

# **SPECIAL MEETING OF THE MADERA CITY COUNCIL**

205 West 4<sup>th</sup> Street, Madera, California 93637

## **NOTICE AND AGENDA**

**Wednesday May 29, 2019  
6:00 p.m.**

**Council Chambers  
City Hall**

### **CALL TO ORDER**

**ROLL CALL:** Mayor Andrew J. Medellin  
Mayor Pro Tem Steve Montes, District 3  
Council Member Cece Gallegos, District 1  
Mayor Pro Tem Jose Rodriguez, District 2  
Council Member Derek O. Robinson Sr., District 4  
Council Member Santos Garcia, District 5  
Council Member Donald E. Holley, District 6

### **PLEDGE OF ALLEGIANCE:**

### **PUBLIC COMMENT:**

The first fifteen minutes of the meeting are reserved for members of the public to address the Council on items which are within the subject matter jurisdiction of the Council. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. If the subject is an item on the Agenda, the Mayor has the option of asking the speaker to hold the comment until that item is called. Comments on items listed as a Public Hearing on the Agenda should be held until the hearing is opened. The Council is prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Council does not respond to public comment at this time.

### **A. WORKSHOP**

A-1 Workshop on the City's Proposed Fiscal Year 2019/2020 Budget Pertaining to the General and Enterprise Funds

**ADJOURNMENT** – Next regular meeting June 5, 2019

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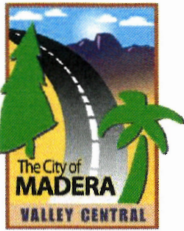
- Please silence or turn off cell phones and electronic devices while the meeting is in session.
  - Regular meetings of the Madera City Council are held the 1<sup>st</sup> and 3<sup>rd</sup> Wednesday of each month at 6:00 p.m. in the Council Chambers at City Hall.
  - Any writing related to an agenda item for the open session of this meeting distributed to the City Council less than 72 hours before this meeting is available for inspection at the City of Madera Office of the City Clerk, 205 W. 4<sup>th</sup> Street, Madera, California 93637 during normal business hours.
  - The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Request for additional accommodations for the disabled, signers, assistive listening devices, or translators needed to assist participation in this public meeting should be made at least seventy two (72) hours prior to the meeting. Please call the Human Resources Office at (559) 661-5401. Those who are hearing impaired may call 711 or 1-800-735-2929 for TTY Relay Service.
  - Questions regarding the meeting agenda or conduct of the meeting, please contact the City Clerk's office at (559) 661-5405.
  - Para asistencia en Español sobre este aviso, por favor llame al (559) 661-5405.
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I, Claudia Mendoza, Interim City Clerk for the City of Madera, declare under penalty of perjury that I posted the above agenda for the Special Meeting of the Madera City Council for May 29, 2019, near the front entrances of City Hall at 10:00 p.m. on May 23, 2019.



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Claudia Mendoza, Interim City Clerk



REPORT TO CITY COUNCIL

Approved by:

  
Department Director

  
City Manager

Council Meeting of: May 29, 2019

Agenda Number:     A-1    

**SUBJECT:** Workshop on the City's Proposed Fiscal Year 2019/2020 Budget pertaining to the General and Enterprise Funds

**RECOMMENDATION:**

Staff recommends that the City Council (Council) provide staff direction on the proposed Fiscal Year 2019/20 General and Enterprise Fund Budgets.

**DISCUSSION:**

As part of the City's Annual Budget process, meetings and workshops are held to provide Council and community members an opportunity to gain a better understanding of how City funds are allocated; provide staff direction on resources; discuss service delivery plans; outline Capital Improvement projects, funding sources, and timelines; and answer questions. This is the 2<sup>nd</sup> workshop of this series.

Prior to this workshop, the Council held a workshop on April 4, 2019 to discuss the City's Draft Capital Improvement Program (CIP) for Fiscal Year 2019/20 to 2023/24. Based on feedback from the CIP workshop, staff updated the CIP and is recommending budget allocations to complete projects as directed by Council.

In preparation for this workshop, this report provides a summary of the following:

- Sources of Revenue
- Summary of FY 2018/19 Budget
- FY 2019/20 General Fund Budget overview
- FY 2019/20 Measure K Budgets
- FY 2019/20 Enterprise Fund overview

**SOURCES OF REVENUE:**

The City generates revenue from a plethora of sources. The following provides a synopsis of said sources.

