COMMENT: Consistent with the City Charter, the City Manager has submitted for Council consideration a draft Budget for the 2013-2014 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 2012-2013 Fiscal Year budget expires after June 30, 2013. Therefore, a new budget must be adopted which allows payroll to be paid and routine expenditures to be incurred effective July 1, 2013. 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.

From its Study Session on June 11<sup>th</sup>, the City Council discussed and gave direction that the several City budgetary subjects be reviewed in greater depth during the coming Fiscal Year, including: review of the employee health insurance program, Parks & Leisure Services Commission review of leisure activities (Golf Course, OHV, Swimming Pool, etc), evaluation of potential City surplus properties, and City infrastructure replacement needs.

C/M 

Item No. 20

Council also gave direction to develop a modified design to the new Animal Shelter that would include the construction of the support office and approximately forty kennels. Funds to be received by the City from the PTAF settlement were to be applied to the project to facilitate its construction funding. Also, staff was directed to begin discussions with the City of Lindsay toward the acquisition of the existing Animal Shelter.

In addition, staff has recognized that a Public Works street light improvement project was not included in the Capital Projects work plan, which includes signal improvements at the intersection of Putnam Avenue and "D" Street, and is funded through the Federal Highway Safety Improvement Program (HSIP).

**RECOMMENDATION:** The City Manager recommends that the City Council consider adoption of the proposed 2013-2014 Fiscal Year Budget, including any modifications and for the time period designated by Council.

**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. Capital Projects Worksheet (as modified)

**FY 2013-14 Preliminary Budget**  
**June 4, 2013**

**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, the approaching fiscal year is anticipated to be the least challenging of the past five years. Given improving economic conditions, and especially the successful passage of Proposition 30 this past November, the State's budgetary condition appears to have stabilized, and thus no negative impacts by the State are expected upon the City budget as we have experienced in recent years (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 construction of the new South County Justice Center is nearing completion, with its opening scheduled for this coming Fall 2013. With the assistance of a \$60 million State grant, the County is conducting its required environmental review toward the development of a new South County detention facility, with construction anticipated to begin in 2014 and become operational in 2016. The opening of Kohl's in the Porterville Marketplace precipitated the expected companion retail development (PetSmart, Marshall's, Famous Footwear, Rue21, etc), with additional national-brand retailers also seeking to locate in Porterville, either on the Henderson Avenue or Highway 190 commercial corridors. The Superior Court recently ruled in favor of the City and the Council's approval of the Riverwalk Phase II (Super Walmart) EIR, though it is anticipated that the opponents will file an Appeal to the decision - the best case scenarios provide Walmart to begin construction in late Fall 2013 absent an appeal, or late Fall 2014 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 Avenue commercial corridor), 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 \$21.7 million estimated in the current 2012-13 fiscal year. As tax revenues have been

moderately improving, staff has conservatively estimated General Fund revenues for the coming fiscal year at approximately \$22.1 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 \$20.7 million in the current 2012-13 fiscal year. Expenditures for the coming 2013-14 fiscal year are currently budgeted at \$23.2 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 \$1.16 million (95%). The recent refinancing of the 2005 Certificates of Participation (COP) reduced the General Fund's annual debt service obligations by almost \$500,000, providing future financial flexibility and potentially presenting possibilities for the General Fund to further fund capital projects.

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. The City currently experiences an effective employer contribution rate of 31.234% for Public Safety employees, and 22.285% for Non-Public Safety employees, for every \$1.00 of payroll paid, and current Agreements with each of the City's six employee Associations (Fire, Fire Management, General Series, Management/Confidential, Police, and Public Safety Support) have all come to Agreement to share equally in the slight increased PERS pension costs through the coming fiscal year.

With regard to capital projects funded by the General Fund and/or dedicated grant funds, utilizing CEQA-mitigation funds received in the location of the new South County Justice Center, the lighting of the softball fields and central playing fields at the Sports Complex (\$450,000) are under design and should be installed by this coming Fall 2013.

Utilizing Proposition 84 grant funds (\$2.1 million), the design for the development of the new park on Chase Avenue is complete, with construction expected to begin this Fall and anticipated to open in Spring 2014.

