

**City of Visalia
Agenda Item Transmittal**

Meeting Date: July 13, 2009

Agenda Item Number (Assigned by City Clerk): 10

Agenda Item Wording: Authorize the Executive Director of the Redevelopment Agency Board to approve a loan to Kaweah Management Company in an amount not to exceed \$480,000 for the acquisition, rehabilitation and rental of six (6) units located at 632, 634, 636, 640, 642 and 644 Kaweah Avenue.

Property Location: 632,634,636 & 640,642,644 East Kaweah Avenue; located at the north side of Kaweah Avenue between Tipton and Burke Streets.

Assessor Parcel Numbers: 097-122-042 & -043.

Deadline for Action: July 13, 2009

Submitting Department: Housing & Economic Development

Contact Name and Phone Number: Ricardo Noguera, Housing & Economic Development Director xt: 4190; Rhonda Haynes, Housing Specialist xt 4460

Department Recommendation: Authorize Executive Director to approve a loan in the amount of \$480,000 with use of Central Redevelopment Agency Funds with Kaweah Management Company to support the acquisition, rehabilitation and rental of two foreclosed triplexes (contains a total of six two-bedroom units).

Project Description

Kaweah Management Company is in the process of acquiring two triplexes which are foreclosed, abandoned and have undergone vandalism. These two properties are situated in the Washington School Neighborhood and are located immediately adjacent to one another. A total of six units will be rehabilitated and carports will be converted to garages and a playground will be constructed within the center section of the two triplexes. A site plan is attached (Exhibit "A").

Neighborhood Revitalization

This project fulfills the department's neighborhood revitalization efforts, assisting proven developers to acquire and rehabilitate dilapidated rental properties in challenged areas of town and completing infill development. Additionally, this project represents the City/Agency's first attempt to partner in the acquisition and rehabilitation of multi-family bank-owned homes. This property also falls within one of the City's targeted neighborhoods "Washington School Neighborhood".

For action by:

City Council
 Redev. Agency Bd.
 Cap. Impr. Corp.
 VPFA

For placement on which agenda:

Work Session
 Closed Session

Regular Session:

Consent Calendar
 Regular Item
 Public Hearing

Est. Time (Min.): 2

Review:

Dept. Head _____
(Initials & date required)

Finance _____
City Atty _____
(Initials & date required or N/A)

City Mgr _____
(Initials Required)

If report is being re-routed after revisions leave date of initials if no significant change has affected Finance or City Attorney Review.

Role of Kaweah Management Company (KMC): The Kaweah Management Company is a non-profit charitable organization (501 (c) 3) that develops, rehabilitates and manages affordable housing units and projects. The City has partnered with Kaweah on past affordable housing projects including the 20-unit Paradise & Court Development, located just south of the Washington School Neighborhood; 95-unit Kimball Court elderly low income housing project, the Tulare Avenue Transitional Living Center, the mixed income 71-unit Millcreek Project and the 10-unit Robinwood Project. The City of Visalia Redevelopment Agency proposes to provide Kaweah with a \$480,000 Residual Receipts Loan with use of Redevelopment Low-Mod funds from the Central Redevelopment Project Area.

Sources of Funds:

The total acquisition and rehabilitation costs are estimated at approximately \$750,000 with approximately \$80,000 in rehabilitation costs per unit. The Agency's contribution will total \$480,000 and be utilized for the rehabilitation portion of the development. A complete financing and rehabilitation pro-forma is attached as well as an Operations budget. (Exhibit "B").

Uses of Funds:

Kaweah Management Company East Kaweah Avenue Triplexes Acquisition & Rehabilitation & Operations Plan, is a summary of acquisition and rehabilitation costs. The developer will acquire approximately 19,534 square feet of land (each parcel approximately 9,767 square feet that currently supports the two triplexes. The developer will rehabilitate the six (6) two-bedroom units, convert existing carports to garages and install a new playground in the center of the complex between the two triplexes. The developer anticipates purchasing each triplex for approximately \$132,500. The developer's estimated purchase price per unit is \$43,500 per unit. The rehabilitation costs are estimated at \$80,000 per unit for a total of \$480,000. The Agency is sought after to provide this funding with low/mod dollars.

If Redevelopment funds are utilized, prevailing wages apply, there adding to the cost of the project.

Disbursement of Funds

The \$480,000 of Agency funds will be disbursed as follows: \$240,000 disbursed following approval of loan agreement by the Agency Board; \$240,000 disbursed following approval of building permits through the City's Building Division.

Residual Receipts

To the extent there are Residual Receipts from the Project, Kaweah shall pay 100% of the Residual Receipts to the City on an annual basis. Any payment required under this Note shall be made payable to the Visalia Redevelopment Agency.

Contracts.

Contracts have been drafted for funding, affordability requirements, management, construction and responsibilities of the parties involved. Redevelopment Low/Mod Funds will be utilized requiring a minimum 55 year affordability covenant and is referenced in the agreement with Kaweah Management Company. As mentioned previously, to the extent there are Residual Receipts from the Project, the Kaweah Management Company shall pay 100% of the Residual Receipts to the Agency on an annual basis as indicated within the agreement, attached as Exhibit "D". The third agreement connects Kaweah Management Company and the City together in relation to the proposed project such as project management, project ownership, disbursement of funding, and other requirements.

Property Ownership. The Developer currently owns, or is in escrow to acquire, the parcels which constitute the Property on which the Project is to be undertaken. The Developer is diligently pursuing acquisition of the two parcels which constitutes the Property prior to the initiation or rehabilitation of the Project

Project Design, Use Restrictions and Requirements. Kaweah Management Company agrees that the Property shall only be used and occupied for rental purposes in compliance with and subject to conditions outlined within the agreements. Staff would like to bring to Council's attention a few of the conditions:

- (a) Prevailing wages. "Kaweah is contractually obligated to comply with all applicable State and Federal prevailing wage laws, and to indemnify the Agency against any claims of noncompliance".
- (b) Relocation of tenants. This is not applicable since the property is completely vacant.
- (c) Maintenance and Operations. After completion of the Project, Kaweah will serve as the Property Manager.
- (d) Fair Market Rents. The HUD Fair Market Rents will be utilized. The rents are anticipated to be \$299 for the two bedroom units where the renter's household income levels shall not exceed 30% of the median income level.
- (d) Rental Restrictions. Developers shall meet or exceed the affordability requirements for the Central Redevelopment Low/Mod funds. Fifty-five years are required for use of Redevelopment funds. Developer will enter into agreements with the tenants, to comply
- (e) Monitoring of Use of Dwelling Units. Initial tenant income will be determined and each year during the affordability period for the Project, each tenant's annual income will be re-examined in accordance with funding source requirements.

Prior Council/Board Actions: In August of 2005, the City Council adopted a Housing Element Update, identifying housing needs for all income levels in our local population. The number of affordable housing units (from very low income to moderate income) either approved or built between 2001 and 2005 is 623 according to the Housing Element.

Committee/Commission Review and Actions: Preliminary Site Plan Review completed.

Alternatives: None

Attachments: Exhibit "A" Site Map
Exhibit "B" Color renderings
Exhibit "C" Finance & Operations Budget
Exhibit "D" KMC & City Agency Low Mod Agreement

1. Recommended Motion (and Alternative Motions if expected):

Authorize Executive Director to approve a loan in the amount of \$480,000 with use of Central Redevelopment Agency Funds with Kaweah Management Company to support the acquisition, rehabilitation and rental of two foreclosed triplexes (contains a total of six two-bedroom units).

Environmental Assessment Status

CEQA Review: CEQA Cat Exempt No. 2008-10

NEPA Review: N/A

Tracking Information: *(Staff must list/include appropriate review, assessment, appointment and contract dates and other information that needs to be followed up on at a future date)*

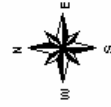
Signatures for all three agreements required: Exhibits D, E & F

Copies of this report have been provided to:

Exhibit "A"

City of Visalia

Kaweah Management Co
 Triplex Project
 632,634,636 and
 640,642,644 E Kaweah



Scale: 1"= 113'



This map has been carefully prepared from official records, to the best of the information herein is not to be construed and the City of Visalia shall not be liable for any errors or omissions without being notified in writing. The City of Visalia is not responsible for any errors or omissions in any form or reproduction in any form without the express written consent of the City of Visalia C.I.S. Department.

Exhibit "B"
Color Renderings

Exhibit "C"
ProForma

**Kaweah Management Company
East Kaweah Ave Tri-plexes
Potential Acquisition & Rehab
& Operations**

Properties acquired	2
Number of Units	6
Number of bedrooms	12
Total cost of units - (Estimated at 132,500 perTri-plex)	\$265,000
Cost of rehab -See detail attached	\$480,000
Average price per unit	\$124,167
Average price per Bedroom	\$62,083
Price per square foot (840 sq ft each)	\$148

**Budgeted Income
And Expenses**

	Per unit	Annualized
Dwelling Rent - 60% 2008 TCAC-Adjusted to Market	625.00	\$45,000
Vacancy @ 5%	-31.25	-\$2,250
Laundry - Each unit comes equipped with Washer & Dryer	0.00	\$0
Other Income - Late Fees etc	2.50	\$180
Interest Income - Cash in Bank @ 2%	3.82	\$275
Total Project Income	\$600.07	\$43,205.00

Exhibit "C"- continued
ProForma

Operating Expenses		
Utilities - Garbage, Water & Sewer, Elec	57.50	\$4,140
Manager Salary & Benefits	0.00	\$0
Maintenance Salary & Benefits	60.00	\$4,320
Management Fees	42.50	\$3,060
Landscaping	40.00	\$2,880
Materials	28.75	\$2,070
Contract Services	60.00	\$4,320
Pest Control	12.50	\$900
Property Taxes- special assessments	5.00	\$360
Total Operating Expenses	306.25	22,050.00
Net Operating Income	293.82	21,155.00
Debt Service - Tulare County Housing Authority Long Term Loan from Housing Authority at \$745,000 less RDA loan of 480,000 Loan of \$265,000 at 5% for 25 years	258.19	\$18,589.92
Project Cash Flow	35.63	\$2,565.08
Replacement Reserves	35.00	2,520.00
Net Cash Flow	0.63	45.08

Exhibit "D"
KMC & City Agency Low Mod Agreement

**City of Visalia
Agenda Item Transmittal**

Meeting Date: July 13, 2009

Agenda Item Number (Assigned by City Clerk): 11

Agenda Item Wording: Act on the results of the balloted Stonebridge Landscape and Lighting Maintenance Assessment District that were tabulated and reported at the June 1, 2009 Council Meeting.