## **General Fund**

The General Fund is comprised of various funding sources. In short, more than 170 revenue line items contribute to the General Fund. The following 11 major revenue sources account for nearly 77 percent of the General Fund:

- Sales & Use Taxes
- Engineering Fees
- Building Permits
- Cable Utility Franchise Tax
- Property Tax
- Interfund Charges
- Transient Occupancy Tax
- Grants
- Secured Property Tax
- Police Fees
- Business License Tax

## **Measure K**

Measure K is a Sales Tax adopted by the residents of Madera to support Public Safety. The revenue generated by this ½ cent sales tax is split equally between the Police and Fire Departments. Measure K revenue is used for both operations and capital improvements.

## **Enterprise Funds**

Enterprise funds are municipal services that are funded through fees charged partly or wholly to cover the costs of the services provided. Enterprise activities are roughly analogous to a private sector business, however are not run for profit. The fees collected must be used on operating and/or capital expenditures directly related to the enterprise for which they were collected, such as water, sewer, or street sweeping.

## **2018/19 PROJECTED BUDGET SUMMARY**

The Council may recall that the City's adopted FY 2018/19 budget reflected a negative position, however then City Administrator Frazier indicated it was his belief the deficit would not be realized. At the Council meeting on April 3, 2019, staff presented a mid-year budget report that analyzed how year-to-date revenues and expenditures compared to original projections, and to determine if any budget amendments were necessary. At the meeting, staff informed Council that the City was performing well given that:

- Anticipated revenue exceeded expenditures; and
- The City was experiencing one-time salary savings from vacant staff positions.

During the mid-year budget, several minor amendments were presented, and staff informed Council that based on its analysis, the City would end the fiscal year with a surplus rather than a deficit. The precise surplus dollar amount is yet to be determined given that the operating year is not yet closed and all revenues and expenditures have not been received and/or recorded. A precise figure will be determined as part of the City's Annual Audit. Once the surplus has been quantified and verified by the City's auditor, Council will be presented with the audited financial statements, and will have the opportunity to make decisions on how the surplus funds should be allocated.

## **PROPOSED 2019/20 BUDGET SUMMARY**

Staff is proposing a balanced budget for FY 2019/20, where projected operational revenues will pay for projected operational expenses. Operational costs are the day-to-day expenses incurred as a normal cost of doing business (e.g. salaries, benefits, utilities, supplies, equipment, contractual services, and similar costs). Table 1 identifies the proposed FY 2019/20 Operating Revenues and Expenditures for the General Fund and Measure K.

<i>Table 1: Proposed Revenue &amp; Expenditures for FY 2019/20</i>		
<i>Description</i>	<i>Anticipated Revenue</i>	<i>Proposed Expenditures</i>
<i>General Fund</i>	(\$32,407,454)	\$32,407,454
<i>Measure K</i>	(\$4,935,621)	\$3,472,728

Significant highlights of the FY 2019/20 Budget:

1. *Revenues:*

Retail Sales & Use Taxes: MuniServices, the City’s consultant, is projecting a decrease of 2 percent for FY 2019/20 over current year actual Sales & Use Tax revenues.

2. *Expenses:*

Staffing: As Council is aware, there was a hiring lag between the transition in City Managers, contributing to the FY 2018/19 surplus. As the City moves forward with ensuring appropriate staffing for services, these salary and benefit expenses will be incurred. However, the workforce is always in flux. The proposed FY 2019/20 operating budget includes staff’s realistic expectations for staffing.

Projected Salaries: There are currently 28 vacant full-time positions in the City, although there are numerous ongoing recruitments. Of the 28 positions, 17 are budgeted at 100 percent in the proposed budget based on the current recruitment/hiring status. Beyond that, the City Manager is evaluating the remaining positions.