A significant capital project yet without full-appropriation to begin construction is the planned new Animal Shelter on Grand Avenue, north of the City's Corporation Yard. With \$625,000 currently budgeted for construction of the facility, approximately \$600,000 in additional funds would need to be appropriated to complete construction of Phase I of the facility, which would include either one hundred (100) kennels and none of the planned support staff office space, or forty (40) kennels and portion of the planned support office space. For the Council's information and reference, the five (5) - year lease (\$1/year) with the City of Lindsay for the use of their Animal Shelter expires on January 1, 2014. The City of Lindsay has indicated their interest in the City of Porterville purchasing the existing facility, either by purchase price or by the

corresponding offset of annual consolidated dispatch charges. The Council may consider Phase I construction of the new Animal Shelter to include fewer kennels and portion of the planned support office space, and enter negotiations with Lindsay in the acquisition of the existing Animal Shelter. As a point of consideration and reference, the City is also anticipating a one-time distribution of more than \$600,000 in property tax funds by June 30, 2013, as settlement of the PTAF lawsuit against the County of Tulare:

#### MEASURE H

The beginning of construction of the new Public Safety Station is the primary project of emphasis this coming fiscal year, with the design of the facility nearly complete. Given an estimated construction cost of between \$4 and \$5 million, and approximately \$3.5 million in Reserve with expected annual Measure H Fund revenues projected in excess of expenditures of at least \$150,000 the next several years, it is anticipated that the new Public Safety station will be ready to begin construction in the coming fiscal year and be nearly fully-funded. With the approaching 2014 California Building Code Update (effective July 1, 2014), the City must pull permits to begin construction prior to July 1<sup>st</sup>, otherwise the facility design will need to be updated to address the new Building Code Update.

#### STREET PROJECTS

The Plano Street Bridge Widening Project remains the primary project of emphasis this coming fiscal year. The Engineer's total estimated project cost was approximately \$9,187,465, of which the City's match is 11.47% (\$1,053,800), which is funded through Certificates of Participation. Having recently advertised for bids, the lowest bid for the project was approximately \$13.3 million, which Caltrans has agreed to increase their appropriation consummate with their 88.53% share (\$2,655,900) and the City's 11.47% match (\$300,000) funded through Local Transportation Funds (LTF). Though originally planned to be completed in two construction phases due to the seasonal flow requirements of the Tule River, the project may be completed in a single phase 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 (\$9.2 million); 2) Jaye Street Roundabout & Montgomery Street Reconstruction (\$1.65 million); 3) Westwood Street Shoulder Stabilization/Widening - Henderson Avenue to Westfield Avenue (\$1.3 million); 4) Downtown Pedestrian Walkways - Garden Avenue and Oak Avenue (\$900,000); 5) Newcomb Street Shoulder Stabilization/Widening, Phase 2 - Olive Avenue (\$800,000); 6) W. North Grand Avenue Reconstruction, Phase 2 - Highway 65 to Prospect Street (\$625,000); 7) Olive Avenue Reconstruction - Main Street to Plano Street (\$525,000); 8) Lime Street Reconstruction - Henderson Avenue to Mulberry Avenue (\$425,000); 9) Morton Avenue Shoulder Stabilization - Westwood Street to Highway 65 (\$325,000); and Mathew Street Shoulder Stabilization - Olive Avenue (\$140,000).

In regard to capital projects involving city streets and roadways, it is projected for the coming fiscal year that the City will have approximately \$6 million in street construction and maintenance funds programmed for appropriation, consisting of approximately \$1,500,000 in Congestion Mitigation and Air Quality (CMAQ), \$1,320,000 in Gas Tax, \$1,150,000 in Local Transportation Funds (LTF), \$1,030,000 in "Regional" Measure R, \$900,000 in "Local" Measure R, and \$713,800 in Prop 1b funds. Consistent with the City's Pavement Condition Index (PCI), staff will present project recommendations to the Council for consideration of appropriation. Significant projects that are anticipated to progress next fiscal year include: 1) Jaye Street Bridge Replacement (\$9.1 million); 2) Plano Street Bridge Widening (\$8.6 million); 3) Westwood Street Shoulder Stabilization (\$1.3 million); 4) Jaye Street Roundabout (\$1.25 million); 5) Newcomb and Beverly Streets Shoulder Stabilizations (\$1 million); 6) W. North Grand Avenue Reconstruction (\$350,000); and 7) Morton Avenue Shoulder Stabilization (\$330,000).

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 Management Index (PMI), Council approved the micro-surfacing of Henderson Avenue (Patsy Street to Westwood Street), Indiana Street (Henderson Avenue to Westfield Avenue), Leggett Street (Putnam Avenue to the Porter Slough), and Gibbons Avenue (Jaye Street to Indiana Street). Given the favorable bids received, it is estimated that approximately \$150,000 will be available for additional micro-surfacing project(s) for Council's determination.