Deadline for Action:

Submitting Departments: Finance, Parks and Recreation

Contact Name and Phone Number:

Eric Frost - 713-4474, Vince Elizondo – 713-4367,
Jason Montgomery - 713-4425

DEPARTMENT RECOMMENDATION:

That City Council:

- 1) Certify the results of the balloted Stonebridge Landscape and Lighting Maintenance Assessment District that were tabulated and reported at the June 1, 2009 Council Meeting.
- 2) Authorize the placing of the approved increased benefit assessment amount on the 2009-10 Property Tax Roll and incorporate the approved standard benefit assessment increase allowance to the District.

BACKGROUND:

PUBLIC HEARING:

A Public Hearing was held on June 1, 2009 for the purpose of taking public input on the proposed funding changes, amendments, and assessment increases to five balloted Landscape & Lighting Maintenance Districts. During the Public Hearing, three residents of the balloted Stonebridge Landscape & Lighting Maintenance Assessment District voiced their concerns that the ballot materials contained insufficient data regarding the financial status of the District. They also spoke of their opposition to combining the assessment increase with the standard Benefit Assessment Increase Allowance (a policy incorporated into all Landscape and Lighting Districts created after 1994), stating that these factors made understanding the ballot difficult and confusing. After listening to the residents the City Council closed the public hearing.

RESULTS OF THE BALLOTTED STONEBRIDGE DISTRICT:

Upon completion of the public hearing, staff opened and tabulated the ballots of the Stonebridge District. Deputy City Manager Leslie Caviglia reported on the results of the Stonebridge District at the end of the Council Meeting. Of the fifty ballots mailed to the Stonebridge District, twenty-six ballots

For action by:

City Council
 Redev. Agency Bd.
 Cap. Impr. Corp.
 VPFA

For placement on which agenda:

Work Session
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Est. Time (Min.): 5

Review:

Dept. Head _____
(Initials & date required)

Finance _____
City Atty _____
(Initials & date required or N/A)

City Mgr _____
(Initials Required)

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were returned with fifteen residents voting yes on the proposed changes and eleven residents voting no. The measures passed. The City Council chose to certify the results of the ballot at a later date and instructed staff to further research the finances of the District due to questions raised by the three residents who were in attendance.

UPDATE:

The finance department has been working with the Parks Department in researching the Stonebridge Landscape and Lighting District. The following are the findings.

Unique District

The Stonebridge Landscape & Lighting District is a unique District because of the following:

- The District has a nice park, which serves the dual purpose of being a ponding basin to hold storm water during heavy rains.
- Packwood Creek runs along the boundary of the District, therefore creating a riparian setback.
- Maintenance of the District is currently provided by the Parks Department rather than by Landscape & Lighting Maintenance Contractors. This is the *only* Landscape & Lighting District maintained by Parks personnel.
- The District is only made up of 50 parcels – a small number considering the size of the maintenance area.

Revenue Sources

Because of the uniqueness of the Stonebridge Landscape & Lighting District, the District receives funding from three different sources:

1. The Property Assessment of the 50 parcels in the District.
2. Funding from the Storm Drain Division within Wastewater Collection – for a portion of the maintenance of the Ponding Basin Park and Packwood Creek.
3. Funding from Waterways Impact Fees for the riparian setback along Packwood Creek.

Allocation of Expenses

The expenses of the Stonebridge Landscape & Lighting District are allocated to the three sources based on the square footage of the improved areas and the benefit received. The expenses are allocated based on the following percentages:

1. 30% of the total expenses for the District are allocated to the 50 parcels in the District.
2. 43% of the total expenses for the District are allocated to the Storm Drain Division within Wastewater Collection.
3. 27% of the total expenses for the District are allocated to the Waterways Fund for the riparian setback.

Errors in Allocating Expenses

For the fiscal years 2003-04 through 2007-08, no allocation of expenses had been made to the Waterways Fund for maintenance of the riparian setback area in the Stonebridge District. To complicate matters further, no maintenance costs were allocated to the Stonebridge District by the Parks Department for maintenance of the District for the fiscal years 2004-05 through 2006-07. In order to correct these omissions, the Stonebridge District will be charged by the Parks Department for the missed years of allocated costs. This amounts to a charge of \$24,355.88. The Stonebridge District will then be credited for the missed years of allocation of expenses to the Waterways Fund for the maintenance of the riparian setback area. This amounts to a credit of \$25,858.43. The net change for the Stonebridge Landscape and Lighting District will be a reduction in deficit balance of

\$1,502.55. Table 1, Stonebridge, Charge/Credit for Missed Years of Allocations, summarizes these corrections.

Table 1
Stonebridge, Charge/Credit for Missed Years of Allocations

Fiscal Year	Utilities	Parks Allocation	Other Allocation	Missing Parks Allocation	Total Expenses	Distribute to Waterways	Adjusted District Expenses
03-04	2,800.77	8,040.31	357.66	-	11,198.74	5,263.41	5,935.33
04-05	2,342.35	-	308.83	7,459.97	10,111.15	4,752.24	5,358.91
05-06	1,966.74	-	380.69	11,503.51	13,850.94	6,509.94	7,341.00
06-07	2,207.03	-	570.21	5,392.40	8,169.64	3,839.73	4,329.91
07-08	2,248.27	8,868.34	570.86		11,687.47	5,493.11	6,194.36
Total Should Have Been Charged						25,858.43	29,159.51
Actually Charged						-	30,662.06
Adjustment							(1,502.55)
Deficit Balance Before Adjustment							6,149.45
Deficit Balance After Adjustment							4,646.90

Recommendations for the District

To help maintain the level of maintenance within the District and to help eliminate the deficit cash balance in the District, City staff recommends the following:

1. Certify the results of the election reported on at the June 1, 2009 City Council meeting and implement the proposed assessment increase and amendment to the District.

As a result of the certification, District #8804, Stonebridge will have the standard benefit assessment increase allowance incorporated into the District. Also, as Table 2, Increase in 2009-10 Property Tax Roll Amount, indicates, the District will have the benefit assessment that is placed on the Property Tax roll increased by the approved amount. The initial benefit assessment amount was approved to be placed on the 2009-10 Property Tax Roll at the June 1, 2009 Council Meeting.

Table 2
Increase In 2009-10 Property Tax Roll Amount

District #	Description	# of Lots	Initial Benefit Assessment Amount	Approved Increase per Lot	Assessment Per Lot	Total District Benefit Assessment
8804	Stonebridge	50	\$ 5,104.00	\$ 10.20	\$ 112.28	\$ 5,614.00

2. Continue the current allocation of expenses between the 50 parcels in the District, the Storm Drain Division within Wastewater Collection, and the Waterways Fund. All allocations will be made annually.
3. Transfer maintenance of the District from the Parks Department to one of the current Landscape & Lighting Maintenance Contractors. This will help to reduce costs within the District as Landscape & Lighting Maintenance Contractors can provide service at a lower cost than what the Parks Department can provide. The current Landscape and Lighting contract that the Stonebridge District would fall under is scheduled to go out to bid in July 2009 and to be awarded sometime in August 2009. Therefore, actual savings cannot be calculated at this time.

With the implementation of these recommendations, the current projection is for the District to eliminate its deficit cash balance within 7 years.

These findings were shared with two of the three residents from the Stonebridge District that had spoke at the June 1, 2009 public hearing during a meeting held with them on June 19, 2009. The two residents shared this information with the other residents of the Stonebridge District by distributing a flyer to them.

Staff also prepared an informational letter about this District and mailed it to the homeowners in the Stonebridge District on July 2, 2009. A copy of this letter is attached.

Prior Council/Board Actions: On June 1, 2009, City Council approved the placing of the Landscape and Lighting District Assessments on the 2009-10 Tulare County Secured Property Tax Roll.

Committee/Commission Review and Actions:

Alternatives:

Attachments: Update Letter mailed to Stonebridge Homeowners
2009 Landscape Lighting Ballot Results

City Manager Recommendation:

Recommended Motion (and Alternative Motions if expected):

- 1) Certify the results of the balloted Stonebridge Landscape and Lighting Maintenance Assessment District that were tabulated and reported at the June 1, 2009 Council Meeting. The measures passed with fifteen residents voting yes on the proposed changes and eleven residents voting no.
- 2) Authorize the placing of the approved increased benefit assessment amounts on the 2009-10 Property Tax Roll and incorporate the approved standard benefit assessment increase allowance into the District.

Copies of this report have been provided to:

Tracking Information: *(Staff must list/include appropriate review, assessment, appointment and contract dates and other information that needs to be followed up on at a future date)*



707 W. Acequia Ave
Visalia, CA 93291

July 10, 2009

HOMEOWNER
5533 W HILLSDALE #C
VISALIA CA 93291

Subject: Update on the Stonebridge Landscape & Lighting District.

Dear Homeowner:

The City maintains common landscape and lighting in your neighborhood, funded by a benefit assessment which is included on your annual property tax bill. The maintained landscaping and improvements visually enhance your neighborhood, add value to the properties and increase your quality of life. Your District includes a beautiful main entrance into your neighborhood as well as a very nice park, amenities that most other Landscape & Lighting Districts do not have.