3. *Measure K:* Upon initial establishment of the Measure K Fund for accounting purposes, funds for Police and Fire were accounted for in a single account. Under direction from the City Manager, these funds have been separated into individual funds for better accountability. This also means that any surplus in a given fiscal year will remain in the fund balance for the service it was meant to be utilized for, Police or Fire. In addition, staff is proposing to:

- Hire and purchase equipment for up to seven new fire fighters to be housed at Fire Station 58.
- Allocate funds for Operations and Maintenance for Fire Station 58.
- Establish a fire engine/truck replacement fund. Staff is proposing to allocate \$200,000 per year towards future replacement needs.
- Establish a fund reserve account similar to the City’s General Fund Reserve of 30 percent. Staff is recommending \$130,000 per each department for FY 2019/20.
- Repave the parking lot at Fire Station 57.

4. *General Fund Reserve:* The City’s Fiscal Policy dictates that the General Fund maintain a minimum reserve balance of 30 percent. Currently \$11.3 million of General Fund balance is reserved to meet this 30 percent requirement. An additional \$130,000 is reserved in the Fire and Police Measure K Funds each for a total of \$260,000.

5. *Capital Improvements:* Capital Improvements are one-time expenditures for improvements, such as parks, streets, land, buildings, etc. By their nature, Capital Improvements often overlap fiscal years. As a result, separate accounts will be created commencing in FY 2019/20, minimizing spikes

in the budget caused by projects that may span multiple fiscal years, but receive the majority of their funding in a single year. The previously mentioned ongoing funding toward fire truck replacement is an example of this approach.

Table 2 provides a list of Capital Improvements utilizing General Fund and Measure K . The General Fund non-operational expenses include Community Development Block Grant capital projects, Tyler Munis (computer software program), and street capital outlay. Measure K Capital Improvements include the new Fire Station, parking lot improvements to Fire Station 57 and the Police Department, and the Police Department radio system.

<b>Table 2: Capital &amp; Non-operational Budget for FY 2019/20</b>		
<i>Description</i>	<i>Non-operational Revenue</i>	<i>Non-operational Expenses</i>
<i>General Fund</i>	(\$1,111,504)	\$1,163,022
<i>Measure K</i>	See Table 1	\$5,442,032

**ENTERPRISE FUNDS**

As stated above, Enterprise Budgets are primarily funded by user fees. In FY 2019/20, the Enterprise Funds are projected to generate a total \$35.3 million in revenue, \$26.7 million in operating expenditures, and \$8.3 million in Capital Improvements. Table 3 provides a summary of the funds, followed by an account overview.

<b>Table 3: Enterprise Fund Summary</b>			
<i>Description</i>	<i>Projected Revenue</i>	<i>Projected Expenses</i>	<i>Projected Capital Outlay</i>
<i>Water</i>	(\$12,537,026)	\$7,186,850	\$6,882,750
<i>Sewer</i>	(\$10,913,951)	\$8,576,392	\$350,375
<i>Solid Waste</i>	(\$5,920,424)	\$6,741,633	\$375
<i>Drainage</i>	(\$841,150)	\$834,068	-
<i>Airport</i>	(\$776,130)	\$658,635	\$114,000
<i>Golf Course<sup>(1)</sup></i>	(\$392,851)	\$392,851	-
<i>Local Transit Fund</i>	(\$3,909,415)	\$2,295,140	\$958,895
<sup>(1)</sup> Includes a General Fund transfer in of \$296,851.			

**Water Fund**

The Water Fund is funded by user fee revenue which pays for the operations and maintenance of the municipal water system, including 18 wells, a one million gallon above-ground storage tank, miles of distribution mains, and approximately 13,000 water meters. The fund supports the City’s efforts to provide clean water to the community, conserve water resources, and to plan for future growth. The total capital request for FY 2019/20 is \$6.9 million. In January 2020, the last of five water rate adjustments will occur which will result in an increase of approximately 4.4 percent in revenues. Additional changes in the Water Fund include a 50 percent decrease to the water conservation component of the water rates, which will result in savings to rate payers, however fewer resources will be available for water conservation activities.

## **Sewer Fund**

The Sewer Fund is funded by user fee revenue which pays for the maintenance and operation of the sewage collection system and the Waste Water Treatment Plant (WWTP). There are \$350,000 of new capital projects scheduled for FY 2019/20. Moving into FY 2019/20, the WWTP is fully staffed and it is anticipated that both preventative and deferred maintenance projects will be accelerated.