Significant staff time will be spent in continued facilitation with Caltrans on the ongoing Highway 190 corridor study, with the Measure R Expenditure Plan Amendment currently being considered by TCAG having great influence on anticipated interchange and widening improvements.

#### WATER PROJECTS

With the completion of the 3 million-gallon Martin Hill reservoir, 500 thousand-gallon Rocky Hill reservoir, Morton Avenue trunkline, and Veteran's Park booster pump water projects funded by a CIEDB loan and resulting cost-savings in project construction, approximately \$1.4 million of the original \$8.0 million loan has been appropriated for the development of Well #32, located southwest of the Airport near the Porterville Fairgrounds. 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.

#### SEWER PROJECTS

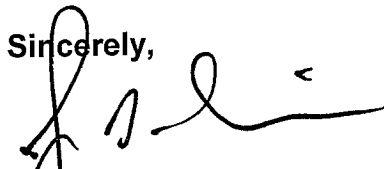
With the first of the Island Annexation Sewer Extension Projects having begun construction, it is anticipated that more than \$7 million in sewer extension projects will be constructed during the current 2012-2013, 2013-2014, and possibly 2014-2015 fiscal years, with the objective of connecting to City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

### STORM DRAIN PROJECTS

Considering capital projects involving the City's storm drain system, with regard to effects from the 2010 winter storm event, the storm drain system at Zalud Park will be improved to provide a permanent drainage connection from the Park to the Henderson Avenue and "G" Street drainage system (\$260,000).

In summary, the Preliminary Budget proposed for the upcoming 2013-14 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's regular quarterly budget review continue..

Sincerely,



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 2013-2014

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, 2013 and ending June 30, 2014 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 2013-2014 Fiscal Year based on the cash reserves balance;

NOW, THEREFORE, BE IT RESOLVED:

1. The City of Porterville General Fund Budget for the 2013-2014 fiscal year is adopted in the following amounts:

Operating Budget	\$23,164,738
Capital Projects	2,682,564
Debt Service	<u>1,202,422</u>
Total	<u>\$27,049,724</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.

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Virginia R. Gurrola, Mayor

ATTEST :

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John Lollis, City Manager / City Clerk

**\*RECERTIFICATION FOR 2013-14 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 2013-14 Sales Tax Revenues	\$2,939,507
Interest	<u>35,000</u>
<b>Total Revenues</b>	<b><u>\$2,974,507</u></b>
 Fiscal Year 2013-14 Expenditures	
Maintain expanded patrol operations and gang suppression and narcotics operation with 10 sworn and 3 non-sworn Police personnel	\$1,363,634
Maintain 8 additional sworn Fire personnel and 1 Public Education Officer	976,906
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>440,000</u>
Subtotal	<u>\$2,780,540</u>
Construction of Public Safety Station	\$3,500,000
Development of Library Literacy Center	<u>100,000</u>
Subtotal	<u>\$3,600,000</u>
<b>Total Expenditures</b>	<b><u>\$6,380,540</u></b>

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John 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 2013-2014

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 Fund for the period beginning July 1, 2013, and ending June 30, 2014; 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 2013-2014 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 2013-2014 fiscal year, are adopted in the following amounts:

Operating Budget	\$34,009,214
Capital Outlay	54,888,910
Debt Service	<u>4,932,050</u>
Total	<u>\$ 93,830,174</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 2013-2014 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 2013-2014 fiscal year.
3. Increased service levels that require additional appropriations shall not be implemented without prior City Council approval.

\_\_\_\_\_  
Virginia R. Gurrola, Mayor

ATTEST:

\_\_\_\_\_  
John Lollis, City Manager / City Clerk

**CITY OF PORTERVILLE  
ANNUAL BUDGET  
2013 - 2014**

**CAPITAL PROJECTS**

PROJECT	ACCOUNT NUMBER	REQUIRED AMOUNTS	FUNDING SOURCE
Oak Ave walkway	89-9146	460,000	Measure R - Alt / TE grant / LTF
Olive Ave (cold in place recycle project)		576,326	Special gas tax / Prop 1B
Overlay program	89-9101	467,418	STP
Pavement mgt program implementation & maintenance	89-9127	30,000	Special gas tax
Plano Bridge/Tule River widening	85-9701	12,493,570	HBP / LTF / COP / Water dev fees
Putnam and D St traffic signal		340,500	HSIP / STP
Rock crushing and screening		35,000	Special gas tax / STP
Scenic Heights guard rail repair	89-9134	30,000	LTF
Signs and signals upgrade	89-9111	40,000	STP
Street intersection safety evaluations	89-9105	8,400	STP
Vandalia median island	89-9141	67,898	LTF
Westfield / Matthew - traffic mitigation		45,875	Traffic impact fees
Westfield / Westwood - traffic mitigation		45,875	Traffic impact fees
Westwood St - Henderson Ave to Westfield	89-9109	273,000	LTF / COP / Meas R-Alt
<b>TOTAL</b>		<b>\$ 23,546,612</b>	