Due to increasing deficit cash balances in the District, in April 2009, the City of Visalia balloted the District proposing a benefit assessment increase as well as an amendment to the District to include a standard Benefit Assessment Increase Allowance, an item common to all Landscape & Lighting Districts created after 1994. The City tabulated the ballots at the June 1, 2009 public hearing. The measures passed with 15 neighbors approving the changes and 11 neighbors disapproving the changes. The City Council chose to certify the results of the ballot at a later date and instructed staff to research the finances of the District due to questions raised by some of the property owners in your District. City Staff has researched the District and will be reporting the following to the City Council at the July 13, 2009 Council Meeting.

Unique District

The Stonebridge Landscape & Lighting District is a unique District because of the following:

- The District has a nice park, which serves the dual purpose of being a ponding basin to hold storm water during heavy rains.
- Packwood Creek runs along the boundary of the District, therefore creating a riparian setback.
- Maintenance of the District is currently provided by the Parks Department rather than by Landscape & Lighting Maintenance Contractors. This is the only Landscape & Lighting District maintained by Parks personnel.
- The District is only made up of 50 parcels – a small number considering the size of the maintenance area.

Revenue Sources

Because of the uniqueness of the Stonebridge Landscape & Lighting District, the District receives funding from three different sources:

1. The Property Assessment of the 50 parcels in the District.
2. Funding from the Storm Drain Division within Wastewater Collection – for a portion of the maintenance of the Ponding Basin Park and Packwood Creek.
3. Funding from Waterways Impact Fees for the riparian setback along Packwood Creek.

Allocation of Expenses

The expenses of the Stonebridge Landscape & Lighting District are allocated to the three sources based on the square footage of the improved areas and the benefit received. The expenses are allocated based on the following percentages:

1. 30% of the total expenses for the District are allocated to the 50 parcels in the District.
2. 43% of the total expenses for the District are allocated to the Storm Drain Division within Wastewater Collection.
3. 27% of the total expenses for the District are allocated to the Waterways Fund for the riparian setback.

Recommendations for the District

To help maintain the level of maintenance within the District and to help eliminate the deficit cash balance in the District, City staff will be recommending the following to the City Council at the July 13, 2009 City Council meeting:

1. Certify the results of the election reported on at the June 1, 2009 City Council meeting and implement the proposed assessment increase and amendment to the District.
2. Continue the current allocation of expenses between the 50 parcels in the District, the Storm Drain Division within Wastewater Collection, and the Waterways Fund.
3. Transfer maintenance of the District from the Parks Department to one of the current Landscape & Lighting Maintenance Contractors. This will help to reduce costs within the District as Landscape & Lighting Maintenance Contractors can provide service at a lower cost than what the Parks Department can provide.

The July 13, 2009 City Council meeting will be held in the City Council Chambers at 707 West Acequia, Visalia CA, and is scheduled to begin at approximately 7:00 p.m.

If you have questions or concerns, please contact Jason Montgomery, Financial Analyst at 713-4425 or by email at jmontgomery@ci.visalia.ca.us

Sincerely,

Jason Montgomery

Financial Analyst

City of Visalia Agenda Item Transmittal

Meeting Date: July 13, 2009

Agenda Item Number (Assigned by City Clerk): 12

Agenda Item Wording: To review and consider the Citizens Advisory Committee recommendation regarding grants to nonprofits serving Visalia's youth.

Deadline for Action:

Submitting Department: Citizens Advisory Committee

Contact Name and Phone Number:

Dirk Holkeboer - CAC chair (802-1631)
Chris Gomez – CAC non-profit subcommittee chair (625-9600)
Eric Frost – Staff Liaison to CAC (713-4474)

Recommendation: The Citizens Advisory Committee recommends funding 9 of the 19 non-profit organization-applicants as outlined on Table 1 – 2009/2010 CAC Nonprofit Youth Services Grants Funding Recommendations. All of the applicants recommended meet the requirements that the funding be used in programs serving the youth of Visalia, as well as other criteria.

In addition to the program criteria for funding, applicants must have attended one of four grant-writing workshops led by CAC members. This requirement was adopted by Council at its meeting on December 15, 2009 following the recommendation of the CAC and was outlined in the current application. One applicant failed to attend any of the workshop sessions and, therefore, was not considered for funding.

The deadline for submitting the applications was June 12, 2009. At the Council meeting on June 15, 2009, a decision was made to add two additional criteria: Youth Services Grants for FY2010 would only be open to those organizations receiving funding in FY2009 and working on programs that serve at-risk youth to reduce gang activity.

As a result, the applications of four organizations were not considered because they had not been funded in FY2009. An additional five organizations that had received funding in FY2009 but whose programs were not focused on reducing gang activity were also not considered.

As a result, the CAC's funding recommendations for FY2010 was limited to nine organizations which were funded in FY2009 and whose programs were intended to serve at-risk youth to reduce gang activity. Each of these organizations received all or nearly all of the amounts requested in the applications.

For action by:

City Council
 Redev. Agency Bd.
 Cap. Impr. Corp.
 VPFA

For placement on which agenda:

Work Session
 Closed Session

Regular Session:

Consent Calendar
 Regular Item
 Public Hearing

Est. Time (Min.):_10__

Review:

Dept. Head _____
(Initials & date required)

Finance _____
City Atty _____
(Initials & date required or N/A)

City Mgr _____
(Initials Required)

If report is being re-routed after revisions leave date of initials if no significant change has affected Finance or City Attorney Review.

Table 1 – CAC 2009/2010 Nonprofit Youth Services Grants Funding Recommendations

Agency	Visalia program name	attended mandatory workshop	Amount requested	Gang-related program	Recommended award
Organizations With FY 2010 Applications for Gang-Intervention/Prevention Programs (funded in FY 2009)					
American GI Forum	Northside Boxing Club	NO	\$9,000	yes	\$0
Assistance League Visalia	Operation School Bell	X	\$5,000	yes	\$5,000
Big Brothers/Sisters		X	\$10,000	yes	\$10,000
Boys & Girls Club	Gang Prevention Through Targeted Outreach	X	\$30,000	yes	\$30,000
Community Services & Employment Training	Freedom Writers Club	X	\$18,471	yes	\$18,330
Enchanted Playhouse	Arts for All	X	\$8,000	yes	\$8,000
Family Services of Tulare County	Children's Counseling Program	X	\$15,000	yes	\$15,000
Pro-Youth	HEART-PACT Project	X	\$32,000	yes	\$32,000
Sequoia Council, Boy Scouts of America	Words to live by	X	\$29,900	yes	\$29,000
Golden State YMCA	UCYC	X	\$20,000	yes	\$20,000
Organizations With FY 2010 Applications for non-Gang-Intervention/Prevention Programs (funded in FY 2009)					
Happy Trails Riding Academy		X	\$15,000	no	\$0
Imagine U Children's Museum	exhibit design	X	\$15,000	no	\$0
Imagine U Children's Museum		X	\$30,000	no	\$0
Tulare-Kings Chapter of the American Red Cross	Babysitter Training	X	\$3,200	no	\$0
Tulare-Kings Chapter of the American Red Cross	Youth Family First Aid	X	\$5,100	no	\$0
Organizations With FY 2010 Applications (not funded in FY 2009)					
Children's Health 7 Safety Services of Tulare County		X	\$7,000		\$0
Visalia Youth Softball Ass'n		X	\$10,000		\$0
Visalia PAL	Youth Library	X	\$5,000		\$0
Visalia PAL	Youth Leadership Training	X	\$24,000		\$0
TOTALS			\$291,671		\$167,330

Finally, on of the changes to the application approved by Council last December required applicants to make a statement that the funds received from the City will not be used for religious purposes and the program will be available to any person regardless of religion, race, ethnicity, or sexual orientation.

Prior Council/Board Actions:

- Approved policies for administering the funding of nonprofits, May 1, 2006.
- Approved the awarding of funds, May 19, 2008.
- Approved funding application process, December 15, 2008.

Committee/Commission Review and Actions:

The CAC recommended the above funding levels at its July 1, 2009 meeting.

Alternatives: Establish a Council subcommittee to work with the CAC to review the funding recommendation.

Attachments: None

Recommended Motion (and Alternative Motions if expected):
1) Move to approve the CAC's recommendation for funding nonprofits. OR 2) Move to establish a Council subcommittee to work with the CAC to review the funding recommendation.

<i>Environmental Assessment Status</i>
CEQA Review:
NEPA Review:

Tracking Information: <i>(Staff must list/include appropriate review, assessment, appointment and contract dates and other information that needs to be followed up on at a future date)</i>

Copies of this report have been provided to:

City of Visalia Agenda Item Transmittal

Meeting Date: July 13, 2009

Agenda Item Number (Assigned by City Clerk): 13

Agenda Item Wording: Proposed budget actions

Deadline for Action:

Submitting Department: Administrative Services

Contact Name and Phone Number: Eric Frost, x4474
Renee Nagel, x4375

Department Recommendation: That the City Council:

- 1) Accept the budget update report
- 2) Review and acknowledge the actions proposed by management to deal with a \$3 million budget reduction problem. For two units, the reductions will need to be finalized in the future. The reduction plan status is as follows:
 - a) All City departments except as for those listed below (\$1.3 million)
 - b) Police (\$1.5 million)
 - c) Community Development, Public Works Streets and Traffic Safety (\$200,000)
- 3) Authorize a health benefits severance for laid off workers of 1 month's health insurance coverage for each year worked up to 6 months or until reemployment, whichever comes first.
- 4) Authorize an early retirement incentive for Police Classifications employees of Sergeant and above as described in the staff report.
- 5) Provide additional direction as appropriate.

Background and summary: On June 15, 2009, the City Council received a staff report recommending significant reductions in General Fund costs to deal with the unprecedented challenges facing Visalia. Since the Council's budget directions given at that meeting, staff has developed plans to reduce costs. The purpose of this memo is to outline those proposals and to receive Council direction.