## **Solid Waste**

The Solid Waste Fund is funded by user fee revenue which pays for solid waste collection and street sweeping. When the solid waste rates were set several years ago, revenues exceeded expenditures in excess of the goal of 20-30 percent of the annual operating expenses. As a result of user rates being reduced by 15 percent and no planned increases for five years, annual deficits were programmed for the subsequent 5 years. The deficit for the proposed FY 2019/20 Solid Waste budget is projected to be approximately \$820,000.

The previous five years have seen stable rates regarding the Solid Waste user fees, however, the fund can no longer operate at a deficit. The unrestricted net position based on the City's 2017/18 Audited Financial Statements is \$1,936,905. After the current year and next years budget deficits, the unrestricted fund balance would be reduced to approximately \$605,000. The FY 2019/20 budget includes funds to complete a rate study for the Solid Waste Fund to evaluate future rate adjustments (in accordance with Prop 218) to keep the Solid Waste fund solvent.

## **Drainage**

The Drainage Fund is funded by user fees and staff within the division work to mitigate localized flooding during storm events. The Drainage Fund is projecting a surplus of approximately \$7,000. Drainage user fees are expected to remain level in FY 2019/20 at approximately \$841,150.

## **Airport**

The Airport Fund is projecting a surplus in FY 2019/20 of \$3,500. The airport is funded by user fees and rental and lease income. Some of the major capital expenses are eligible for grant assistance from the State and/or Federal government. As of June 30, 2019, the airport will owe approximately \$142,000 on a loan that was borrowed for the purpose of building 14 hangars, with the final installment due in 2023. Currently, the airport leases nearby land for agricultural purposes and receives approximately \$170,000 annually in revenue. However, with continual State mandates for water reduction, this revenue source may be eliminated if farming within the City limits is identified as a method for major water use reduction. Additional revenues are being saved for future improvements.

## **Golf Course**

The Golf Course is a division of the Parks and Community Services Department and currently utilizes third party vendors for the operation of the clubhouse and pro shop. As of June 30, 2018, the Golf Course Fund's unrestricted net position is (539,778). This negative balance is indicative that the fund does not cover its operating expenses with annual revenues. Due to a lack of revenue, the General Fund supports the Golf Course Fund with an annual transfer-in.

## **Local Transit Fund**

The Local Transit Fund consists of both the Madera Area Express (MAX) fixed route system and Dial-A-Ride (DAR) demand for service system. The Transit Fund is projecting approximately \$960,000 in Capital

Outlay to develop a new transit center with its interior and exterior furnishings and the purchase of 11 new buses. Revenues are generated through Federal and State grants as well as a local transportation measure and fare collections.

**UNASSIGNED GENERAL FUND BALANCE:**

It is anticipated that the current fiscal year will end with a surplus above and beyond the 30 percent General Fund Reserve Policy. Council has the prerogative to allocate any potential surplus funds as it deems, however staff recommends that funds only be allocated to one-time expenses, such as a capital projects, and not ongoing expenses, such as salaries and benefits or daily operational expenditures.

Some potential one-time expenditures are provided below. While the precise dollar value of the current year surplus will not be defined until receipt of the Audited Financial Statements, Council is being asked to prioritize potential projects. Direction provided by Council will be used to allocate staff resources.

- Sidewalk repair (per Council direction at the CIP workshop)
- Rotary Park curb replacement along N. Gateway Dr. (per Council direction at the CIP workshop)
- City Hall Annex improvements to relocate Engineering, Planning, and Building Depts. and re-configure City Hall (former Redevelopment Agency)
- Town & Country Park Trail repair/replacement (CIP)
- General Plan update (CIP)
- City Facility Investment Fund (CIP)

**FINANCIAL IMPACT:** The purpose of this workshop is to present the proposed operating budget for FY 2019/20. Staff will take direction from the Council as to any potential changes to the proposed budget and incorporate such changes into the FY 2019/20 Budget that will be brought back for consideration of adoption.

**CONSISTENCY WITH THE VISION MADERA 2025 PLAN:** Approval of this item is consistent with Strategy 115 of the Vision Plan – Economic Resource Provision: Ensure sufficient economic resources to provide adequate City services and prepare for future growth.

**ALTERNATIVES:** Direct staff to amend the proposed budget for consideration by the Council.