

MINUTES OF THE ADJOURNED JOINT MEETING OF
THE MONTCLAIR CITY COUNCIL AND
REDEVELOPMENT AGENCY BOARD HELD ON
TUESDAY, FEBRUARY 18, 2003, AT 5:34 P.M. IN
THE CITY COUNCIL CHAMBERS, 5111 BENITO
STREET, MONTCLAIR, CALIFORNIA

I. CALL TO ORDER

Mayor/Chairman Eaton called the meeting to order at 5:34 p.m.

II. ROLL CALL

Present: Mayor/Chairman Eaton; Council Members/Directors Paulitz and Ruh; City Manager/Executive Director McDougal; Director of Administrative Services Starr; Director of Redevelopment/Public Works Staats; Director of Community Development/Agency Planner Clark; City/Agency Engineer Hudson; City Clerk/Agency Secretary Crawford

Also Present: Assistant Finance Director Beltran

Absent: Mayor Pro Tem/Vice Chairman Dutrey (arrived at 5:36 p.m.); Council Member/Director Raft (arrived at 5:40 p.m.)

III. PUBLIC COMMENT - None

IV. MIDYEAR BUDGET REVIEW

A. Review of the City's and Redevelopment Agency's Fiscal Operations and Approval of Proposed Changes to the Fiscal Year 2002-03 Budgets

Mayor Pro Tem/Vice Chairman Dutrey arrived at 5:36 p.m.

Assistant Finance Director Beltran reported the status of the City's and Redevelopment Agency's financial operations at midyear and discussed specific changes to the City's Estimated Revenue and Appropriations Budgets. He highlighted General Fund revenue/expenditure trends and the fiscal impacts of potential budget changes, including the following:

\$25,560 increase to the Administrative Services Department for bank service fees previously absorbed by interest earnings on the City's account and costs associated with the final year of

maintenance payments on the Central Services copier.

Council Member/Director Raft arrived at 5:40 p.m.

\$8,700 increase to the Police Department for increased overtime costs associated with Technical Services, Records, and Investigations.

\$97,575 increase (\$95,575 from the General Fund and \$2,000 from the EMS Fund) to the Fire Department for increased costs related to Mutual Aid responses, suppression uniforms, and paramedic medical supplies.

\$142,500 increase to the Public Works Division for public works projects, including transfer of \$75,000 to the City Facilities Improvement Fund for HVAC system improvements; of the \$67,500 balance, \$40,000 is for signal coordination in North Montclair and a traffic study at the **Margarita** site.

\$18,500 increase to the Community Development Department for plan checking services for the remainder of this fiscal year.

Assistant Finance Director Beltran presented suggestions for revisions to the Estimated Revenue Budget (decrease by \$316,161) and the Appropriations Budget (increase spending authority by \$290,835 in the General Fund, \$2,000 in the Emergency Medical Services Fund, and \$75,000 in the City Facilities Improvement Fund). Approval of both the Appropriations and Estimated Revenue Budgets would have a negative budgetary impact to the General Fund of \$606,996.

Mayor Pro Tem/Vice Chairman Dutrey inquired if the City would be reimbursed 100 percent for Fire Department mutual aid overtime expenditures.

Assistant Finance Director Beltran confirmed that the City would receive 100 percent reimbursement from the **Federal Emergency Management Agency** and the **California Office of Emergency Services** for these expenditures.

City Manager/Executive Director McDougal advised that the amount of reimbursement the City receives typically exceeds our costs.

Council Member/Director Ruh asked if a nexus needs to be established to increase plan-check fees.

City Manager/Executive Director McDougal clarified that plan-check fees are basically pass-throughs and advised that the City is

processing more plans than was projected last June.

Discussion took place regarding the new HVAC system. City Manager/Executive Director McDougal advised that the project is 90 percent complete at the Civic Center, is now under construction at the **Montclair Branch Library**, is approaching completion at the Montclair Community Center, and will then begin at the City Corporate Yard and Fire Station facilities.

Noting that the adopted Fiscal Year 2002-03 Budget contained a \$393,042 surplus, Mayor Pro Tem/Vice Chairman Dutrey requested clarification as to why expenditures currently exceed revenues by \$1,525,268, as noted on Table 1, *General Fund Analysis*.

Assistant Finance Director Beltran clarified that the \$1,525,268 amount includes the transfer of \$430,000 to the City Facilities Improvement Fund for completion of the new HVAC system, \$718,000 for personnel cost-of-living adjustments and a salary survey, the projected \$700,000 decrease in sales tax revenue, the loss of the state-mandated **SB 90** reimbursements of \$215,000, and the proposed \$75,000 transfer to the City Facilities Improvement Fund for HVAC system improvements requested to be approved this evening.

Mayor Pro Tem/Vice Chairman Dutrey requested clarification on the \$700,000 decrease in sales and use tax revenues.

City Manager/Executive Director McDougal clarified that sales and use tax revenue for the first quarter of Fiscal Year 2002-03 increased by 11 percent compared to the same period in Fiscal Year 2001-02, and 2.5 percent over the same period in Fiscal Year 2000-01. He advised that reducing the sales and use tax estimate to \$10.8 million would be a 1.5 percent increase over Fiscal Year 2000-01, though the payment just received is a 2.5 percent increase over that.

Mayor Pro Tem/Vice Chairman Dutrey asked how the City would go about preparing a budget for the next fiscal year, taking into consideration all the unknowns at the state level related to the VLF backfill, booking fee reimbursement, and other revenues.