To put these actions in context, it is helpful to review the City's current situation. The City faces challenges that have not been seen in the work lifetime of its present employees, namely:

For action by:

City Council
 Redev. Agency Bd.
 Cap. Impr. Corp.
 VPFA

For placement on which agenda:

Work Session
 Closed Session

Regular Session:

Consent Calendar
 Regular Item
 Public Hearing
 Hearing

Est. Time (Min.): _____

Review:

Dept. Head _____
(Initials & date required)

Finance _____
City Atty _____
(Initials & date required or N/A)

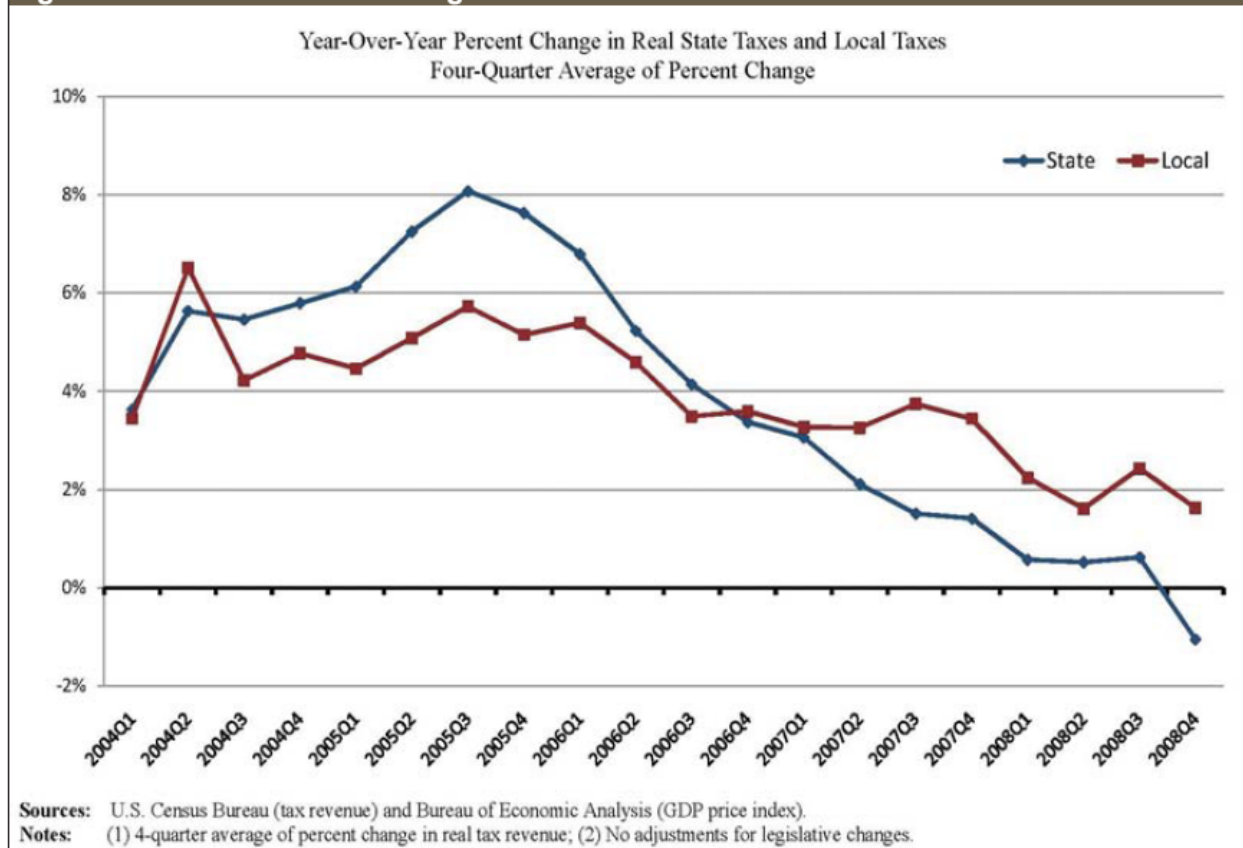
City Mgr _____
(Initials Required)

If report is being re-routed after revisions leave date of initials if no significant change has affected Finance or City Attorney Review.

- The County Assessor has stated that he expects to present a negative property tax roll to the Board of Supervisors. This has not happened, at least since Proposition 13 passed in 1978. A reduction in property taxes may have happened prior to 1978, but such actions were a conscious action of the various governing boards that had to decide to reduce property taxes. This time, property taxes are being reduced because property values have fallen dramatically over several years.
- Sales Tax in Visalia has declined from a high of \$23.7 million in 2006/07 to a projected \$19.4 million in 2009/10, an unprecedented and sustained decline in the number one revenue source for the City.
- Building permits, a sign of economic health, will produce about 400 new single family dwellings. The City has not had so few building permits since 1997, when the City was ¾ of its present size and produced 433 new single family dwellings that year.

The economic problem is much bigger than Visalia and is actually a national trend. The April issue of the Nelson A. Rockefeller Institute of Government reported that the 4th quarter of 2008 decline in sales tax nationally was the largest in 50 years. It went on to show that the loss in income, sales tax, and property taxes have actually hurt State governments more than local governments, as shown in Figure 1, State Taxes are Faring Worse Than Local Taxes.

Figure 1. State Taxes Are Faring Worse Than Local Taxes But Local Taxes Have Slowed



The chart shows that the real growth in tax revenues peaked in 2005 and has declined ever since with State government revenue growth rate declining faster than local government growth rates. In California, this problem has been evidenced with the California's \$26 billion deficit.

Just a few years ago, the State's budget was over \$100 billion. This represents a 25% decline. Such a large deficit casts a cloud over all governments as the State grapples with a looming deficit and no easy fixes. Local governments are concerned because revenues which were considered safe, such as local Gas Tax revenues Visalia uses for street repair, may now be diverted to pay for State transportation bond debt. Such changes once considered reliable revenue sources now change the dynamics of local government finance.

As a result, management has recommended to Council that substantial changes be made to the City's budget, particularly in the General Fund. Fortunately, the City has taken steps over the last two years to begin to solve this budget shortfall. Over 25 vacancies, lower fuel costs, Recreation's reworking of their senior meals, brochures and volunteer program, reduced late night hours at the Police Station, and prompt closing of the development permit desk are expected to save the City substantial monies in FY 09/10. However, management believes that local revenues have reset at a much lower level than in the past. As a result, the City must reduce its ongoing expenses or face a prolonged period of unsustainable budget deficits. For a short period, these deficits could be funded from reserves. However, reserves will run out and the City will need to reduce costs anyway without the benefit of these reserves.

Modeling the City's long-term General Fund revenue growth against the City's long-term operating expenditures, Table 1, Long-term General Fund Forecast, shows that without fundamental change, the City's financial structure is unsustainable. The City has reserves which will continue to allow Visalia to overcome its deficit for a couple of years. However, the City will face a lower revenue structure and must adjust accordingly.

Key Points in Table 1:

- Assumes Revenue Growth @ 3% and increasing in the future
- Assumes Expenditure Growth @ 2% and increasing in the future
- Future Annual deficits paid for from reserves
- Factors in known increase in CalPERS Costs over 4 years to a General Fund share of \$2.0 million of the expected \$2.5 million cost increase
- Estimated General Fund capital spending at 1/3 of 20 year average, \$1 million
- Makes available Emergency Reserve and Undesignated Fund Balance
- Assume State property tax borrowing of \$2, returns in third year, FY 12/13
- Assume discontinuing the Teeter Plan by County
- Assume ongoing State take-aways of \$500,000 a year

Table 1
Long-term General Fund Forecast

General Fund Budget - Forecast
All Amounts in Millions

	<i>Projected</i> <i>08/09</i>	<i>Revised</i> <i>Budget</i> <i>09/10</i>		<i>Forecast</i> <i>10/11</i>		<i>Forecast</i> <i>11/12</i>		<i>Forecast</i> <i>12/13</i>		<i>Forecast</i> <i>13/14</i>
Revenues	\$ 53.2	\$ 50.6	3%	\$ 52.1	3%	\$ 53.7	3%	\$ 55.3	4%	\$ 57.5
Operating Expenditures	(50.8)	(54.6)		(52.8)		(52.7)		(53.7)		(55.3)
Add: Previous Ongoing Savings	0.0	2.8		1.2		0.0		0.0		0.0
Net Operating Expenditures	(50.8)	(51.8)	2%	(51.6)	2%	(52.7)	2%	(53.7)	3%	(55.3)
Less: Transfers (Convention Ctr)	(3.2)	(3.3)		(3.3)		(3.3)		(3.3)		(3.3)
Increase PERS Costs	0.0	(0.6)		(1.2)		(1.8)		(2.0)		(2.0)
Capital Net	(1.2)	(0.6)		(0.7)		(0.8)		(0.9)		(1.0)
Surplus/(Shortfall)	<u>\$ (2.0)</u>	<u>\$ (5.7)</u>		<u>\$ (4.7)</u>		<u>\$ (4.9)</u>		<u>\$ (4.6)</u>		<u>\$ (4.1)</u>
Operational Reserves as of 6/30/08										
Emergency Reserve	14.2									
Undesignate Fund Balance	<u>4.0</u>									
Beginning Operational Reserves	18.2	16.2		9.2		4.0		(1.4)		(4.5)
Less: Current Year Use	(2.0)	(3.0)		(4.7)		(4.9)		(4.6)		(4.1)
End of Teeter Plan		(1.5)								
State Loans/Takeaways		<u>(2.5)</u>		<u>(0.5)</u>		<u>(0.5)</u>		<u>1.5</u>		<u>(0.5)</u>
Ending Operational Reserves	16.2	9.2		4.0		(1.4)		(4.5)		(9.2)

Use of Reserves, FY 08/09 to FY 12/13 - \$27.4 million

To resolve the City's General Fund budget problem, staff recommended on June 15 a new approach which is sustainable over the long run, a program designed to move the City from using one time reserves to living within its General Fund means. Management recommended the following except it also included an early retirement program. Council declined offering an early retirement program and directed staff to explore other reductions up to and including furloughs and layoffs instead. As a result, the following program direction was given by Council:

- **Authorized the use of up to \$5.5 million of General Fund reserves** in FY 2009/10 while the City restructures its operations.

