

MINUTES
GARDEN GROVE CITY COUNCIL
AND
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

A regular meeting of the Garden Grove City Council and the Agency for Community Development was called to order in the Founders Room of the Community Meeting Center, 11300 Stanford Avenue, on Tuesday, March 30, 2004, at 6:40 p.m.

COUNCIL

ROLL CALL: PRESENT: (4) MAYOR BROADWATER, COUNCILMEMBERS DALTON, ROSEN, TRAN

ABSENT: (1) LEYES (Arrived at 6:42 p.m.)

AGENCY

ROLL CALL: PRESENT: (4) CHAIRMAN ROSEN, MEMBERS BROADWATER, DALTON, TRAN

ABSENT: (1) LEYES (Arrived at 6:42 p.m.)

ALSO PRESENT: City Manager/Director, George Tindall; Assistant City Manager/Community Development Director, Matthew Fertal; Assistant City Manager/Public Works Director, Les Jones; Community Services Director, Cal Rietzel; Finance Director, Kingsley Okereke; Fire Chief, Keith Osborn; Personnel Services Manager, Linda Cahill (for Personnel Services Director); Police Chief, Joe Polisar; and Deputy City Clerk/Deputy Secretary, Priscilla Stierstorfer.

PLEDGE

Councilman/Chairman Rosen led the Pledge of Allegiance to the Flag of the United States of America.

ORAL COMMUNICATIONS - PUBLIC

There were no oral communications from the public.

MID-YEAR BUDGET REVIEW (F: 34.1) (XR: A-34.1)

The City Manager/Director announced that the Finance Director will be providing an overview of where the City started and ended with the Fiscal Year 2002/2003 budget, a mid-year review of the 2003/04 budget status, and 2004/05 and 2005-06 budget projections.

He noted that aside from organizational requirements, the 2002/03 budget was a service reduction budget that included the following: \$620,700 in mandates, such as compliance with Federal and State Water Quality Controls; \$480,000 for ERAF; 25-position hiring freeze, an increase in the unrestricted balance to carryover; and no fund increases in programs to deal with population growth, community needs, infrastructure requirements, etc.

The Finance Director reviewed the basic budget versus the actual year-end budget for 2002/03. He indicated that the actual year-end amount for 2002/03 reflected the largest unrestricted balance in 20 years that totaled \$9,498,400.

Councilman/Member Tran inquired as to which departments had the 25 positions on a hiring freeze. The City Manager commented that two-thirds of the vacancies are in public safety.

Councilman/Member Leyes inquired as to how many authorized positions are in the Police Department. The City Manager noted that there are 162 positions, of which there are 9 vacancies, 8 out on injury, and 4 in training.

The Finance Director commented that factors that impacted the 2003/04 budget development included: a reduction of \$2 million in Vehicle License Fees Revenue; ERAF money of \$864,000 that came from the General Fund because the Agency could not make the payment; loss of State Traffic Congestion Relief Fund of \$500,000; continued deferral of mandated reimbursement funding of \$400,000; and PERS retirement cost increase for public safety.

The Finance Director discussed the balancing measures that were implemented for the 2003/04 budget that included: adopted a cut budget with no inflation adjustments; continuing a 25 full-time position hiring freeze; 10% expenditure reductions; no new program; , and use of PERS Rate Stabilization Reserve to fund Safety PERS.

Mayor/Member Broadwater commented that the Mid-Year 2003/04 budget is \$4 million short in revenues. The Finance Director commented that the sales tax and the property tax revenues will come in at a later date. After we complete the month of April, it will give us a better picture of how the budget is doing.

The City Manager/Director commented that sales tax is not doing as well but the property taxes are up. He noted that all the departments have been asked to save as much money as they can and not to spend any that they do not have to.