City Manager/Executive Director McDougal indicated the budget for the next fiscal year would be based on direction received from the Council this evening. He suggested the possibility of preparing two budgets, though he dislikes the concept because it creates turmoil at the employee level.

Mayor Pro Tem/Vice Chairman Dutrey commented as follows:

1. He stated the City maintains a strong General Fund reserve fund balance, which is currently estimated at \$9.2 million. Depending on the outcome of state revenues, he suggested

the City could adopt scaled-down budgets for the next two years, using reserves to balance the budget(s).

2. He stated he would like to avoid layoffs for as long as possible.
3. He suggested the reinstatement of an advisory budget committee, similar to Committee 2000 and perhaps renamed Committee 2004, to address fiscal concerns and long-term budget goals for the organization.
4. He noted the upcoming Council workshop on March 31, 2003, would be addressing long-term budget issues.
5. He spoke of the importance of adopting a balanced budget for the next fiscal year to avoid having to operate under a deficit.
6. He suggested a hiring freeze of nonpublic safety positions, with exceptions reviewed by the Personnel Committee.
7. He suggested a careful study be made of services and supplies and capital improvement projects.
8. Instead of adopting two budgets, he suggested all "wish-list" special project items be recorded in a separate document, to be funded should the vehicle license fee (VLF) backfill be reinstated.

Council Member/Director Paulitz inquired as follows:

1. How much does the City stand to lose in VLF backfill revenues?

City Manager/Executive Director McDougal answered, "About \$1.3 million."

2. How much does the City stand to lose in booking fee reimbursement revenues?

City Manager/Executive Director McDougal answered, "About \$125,000."

Council Member/Director Paulitz advised there would need to be about a 5 percent reduction in expenditures to balance the next fiscal year budget.

City Manager/Executive Director McDougal advised there would be a 30 to 50 percent reduction in nonsafety employee hiring.

Council Member/Director Paulitz clarified that the budget could be balanced using a portion of the General Fund reserves. He noted that staff will require direction regarding the next fiscal year budget, adding that the concept of two budgets is not unusual. He cautioned against adopting state budget practices.

Discussion centered around the difference in structure of two budgets should that be the City's course of action.

City Manager/Executive Director McDougal clarified that the first budget would probably contain some cuts as a result of expenditures currently exceeding revenues by approximately \$1.5 million; the second budget would contain cuts of approximately \$3 million if the City loses its VLF backfill and booking fee reimbursement revenues.

Director of Administrative Services Starr advised that staff would have a better understanding of the state's fiscal direction once **Governor Davis** releases his May 2003 budget revision. He added that the one-time HVAC transfer is a large part of the increased expenditures.

City Manager/Executive Director McDougal advised that with the City's aging workforce and retirement occurring at a younger age, along with a hiring freeze, over an 18- to 24-month period the budget could be reduced by \$1 to \$1.5 million through attrition alone.

Council Member Ruh concurred, noting that several retirements are scheduled in the next 12 to 24 months. He suggested that some items could be deferred to a future time and that cuts be shared equally throughout the budget. He further suggested the City have two contingency plans, one including VLF and one without.

Mayor Pro Tem/Vice Chairman Dutrey commented as follows:

1. He suggested all departments be examined for efficiency and rightsizing.
2. He reiterated his suggestion that reserves be used to balance the next fiscal year budget and the Committee 2004 be reinstated to examine long-term budget goals.
3. He suggested two budgets be developed, one with VLF and one with the reduction of VLF, and that an analysis be conducted on the effect of using reserves to balance the reduction of VLF.
4. He reiterated his suggestion that a hiring freeze of nonpublic safety positions be implemented immediately.

Council Member/Director Paulitz discussed the loss of emissions fees faced by the **South Coast Air Quality Management District (SCAQMD)** Board two or three years ago as the air gradually began to be clear as a result of the strict controls placed on automobiles, businesses, and industry. He stated it is not unusual for an agency to plan on running "deficits" for the short term, noting the devastating results of **SCAQMD's** large layoff in 1990. He stated

the **SCAQMD** Board decided at that point it is better to spend down reserves until revenues and expenditures stabilize.

Council Member/Director Raft spoke in support of developing two budgets, keeping an eye on reserves and personnel cost-of-living adjustments, and consolidating where possible.

Mayor/Chairman Eaton recalled when the City decided to use reserves to balance the budget and stated he has "no objection to going in that direction again," noting the healthy General Fund Reserve balance.

City Manager/Executive Director McDougal stated the City is in the top 5 percent of the ratio between reserves and the General Fund in the state.

Moved by Council Member/Director Ruh, seconded by Mayor Pro Tem/Vice Chairman Dutrey, and carried unanimously to receive and file the City/Agency Midyear Budget Review report and to approve the proposed changes suggested therein to the City of Montclair and Montclair Redevelopment Agency Fiscal Year 2002-03 Annual Budgets; further, that a no VLF contingency plan be developed with the Fiscal Year 2003-04 Budget and that an analysis be conducted on the effect of using reserves to balance the reduction of VLF.

V. ADJOURNMENT

At 6:10 p.m., Mayor/Chairman Eaton adjourned the City Council and Redevelopment Agency Board of Directors.

Submitted for City Council/Redevelopment Agency Board approval,

Yvonne L. Smith
Transcribing Secretary