Potential Reserve Use in 2009/10

	Amount
Use of Reserves for Operations (Council authorized 4/6/09)	\$1,000,000
Budget Solutions to be identified (Council authorized 5/18/09)	1,560,000
Reorganizations/Retirements	450,000
Potential State Property Tax Loan	2,000,000
Probable State Revenue Take-aways	<u>500,000</u>
Total	<u>\$5,510,000</u>

The top three items become a \$3 million, ongoing General Fund savings goal

Hopefully, all these reserves will not be needed as the City takes steps to reduce the drain upon the City's General Fund reserves. This is a worst case scenario.

- **Implement a General Fund cost reduction program** designed to decrease ongoing costs by \$3 million by reorganizing to save money, implementing 1) furloughs, 2) targeted layoffs, and 3) other departmental savings efforts as identified by departments to reduce the General Fund's ongoing costs by \$3 million a year, although more savings would also be helpful.
- **Adopted and Authorized the City Manager to finalize the City's layoff policy.**
- Because the potential is that the General Fund will reduce costs to such a point that it will no longer meet its Measure T Maintenance of Effort (MOE) Requirement, the City Council **declared a fiscal emergency by a 4/5ths vote due to the General Fund's multi-year deficit for both FY 2009/10 and 2010/11.**
- **Continued to seek the savings outlined in Table 2, Budget Solutions – in Millions** for FY 09/10. The table shows that \$4 million of the budget solutions produce ongoing savings. Most of the savings are due to the layoff/reorganization efforts to be carried out. At the May 18, 2009 meeting, only \$1.2 million of the options were ongoing budget solutions.

Table 2

Budget Solutions - In Millions	Council Action	On-going	One-time
Council Authorized Items as of May 18, 2009 being implemented	2.14	0.44	1.70
Recommendations approved as of 6/15/09			
Rework Major Contracts	0.30	0.30	
Program Changes	0.20	0.20	
Reduced Tree Trimming Contract	0.03	0.03	
Targeted layoffs, reorganizations, furloughs and other measures	3.00	3.00	
Recommendations as of 6/15/09	3.53	3.53	0.00
Total	5.67	3.97	1.70

Much has already been achieved. The City's General Fund deficit is approximately \$5.67 million. This report is working on the \$3 million in various reductions methods. However, \$2.67 million appears to be within reach. The most recent accomplishment is that Risk Management has reevaluated property insurance and found ways to reduce cost by \$94,000. In addition, the City participates in a joint health insurance pool. Because of past work, there will not be a health insurance increase for Calendar Year 2010, assuring that the City will meet its \$500,000 budget target in reworking major contracts and program changes.

Remaining Challenge: \$3 million in Proposed Solutions

The Council directed City Management to develop \$3 million in ongoing General Fund budgetary savings, using at least some furloughs for all City personnel as appropriate. To meet that objective, management developed a target savings objective based upon each department's reliance on General Fund Tax revenues. In other words, departmental revenues were deducted from each department's expenditures, leaving a net General Fund expenditure amount, as shown in Table 3, General Fund Savings Target. The \$3 million was then allocated among the various departments on a proportional basis.

Table 3
General Fund Savings Target

GENERAL FUND - #0011 ONLY						
For The Year Ended June 30, 2008						
	EXPENSES	REVENUES		NET		
		Charges for Services	Grants & Contributions	Expenses & Revenues Without Capital Costs		NET Reduction
Administration	\$ 4,064,339	\$ (3,254,993)	\$ -	\$ 809,346	2%	\$ 55,000
Admin. Services	3,331,267	(2,869,753)		461,514	1%	31,000
Community Development	3,587,261	(2,682,312)		904,949	2%	61,000
Community Development - Eng	5,351,863	(3,271,026)		2,080,837	5%	140,000
Housing & Economic Development	995,137	(428,912)		566,225	1%	38,000
Police	24,648,776	(1,794,758)	(1,022,104)	21,831,914	52%	1,471,000
Fire	10,946,009	(461,656)	(84,309)	10,400,044	25%	701,000
Public Works - Excluding Streets	1,042,918	(591,807)		451,111	1%	30,000
Public Works - Streets Only	1,810,619	(1,722,763)		87,856	0%	6,000
Parks & Recreation	5,696,479	(2,595,560)	(43,107)	3,057,812	7%	206,000
	\$ 61,474,668	\$ (19,673,540)	\$ (1,149,520)	\$ 40,651,608	96%	\$ 2,739,000
<i>Business-Type Activities</i>						
Convention Center	5,006,412	(3,313,730)		1,692,682	4%	114,600
Internal Service Fund Savings						146,400
	\$ 66,481,080	\$ (22,987,270)	\$ (1,149,520)	\$ 42,344,290	100%	\$ 3,000,000

The chart shows the budget savings target for each department. For example, Administration's target was \$55,000 because the net General Fund support for Administration is \$809,000 or 2% of the tax supported services in the General Fund.

Departments have worked over the last month to come up with plans to reduce costs, divided into ongoing and one-time cost savings. Table 4, Recommended Savings Approach, summarizes the plan developed by Departments. The savings can be divided into the following categories:

Ongoing

Operational – budget impacts which reduce line item budgets, sometimes requiring a substantial change in services.

Retirements/Vacancies – savings achieved due to not filling vacancies caused by retirements or voluntary separation.

Layoffs – reduction in force measures in order to achieve budget savings.

One-time

Operations – line-item reductions expected to occur only in next fiscal year.

Furloughs – Personnel reductions expected to save money only for one fiscal year. These savings are typically 3 work periods whether the shift is 8, 10 or 12 hours.

The current plan provides almost \$2.2 million in ongoing savings, although short of the \$3 million goal. Several departments are only partially presented and will require additional work, namely: Community Development, Housing and Economic Development and Public Works – Streets will be brought back separately due to unique issues. Police needs to work through a process to meet their savings target. If Police achieves their savings target through the proposal presented, no further action will be required. Community Development/Public Works/Economic Development need to evaluate appropriate actions as the State budget is completed and the effects of the economy are evaluated on their revenues.

Table 4
Recommended Savings Approach

General Fund Department	Net Reduction Target	On Going Savings			1 Time Savings		Comment
		Operations	Retirements /Vacancies	Layoffs	Operations	Furlough	
Administration*	55,000	70,000			52,500	2,010	
Admin. Services	31,000	42,080				13,890	
Community Development	201,000	56,090	296,650			35,100	These three departments to be presented later due to unique issues
Housing & Economic Development	38,000		10,000			2,700	
Police	1,471,000	225,280	242,000			131,100	
Fire	701,000	236,000		400,750	25,000	78,690	2 Officers to Measure T 2 Layoff
Public Works - Admin	30,000					1,050	This division also
Public Works - Streets	6,000		120,000				
Parks & Recreation*	206,000	71,000	100,000	30,000		24,930	2 FTE filled with Hrlys, 1 Layoff
General Fund Total Reduction	2,739,000	700,450	768,650	430,750	77,500	289,470	
Business-Type Activities							
Convention Center	114,600	45,000		100,000		15,360	2 FTE Layoff
Savings Achieved From Internal Services	146,400		146,400				
Total Savings To General Fund	3,000,000	745,450	915,050	530,750	77,500	304,830	
		Ongoing Savings		\$ 2,191,250	One-time	\$ 382,330	

Service Level Impacts

Most of the proposed changes will not have significant service level impacts. However, the most significant issues from the table above are:

Administration

- **Reduction in Sister City monies by \$7,500.** The City has budgeted \$7,500 for the Sister City. This program would be suspended for at least one year.
- **One year suspension of Citizens in the Know, \$5,000.** Although this program is successful in reaching out to Visalia's citizens, staff recommends suspending the program for this next fiscal year.

Park and Recreation

- **Eliminate Saturday Service on the loop bus and reduce weekday service by 1 hour saving \$23,000.** The loop bus takes youth to the various youth centers in the City. However, these centers have closed their Saturday service, making the loop ineffective on Saturdays. For weekdays, the final hour of service has very few passengers, suggesting potential savings by reducing the hours of service by 1 hour.
- **Reduce hours at the Manuel Hernandez Center, saving \$25,000 annually.** Saturday is a very slow day at the Manuel Hernandez Center. Since other centers have closed their drop-in programs, management recommends closing this center on Saturdays. Also, management recommends reducing the work day throughout the course of the year during weekdays. The hours vary during the summer months, but on average, the center will be open two less hours per weekday. This action will be accomplished by a reduction in hourly staff hours.
- **Eliminate the summer lunch program, \$3,000.** This program is provided by Food Link and is a duplicate service. The City will simply discontinue this program and refer people to Food Link.

Layoffs

The proposed lay-offs are difficult because the actions will save money but individuals will lose their jobs. **From prior actions, two part-time cooks are scheduled to be laid off from the Sr. Center as of August 21, 2009.** This is a last resort option. Because this impact is dramatic, management has tried to reduce to a minimum these layoffs. However, staff in the end recommends the following layoffs as shown in Table 5, Potential Layoffs. The new layoffs will be effective on September 4, 2009 unless otherwise authorized by the City Manager.

Table 5
Potential Layoffs

Potential Layoffs		
# of Pos	Job Title	Dept
2	Fire Battalion Chief	Fire
1	Graphic Artist (3/4 Time)	Rec
2	Conv Center Crew Worker	Conv Cnter

Fire Layoffs

The proposed Fire lay-offs will reduce the City's 5 Battalion Chiefs to 3 and change the staffing from 3 battalion chiefs on shift work to no battalion chiefs on shift schedule. The change will move the City back to a prior approach when the Chief and Battalion Chiefs worked a 40 hour week and responding to major fires. Captains will handle the initial response coordination until a chief arrives.

Recreation Layoffs

The need for a graphic artist has changed over time. Today, much of this work can be contracted out. As a result, management recommends eliminating this ¾ time position.