Councilman/Chairman Rosen noted that there is only \$134,000 spent on capital expenditures. The City Manager/Director commented that most of the highway maintenance is done in the spring and is not reflected on the mid-year budget. He indicated that we are also carrying over some of the money to next year, and most of the money is from Gas Tax and Measure M Funds, not General Fund money.

Councilman/Member Tran inquired as to the details on expenditures. The City Manager/Director commented that there is a hiring and spending freeze, a restriction on travel, and a restriction on capital outlay. He noted that we will have to borrow from the Vehicle Replacement Fund to balance the budget.

In reviewing the three-year analysis of projected budgets, the City Manager/Director commented that \$7.5 million will be carried over. He noted that the projections for the 2005/06 budget is a \$6.7 million deficit before any balancing measures.

Councilman/Chairman Rosen commented that the League of California Cities is circulating an initiative to protect city funds. He questioned whether any of the figures like ERAF will change. The City Manager/Director commented that some will change; however, there is no way of knowing at this time which ones will.

Councilman/Member Dalton inquired as to where the projections for bed tax are shown. The City Manager/Director commented that the bed tax is in the projected revenue. The detail sheets were not included for this discussion.

Councilman/Member Dalton questioned what the projections in the bed tax will be. The Assistant City Manager/Community Development Director commented that the bed tax is projected to gross \$6 million.

The City Manager/Director noted that we will receive approximately \$4.5 million until our debt is paid. After 2007, the debt will be paid and the amount will increase significantly. Prior to the hotels being built, the bed tax was \$1.8 million. We have already received \$4.3 this year. When Mr. Littrell commented at the last Agency meeting, he was using the payback to the Community Development Block Grant (CDBG), and that skewed the amount a little. He noted that this is a good news/bad news scenario. We must still be frugal and creative in order to balance the budget.

Councilman/Chairman Rosen questioned whether it was too late to relocate the gym. The City Manager/Director commented that the plans for the gym are in the final design, and it would cost too much to start over.

Councilman/Chairman Rosen commented that this is only a General Fund budget. The City Manager/Director commented that it is and does not include the Agency budget.

The City Manager/Director commented that we are in the process of refinancing the debt for the water bonds, and the City will save some money. He noted that the Council will have to consider a water rate increase. He indicated that if the Governor takes the ERAF money, it would also have an impact on the Special Districts. Also, grant money will be reduced and the City will have to pick up some of that cost. He noted that the big unknown is that the City still does not know what the State is going to do with its budget.

In response to Councilman/Chairman Rosen, the City Manager/Director commented that one of the biggest increases this year were due to environmental requirements. There is no indication that the new Governor is going to loosen up on those requirements. The Assistant City Manager/Public Works Director commented that this year was going to be the test; however, we have only seen reinforcement on the requirements. He commented that when there was a budget crisis in the 90's, the State slowed down on its requirements. This time the Governor has not done that.

Councilman/Chairman Rosen inquired as to how many properties the City owns in the Civic Center area. The Assistant City Manager/Community Development Director commented that we own approximately 12, valued at \$300,000 to \$350,000 each.

Councilman/Chairman Rosen commented that the City might have to consider selling those properties to balance the 2006/07 budget if the deficit is \$7 million as projected. Some of that money is the

Agency money, and the Agency may be able to liquidate the properties to pay some of its bills.

RECESS AND ADJOURN TO CLOSED SESSION

At 7:45 p.m., the meeting was adjourned to Closed Session, under the Ralph M. Brown Act, and it was announced that pursuant to Government Code section 54957.6(a), the City Council will confer with its Negotiator (Mayor Broadwater and Council Member Dalton) concerning employee benefits and compensation with respect to the City Manager and City Manager Designate.

RECONVENE

At 8:09 p.m., the meeting was reconvened and it was announced that the matter previously disclosed was discussed and no others.

ADJOURNMENT

At 8:10 p.m., the meeting was declared adjourned.

PRISCILLA STIERSTORFER
DEPUTY CITY CLERK/
DEPUTY SECRETARY