**STORM DRAIN**

Drainage reservoir #14 expansion	89-9266	\$ 120,000	Developer Fees
Drainage reservoir #18		250,000	Developer Fees
Drainage reservoir #49		250,000	Developer Fees
Flood plain management		20,000	Developer Fees
Master plan payback	89-9208	144,765	Developer Fees
Master plan update	89-9258	200,000	Developer Fees
N Grand reconstruction (Prospect to SR65)	89-9267	330,000	Developer Fees
South Jaye St extension	89-9259	71,000	Developer Fees
Storm drain #30 and piping		322,000	Developer Fees
Tomah Ave - Porter Rd to Wisconsin	89-9265	55,000	Developer Fees
Zalud Park storm drain upgrade	89-9229	260,000	Developer Fees
<b>TOTAL</b>		<b>\$ 2,022,765</b>	

**PARKS AND LEISURE SERVICES**

Chase Avenue park	89-9494	\$ 1,644,522	Prop 84 grant
Library literacy center development	89-9495	155,125	GF carryover / Measure H
Library restroom remodel		87,500	GF carryover
Lime Street park	89-9871	16,000	CDBG
Practice field lighting	89-9498	435,000	CEQA mitigation
Putnam property improvements (across Murry Park)	89-9499	61,000	Housing related parks grant
Santa Fe gym floor		28,395	CDBG
Sports complex access road		10,000	General Fund
Sports complex restroom/concession		115,000	Contribution-Porterville Youth Football
Sports park shade structure	89-9458	45,000	Housing related parks grant
Tule River Parkway, Phase III	89-9439	84,000	Meas R-Alt
Zalud park shade structure		45,000	Housing related parks grant
<b>TOTAL</b>		<b>\$ 2,726,542</b>	

CAPITAL IMPROVEMENTS STRATEGIES 2013/2014													11
PUBLIC WORKS - SIGNALS													FUNDING FISCAL YEAR 13/14
PROJECT DESCRIPTION	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23			
Increase ENR (estimate):		3.25%					3.25%	3.25%	3.25%	3.25%			
Henderson/Mathew							\$545,196						Unfunded
Henderson/Plano													Unfunded
Henderson/Second			\$479,725	\$495,316									Unfunded
Mathew/Morton								\$562,915					Unfunded
Newcomb/Mulberry		\$464,625											Unfunded
Newcomb/N. Grand									\$561,210				Unfunded
Olive/Prospect				\$495,316									Unfunded
Orange/D			\$479,725										Unfunded
Plano/College		\$464,625		\$495,316									Unfunded
Plano/Vandalia/Poplar										\$600,099			Unfunded
Prospect/Bel Air													Unfunded
Prospect/North Grand						\$528,035							Unfunded
Prospect/Pioneer						\$528,035							Unfunded
Putnam/Crestview							\$545,196						Unfunded
Putnam/"D" Street													Unfunded
Environmental	\$13,500												HSIP
	\$1,500												STP
Plans, Specifications and Estimate	\$27,000												HSIP
	\$3,000												STP
Construction Engineering/Management	\$24,000												HSIP
	\$2,700												STP
Construction	\$239,000												HSIP
	\$29,800												STP
Putnam/Leggett		\$464,625											Unfunded
Westfield/Indiana					\$511,414								Unfunded
Westfield/Lombardi										\$600,099			Unfunded
Westfield/Mathew - Burton Traffic Mitigation	\$45,875												Traffic Impact Fees
City Share (Design, ROW & Environmental)		\$418,750											Unfunded
Westfield/Westwood - Burton Traffic Mitigation	\$45,875												Traffic Impact Fees
City Share (Design, ROW & Environmental)		\$418,750											Unfunded
	\$432,250												

\* Re-appropriated from prior year.

STP = Surface Transportation Program  
LTF = Local Transportation Fund  
Reapp LTF = Local Trans. Funds  
CMAQ = Congestion Mitigation and Air Quality Funds  
HSIP = Highway Safety Improvement Program  
Traffic Impact Fees