Convention Center Layoffs

The proposed Convention Center layoffs reflect an ability to operate with fewer crew leaders.

The City will work with affected positions to provide whatever bumping rights the employee has. Several entry level positions are open in non-General Fund Departments as shown in Table 6, Open City Positions. To the extent employees wish to compete for these positions, they will be given an opportunity to do so. Further, management would propose that separated employees would be eligible for continued health insurance for each year worked up to 6 months or until reemployed. This severance benefit is what the City has paid in the past. As a result, each layoff will be handled individually to reduce impacts as best the City can.

Table 6
Open City Positions

Potentially Available Positions for Laid Off Staff		
# of Pos	Job Title	Dept
1	Vehicle Abatement Technician	Code Enf
1	WWTP Maint. Mechanic Assistant	WWTP
1	SW Equipment Service Wkr	SW
1	Office Assistant - Transit Dispatcher	Transit

The actions of operational reductions, maintaining vacancies and layoffs promise ongoing savings. However, to meet the savings target, some furloughs are recommended as well as one-time reductions. The problem with using one-time reductions is that if the City's fiscal position is not better next year additional savings will need to be achieved.

Furloughs. Except for employees that have not received a pay increase this fiscal year, the minimum furlough proposed for all employees, not just General Fund employees, is three work shifts or days. Work shifts or days are 8, 10 or 12 hours, depending upon each persons schedule. Reason a work period was chosen was that to have an individual off a partial work period is not productive and makes a disruptive furlough even more disruptive.

Table 7, proposed furlough amounts, shows the value of the proposed furlough program. Note that the Convention Center has 5 work periods in an effort to save additional money. Also, this level of proposed furloughs will not close any Fire Stations and will provide only a modest level of disruption for Police and Fire services.

Management recommends implementing at least 3 work periods of furloughs next year, about 1.6% of pay. Shift departments would implement the furloughs on a rotating basis. Fixed schedule departments would propose to close on low productivity days: the day before the Thanksgiving, Christmas Eve and New Year's Eve.

Table 7
Proposed Furlough Amounts

	Fund	Furlough Days	Savings Per Day	Total Savings
Administration				
General Govt	GF	3	\$ 160	\$ 480
Natural Resource Conser	GF	3	\$ 510	\$ 1,530
Airport	Ent	3	\$ 1,270	\$ 3,810
Convention Center **	Ent	5	\$ 5,120	\$ 25,600
Transit	Ent	3	\$ 1,190	\$ 3,570
Administrative Services				
Admin (Finance,HR)	GF	3	\$ 4,630	\$ 13,890
Risk	Int Serv	3	\$ 800	\$ 2,400
MIS	Int Serv	3	\$ 2,890	\$ 8,670
Community Development				
Admin, Planning	GF	3	\$ 3,650	\$ 10,950
Engineering	GF	3	\$ 6,330	\$ 18,990
Blding Safety	Ent	3	\$ 4,410	\$ 13,230
GIS	Int Serv	3	\$ 450	\$ 1,350
Economic Housing & Development				
Code Enforcement	GF	3	\$ 900	\$ 2,700
RDA	Redev	3	\$ 1,250	\$ 3,750
Fire				
Admin	GF	3	\$ 420	\$ 1,260
Fire Stations *	GF	1.5	\$ 51,620	\$ 77,430
Police				
Public Works				
Admin	GF	3	\$ 350	\$ 1,050
Streets	GF	3	\$ 2,150	\$ 6,450
Traffic Safety	GF	3	\$ 1,720	\$ 5,160
Solid Waste	Ent	3	\$ 11,750	\$ 35,250
WWTP & Storm	Ent	3	\$ 7,520	\$ 22,560
Fleet	Int Serv	3	\$ 630	\$ 1,890
Recreation				
Recreation	GF	3	\$ 3,380	\$ 10,140
Parks, Blgs, Urban Forestry	GF	3	\$ 4,930	\$ 14,790
			\$ 161,730	\$ 418,000
* 1.5shift = 3 (8hr) furlough days				
** Convention Center has a need to reduce costs in order to keep rates low				

Summary of Proposed Budget Solutions:

The budget savings plan could be summarized as follows:

1) **Excluding employees not receiving a wage increase this year, all other City employees will be furloughed at least 3 work periods** including enterprise divisions. Work periods may be 8, 10 or 12 hours depending upon work schedules. This furlough will apply to all employees regardless of funding source. For individuals working a 40 hour work week, the furloughs would be on the day before the Thanksgiving Holiday, Christmas Eve and New Year's Eve. City offices would be closed on these days. Individuals not receiving a wage increase this year would have that as a paid day off. Individuals on alternate schedules would take their furloughs on a rotating basis.

2) **Departments will implement additional cost savings measures to meet the savings target** via operational adjustments, layoffs, some one-time savings or additional furloughs above the three work period minimum.

3) **Community Development and related services would be brought back to Council** for additional review due to unique State budget affects.

4) **Police department would conduct a very limited early retirement incentive** in an effort to avoid police officer layoffs. After the early retirement program is completed, the department would implement additional measure to at least meet and perhaps exceed their budget savings approach. This department would only be brought back if their savings target is not achieved. They are currently at \$0.5 million in ongoing savings with a target of \$1.5 million.

Police Department Savings Approach. Police has the largest budget savings target, \$1.5 million. After considering traditional approaches, management recommends a process that will lead to Police reaching its budget savings target.

The City is faced with two difficult choices, namely: 1) proceeding with police officer layoffs because the Police Department must reduce staffing levels to meet its savings target; or, 2) consolidating police management in order to preserve front line police personnel.

Management considered an early retirement incentive for Police and Fire; however, none of the potentially affected Fire employees are currently eligible for retirement. Therefore the incentive did not make sense.

Management recommends providing a very limited early retirement incentive only for the classifications of Sergeant and above who are PERS retirement eligible in order to reduce police management and preserve police officer positions. The incentive would be:

- For sworn, Sergeant or above, a \$30,000 incentive.
- Any retiring employee would be eligible to roll their incentive payment:
 - Into their deferred compensation accounts in amounts allowed by law (\$23,000 a year); or,
 - Into a PARS (Public Agency Retirement Systems) annuity contract less the PARS administrative fee of 5%. This will allow an employee to enhance their retirement with monies that would otherwise be paid to the employee on a taxed basis.

- Any retiring employee may also designate that up to \$23,000 of their leave accruals be paid into deferred comp accounts. By combining their PARS account with a full 457 Deferred Comp account, \$53,000 to \$33,000 could be sheltered from taxation.
- To qualify for the incentive, individual must:
 - Be 50 years old and have 5 years of CalPERS service;
 - File a notice with the City of their intent to retire by August 10, 2009;
 - Retire by September 4, 2009 unless the City Manager asks the individual to continue their employment for up to 4 months to allow for an orderly transition.

The rationale for limiting the early retirement incentive program to the higher Police management ranks is that management believes that fewer management personnel can operate the department without unusual service impacts. A relatively few employees are expected to take advantage of this program, perhaps 5. These positions would not be refilled. Therefore, significant long-term savings could be achieved. Further, police management classifications are not currently slated for a salary increase.

This early retirement incentive action will reduce the available Police staffing. However, the department has only two sworn officer vacancies at the moment compared to 13 a couple of years ago. As a result, even with the expected force reductions, the department will have more actual bodies working than in the past.

After the early retirement program is completed, management would return to Council to complete the savings program, achieving and perhaps exceeding the desired budget savings target.

Community Development and related divisions. As the City departments have worked on ways to reduce budgets and the State budget has continued its tortuous process, it has become clear to staff that the ***Community Development, Housing and Economic Development departments and some associated divisions in Public Works have unique problems that will need to be addressed separately from this memo.*** Although they have met their budget savings target, the State actions may require further reductions up to and including lay offs because:

- ***The State has proposed taking away all of the City's Gas Tax monies***, about \$2 million a year. These monies have funded the bulk of the City's street maintenance efforts. If these monies are taken away, the City will need to readjust its programs, redirecting some other monies towards smaller street maintenance program and probably reduce monies spent on capital projects. Thus, Street Maintenance, Traffic Safety and Engineering's Capital Project costs will need to be evaluated.
- Over the last several years, various ***impact fee revenues have declined substantially.*** This change in revenues means that fewer capital projects can be undertaken. The City needs to evaluate how to adjust to this lower revenue level.
- Building Safety was processing nearly 1500 building permits a year and had a peak staff of over 20 individuals in FY 2005/06. That staffing stands at 9.5 personnel today. However, permits are running closer to 400 per year. The costs born by this division need to be adjusted to a sustainable level, particularly as allocated to this division.

- One ***State budget proposal recommends taking substantial monies from Redevelopment.*** To extent monies are taken from this program, the City will again need to revise its structure.

These several factors have led staff to recommend bring back these divisions separately to Council for further consideration.

Summary

The City has started out the FY 2009/10 budget year with a \$5.7 million deficit. The City has achieved \$2.7 in budgetary solutions which includes some use of the City's reserves. On June 15, 2009, the Council directed staff to find \$3 million in ongoing, General Fund savings. So far, the departments have found \$2.2 million in ongoing savings with several departments still needing to complete their savings plan. A very limited Police Management early incentive program is recommended. After completing that program, the City would finalize its money savings plan with Police. If the department meets its savings target, no further actions would be needed. Community Development, Housing and Economic Development and some related Public Works divisions have met their savings target. However, the State proposes to take away substantial monies from the City. Some of the items being discussed at the State level will dramatically affect street maintenance and Redevelopment. As a result, staff will return with additional recommendations for those departments as the final State budget is completed.

What lies ahead of the City is not what existed in the past. To meet the new challenges, the City must change. Past methods need to change to meet the new challenge. The proposed direction alters the City's course with an eye to sustainable government.

Prior Council/Board Actions: Council Actions and Hearings on April 6, May 18 and June 15, 2009

Committee/Commission Review and Actions:

Alternatives:

Attachments: Appendix 1: Sales Tax
Appendix 2: City Employees

Recommended Motion (and Alternative Motions if expected): I move that the City Council:

- 1) Accept the budget update report
- 2) Acknowledge the actions proposed by management to deal with a \$3 million budget reduction problem. For two units, the reductions will need to be finalized in the future. The reduction plan status is as follows:
 - a) All City departments except as for those listed below (\$1.3 million)
 - b) Police (\$1.5 million)
 - c) Community Development, Public Works Streets and Traffic Safety (\$200,000)

- 3) Authorize a health benefits severance for laid off workers of 1 month's health insurance coverage for each year worked up to 6 months or until reemployment, whichever comes first.
- 4) Authorize an early retirement incentive for Police Classifications employees of Sergeant and above as described in the staff report.
- 5) Provide additional direction as appropriate.

Environmental Assessment Status

CEQA Review:

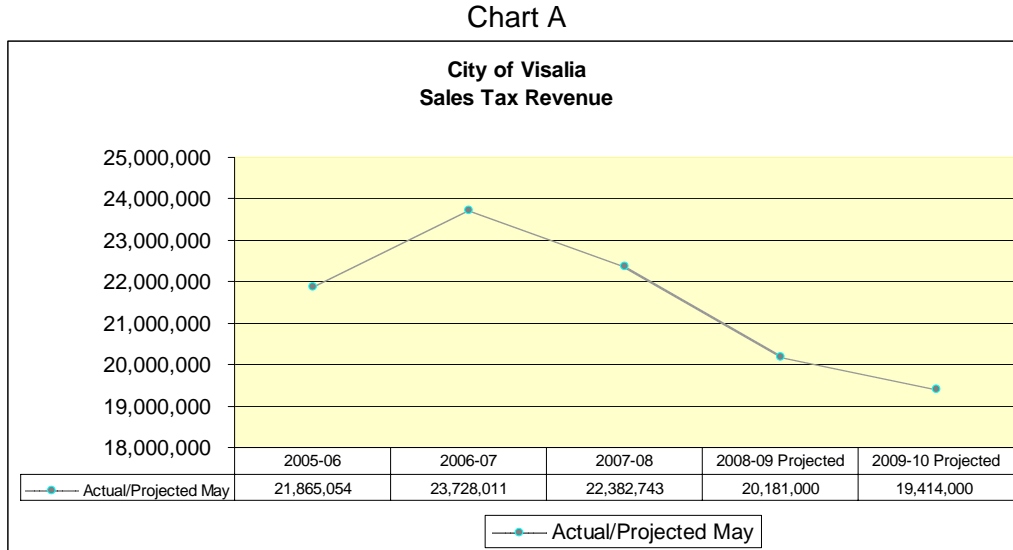
NEPA Review:

Tracking Information: *(Staff must list/include appropriate review, assessment, appointment and contract dates and other information that needs to be followed up on at a future date)*

Appendix # 1

Sales Tax, 1/3 of the City's General Fund Revenues

For years, the City's revenue base has been increasing, sometimes quickly and sometimes slowly, but increasing. For the last two years sales tax, which makes up over a third of the City's General Fund revenues, has decreased. The forecast is that sales tax will decrease again next year as shown in Chart A, Sales Tax Revenue. The 2009/10 projected revenue is over 20% or \$4.3 million less than in 2006/07.



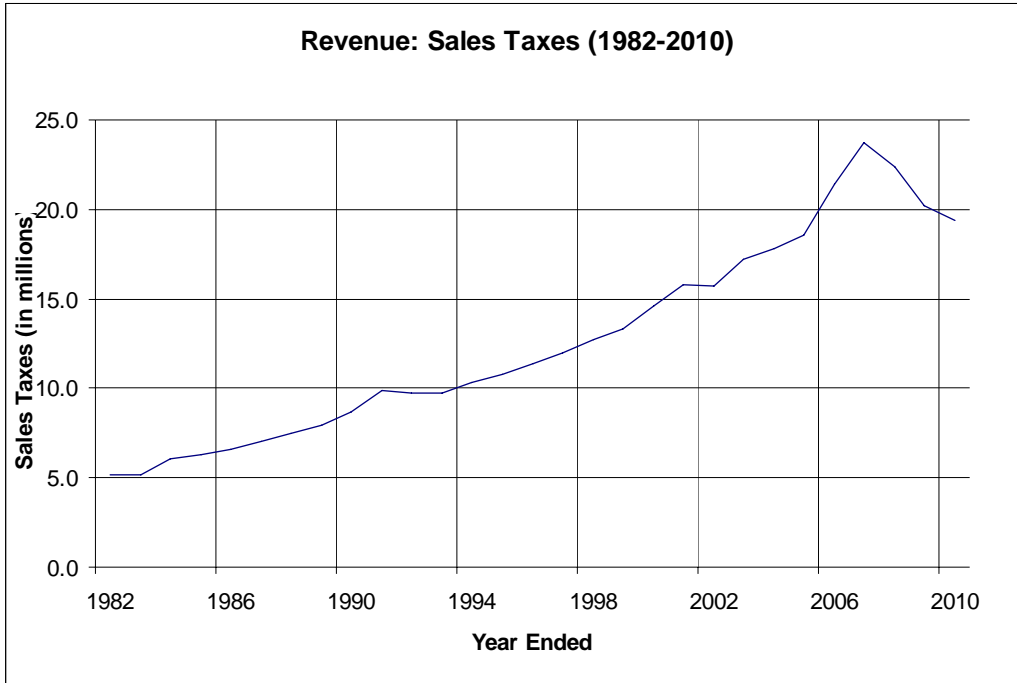
Starting in Fiscal Year 2006/07, the City's sales tax peaked. Starting at a high of \$23.7 million, sales tax has declined to a projected \$19.4 million in FY 2009/10, a \$4.3 million swing.

To put this fact into perspective, Finance reviewed Sales Tax receipts back to 1982/83. There is no comparable decline. The worst decline occurred in the early 1990s when sales tax essentially remained constant for three years as shown in Chart B, Historical Sales Tax.

One further thought about sales tax. When sales tax finally recovers and starts to grow, the City may experience a historical growth rate of 6%. At that rate, it will take 3 to 4 years for sales tax to recover to its peak if FY 09/10 is the bottom of the decline.

In the end, the governmental infrastructure that was supported by the revenues in 2006/07 can not be supported today given the City's revenues.

Chart B
Historical Sales Tax

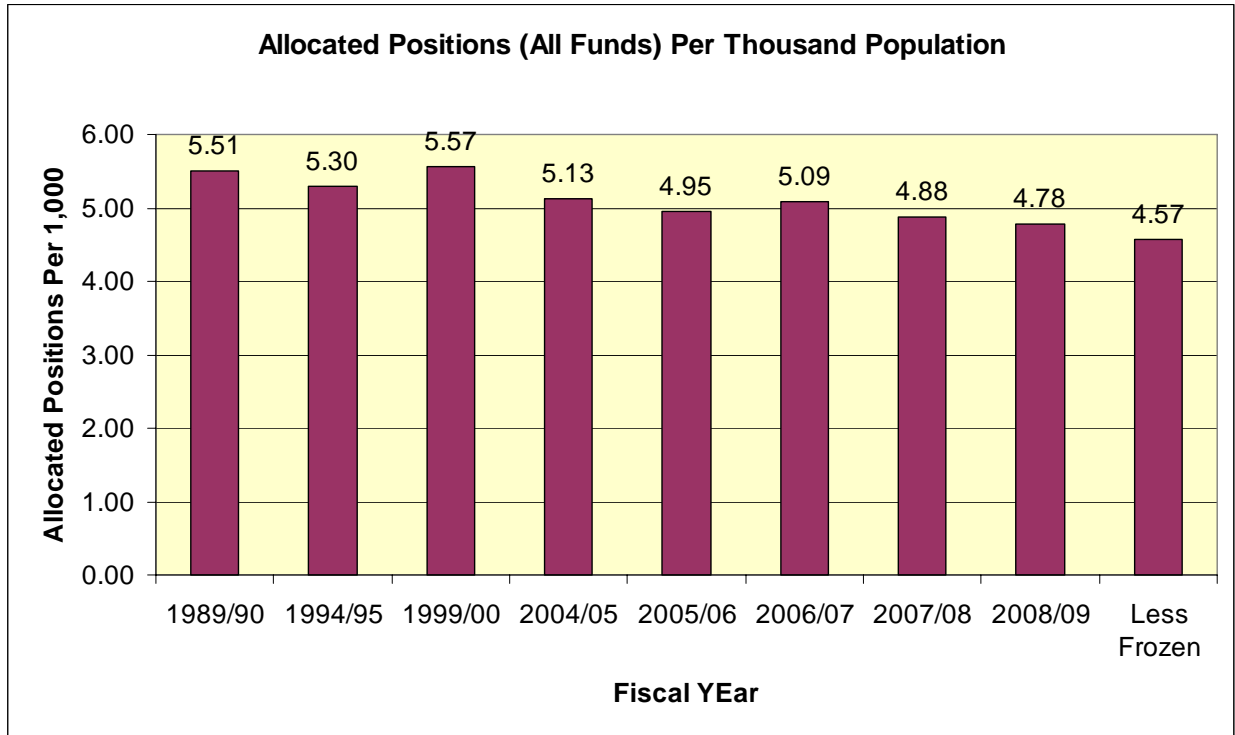


Appendix #2

City Employees

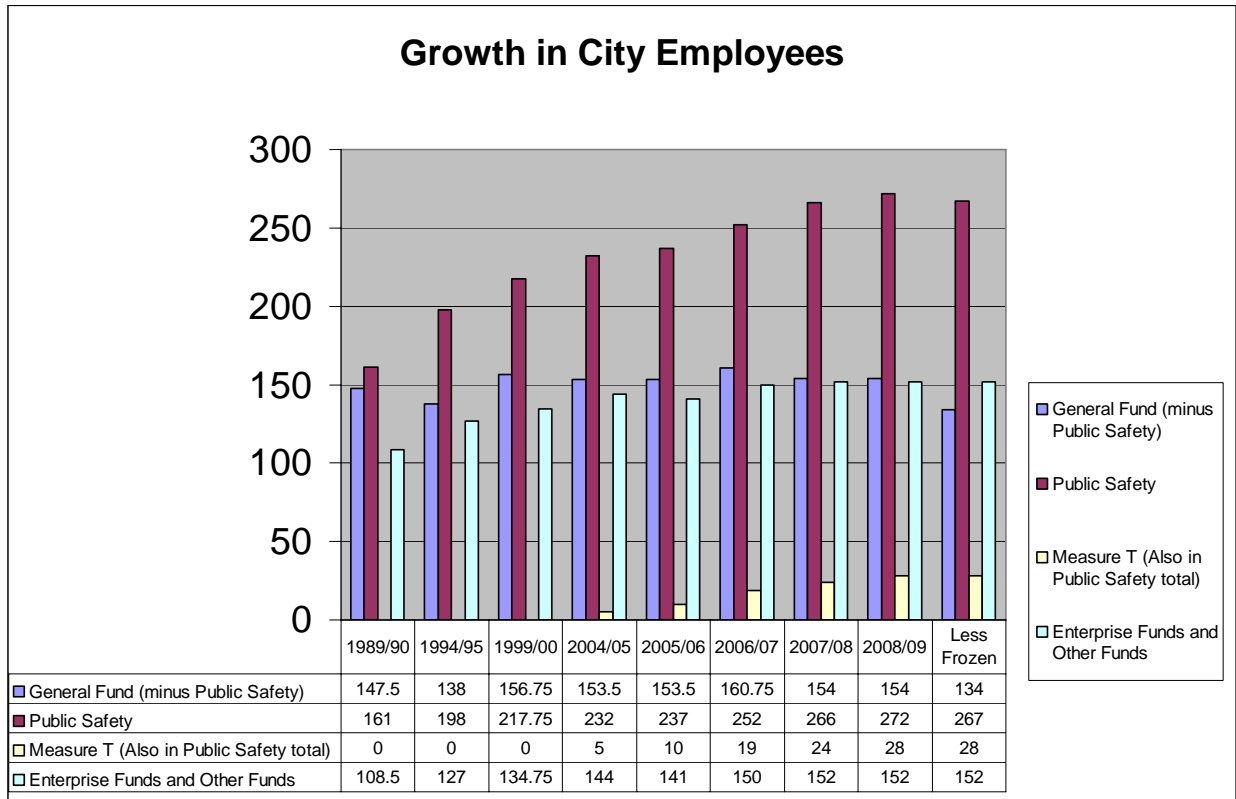
The single largest cost item in the General Fund is employees. To consider what the City can do to control employee costs, consider Chart C, Allocated Positions per Thousand Population.

Chart C



Over time, the City's employees per 1000 has decreased from a high of 5.57 in 2000 to 4.78 per thousand today, a 16% decline in less than 10 years. If the additional 25 frozen positions were considered, the employees per thousand would drop an addition .21. Review, now, what growth, if any has occurred by reviewing Chart D, Growth in City Employees.

Chart D



Key Points

- General Fund, non-Public Safety employee types have dropped from 147.5 to 134 after removing frozen positions during the past 20 years.
- Public Safety Growth has been helped by Measure T; however, of the 111 new Public Safety Positions added since 1990, only 28 have been funded by Measure T.
- After accounting for frozen positions, Non-sworn, General Fund positions are less than 20 years ago. The frozen positions for FY 2008/09 have been removed from this chart in the last column. Most of the frozen positions come from the Non-Public Safety General Fund totals.

The impression from these two graphs is that the City has controlled employee growth and Council has strategically added positions to Public Safety.

City of Visalia
Agenda Item Transmittal

Meeting Date: July 13, 2009

Agenda Item Number (Assigned by City Clerk): 14

Agenda Item Wording: Presentation and approval of the revised Sequoia Shuttle Visitor Center Design, and authorization to enter into a contract with Taylor Teter for working drawings.

Deadline for Action: N/A

Submitting Department:

Contact Name and Phone Number: Leslie Caviglia, 713-4317, Monty Cox, 713-4591, Wally Roeben, 713-4004

Department Recommendation

It is recommended that the City Council review and approve the revised design for the Sequoia Shuttle Visitor Center. The next step is to authorize staff to enter into a contract with Taylor Teter to develop working drawings. Funding for this architectural work has been set aside in the transit fund from the state Local Transportation Funding.

Department Discussion

In November, the Visalia City Council authorized staff to enter into a contract with TaylorTeter to design a Sequoia Shuttle Visitors Center adjacent to the Convention Center. The initial design concept and floor plan was completed, presented to Council in April, and approved. However, upon further reflection on some of the Council comments at the time of approval, staff felt that the design could benefit from additional Council input. A subcommittee was formed of Vice Mayor Link and Councilmember Collins. They worked with staff and the architect to revise the design to incorporate a more National Park feel, and to highlight the granite wall and make it a significant focal point. The revised preliminary designs are attached, and a presentation will be given by the architect during the work session to further describe how this design will be incorporated into the current convention center, the existing plaza, and the materials to be used. There are four distinct focal points to the design of the proposed 7,000 sq. ft. building: Display space, office space, external design and Plaza redesign.

If the Council concurs with this revised plan, the next step is to complete the working drawings. The funding for design was already authorized by Council in November, 2008, and has been set aside in the Transit Fund.

For action by:

- City Council
- Redev. Agency Bd.
- Cap. Impr. Corp.
- VPFA

For placement on which agenda:

- Work Session
- Closed Session

Regular Session:

- Consent Calendar
- Regular Item
- Public Hearing

Est. Time (Min.): _____

Review:

Dept. Head LBC

Finance

City Atty

City Mgr

While no specific funding has been identified for the construction of this building, there continues to be opportunities to qualify for Federal stimulus funding for projects that are “shovel ready” (fully designed). Staff hopes that by continuing with the working drawings, the project may become eligible for future funding that may become available as part of the economic recovery process.

Interested parties were invited to work with the Architect to design the interior of the building. While the interior design has changed some from the concept presented in April, it still contains all of the elements thought to be important to the potential users. Among those invited to participate in the process were representatives from:

- Sequoia Kings Canyon National Park
- Sequoia Natural History Association
- Seven Sycamores Ranch
- Visalia Chamber of Commerce
- Visalia Visitors and Convention Center
- Downtown Visalians

The areas they focused their input on included the following:

Visitor Space:

The group was interested in display and exhibit space that would be very open and could be readily changed to accommodate new opportunities. To meet this interest, the plan includes a very open floorplan downstairs. New exhibits and displays can be moved into the facility to create new interest, keep the information fresh, and change with the seasons. There is a welcome desk and general information center near the front, and a section where pull-down maps can be featured so visitors can readily be shown the many features of the area that they can enjoy. Included in the design is a refrigerator case where local ag products can be displayed for sale. There is also a plan to include new technology, including screens in the lower section of the glass tower where videos and information can be constantly displayed, and a kiosk can be added so visitors can access information via a computer on a 24-hour, 7 day a week basis.

Office Space:

There was interest in having offices that could be used by entities that promote Visalia and the area. The Visitors and Convention Bureau will definitely be housed in the facility, and other entities, including the National Park, have indicated they may be interested in space in the future. The design includes space for up to 14 people in two distinct upstairs office spaces that could be independently locked for security reasons.

External Design:

The new building was designed to be a separate and distinct building from the Convention Center. However, the subcommittee also felt that extending the finishes across the front door face of the Convention Center would make for a smoother transition between the two buildings. The renderings depict the use of the granite and metal finishes across the front entrance. Also, the architect was asked to consider how the Convention Center might evolve to have a coordinated but distinct look. The architect will discuss how the design team foresees this occurring in the future. There was continued interest in having a distinct wall feature that would incorporate a water feature. The redesigned wall has a three stair-step feature that uses local granite that will give a sense of the mountains to the east, provides artistic features, and visual interest to the area. In addition, the windows between the walls will provide a visual view into the Center, which should create additional interest in what the visitor center has to offer.

Plaza Development:

There was also interested in retaining the Convention Center Plazas for community use, but perhaps with a different feel that would encourage more use of the outside areas for events. The design team studied the current uses at the Center to make sure that events such as home shows could be accommodated. The new design endeavors to make the open space area into two Plazas that will create a better sense of space on a more intimate level. Given the success of the Garden Street Plaza, which is very small but enjoys great success as a venue, it is hoped that the ultimate design of these Plazas will encourage similar usage. The Plaza development will be designed to be phased in as funding permits.

Cost:

Initial cost estimates were calculated based on the preliminary design. As noted, the full project is designed to be phased in. These costs estimates are very preliminary, but are helpful when applying for funding opportunities. The initial construction cost is estimated to be \$2.5 million, plus permits and fees. With the completed Plaza work and the fountain, the total cost is estimated at \$3 million, plus permits and fees, although further engineer estimates will provide a better estimate. Total cost for the remainder of the plan design should not exceed \$250,000.

Construction Funding:

As noted when staff brought this item to the City Council in April, no specific funding has been identified for this project. Given the amount of Federal stimulus money that is being distributed, staff was hopeful that this project might qualify. While nothing specific has developed, staff continues to pursue funding through a number of sources including the Economic Development Administration, transportation grants, and other federal avenues. In addition, there are two future sources of Transit funding that may become available in future years. While it could take several years before enough funding can be accumulated to fund this project, staff is confident that even if stimulus funding is not forthcoming, there are other long term sources that can be used to fund the Sequoia Shuttle Visitor Center.

Prior Council/Board Actions:**Committee/Commission Review and Actions:****Alternatives:****Attachments:**

Conceptual Designs

Recommended Motion (and Alternative Motions if expected):

I move to authorize staff to enter into a contract with Taylor Teter to develop working drawings for the Sequoia Shuttle Visitor Center.

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