

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

Subject: Finance and Governmental Operations Committee – Accept and file the 2nd Quarter 2011-12 Budget Review Report, Investment Report, and approve program modifications

RECOMMENDATION

Recommendation of the Finance and Governmental Operations Committee that City Council:

- 1) Accept and file the 2nd Quarter (Mid-Year) 2011-12 Budget Review Report
- 2) Accept the City Treasurer's Investment Report
- 3) Approve the program modification for the City Manager's Office and the Finance Department

BACKGROUND/ANALYSIS

On Tuesday, April 3, the Finance and Governmental Operations Committee heard a presentation from staff on the Second Quarter (Mid-Year) 2011-12 Budget Review.

The Committee voted and accepted unanimously the Second Quarter 2011-12 Budget Review Report, the City Treasurer's Investment Report, and the program modifications.

Respectfully submitted,

Finance and Governmental Operations Committee



Councilman Bill Sutherland, Chair



Councilman Cliff Numark, Member



Councilwoman Susan Rhilinger, Member

Attachments:

- A. Executive Summary
- B. City Treasurer's Investment Report
- C. Program Modifications

(A copy of the 2nd Quarter 2011-12 Budget Review Report is available for review in the City Clerk's Office, the Torrance libraries and online at <http://www.torranceca.gov/1741.htm>)

Committee Meeting of
April 3, 2012

Honorable Chair and Members
of the Finance and Governmental Operations Committee
City Hall
Torrance, California

Members of the Committee:

Subject: Mid Year 2011-12 Budget Review

RECOMMENDATION

The City Manager and the Finance Director recommend that the following items be approved by the Finance and Governmental Operations Committee and recommended to City Council for action:

- Accept the Mid Year 2011-12 Budget Review Report
- Accept the City Treasurer's Investment Report
- Approve the program modifications for the City Manager's Office and the Finance Department

EXECUTIVE SUMMARY

The General Fund expenditures for all departments are at 55.6%, with 58.7% of the fiscal year expired, which is compared to prior year expenditure trends of 56.7% and 54.6% in the prior two years. All non-safety departments (General Fund) are well within budget, while Fire and Police are projected to be fully expended by fiscal year end. Revenues through January 31, 2012 are at 46.5%, compared to 45.8% and 47.4% in the prior two years. Even though actual revenue receipts are slightly higher than last year, City revenues are projected to be below budget by \$3.5 to \$4.5 million at fiscal year end. Staff is projecting that actual expenses will be below budget by \$5.0 to \$5.5 million for fiscal year end which will cover the current fiscal year's revenue shortfall. The current fiscal year budget remains balanced.

A Snapshot of Torrance

Population: 145,927
Area: 21 Square Miles
1289 Full-time Employees
6 Fire Stations
1 Police Station &
1 Police Community Center
223 Sworn Police Employees
145 Sworn Fire Employees
6 Public Libraries
47,000 Street Trees
550 Miles of Sidewalks
46 Parks & Recreation Amenities

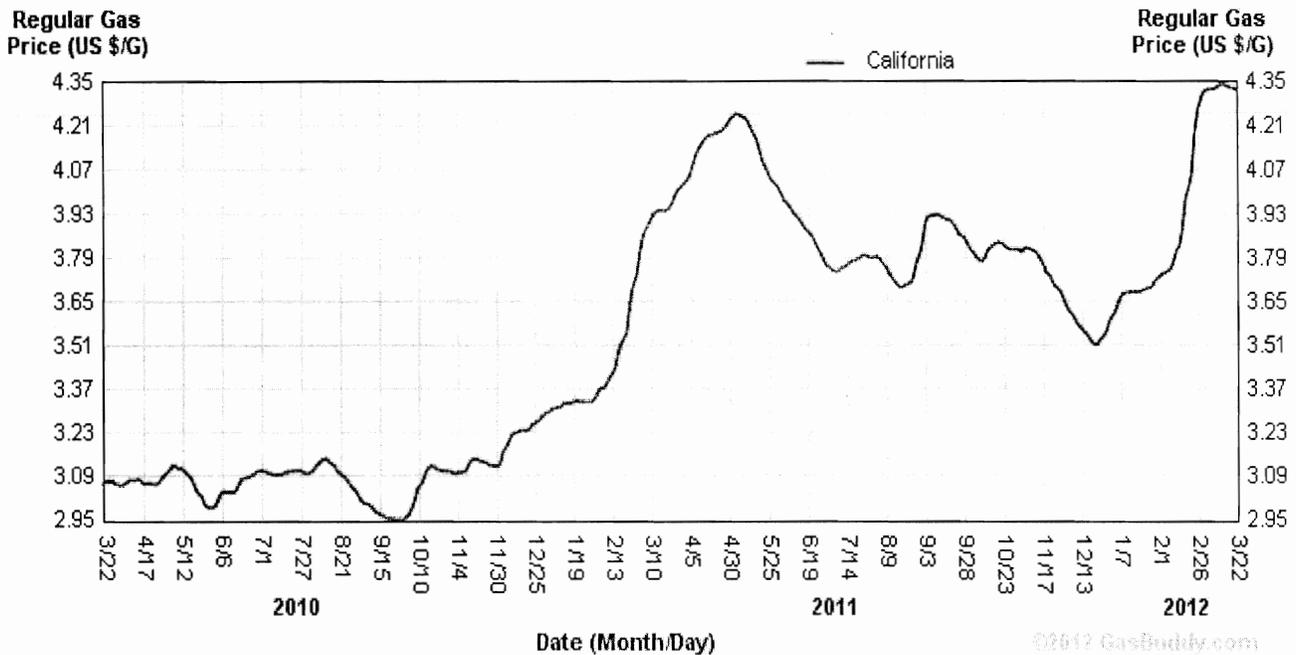
Economic Outlook

The Gross Domestic Product (GDP) for the United States for the 4th Quarter grew at an annual rate of 3.0%. The economy is recovering. As the recovery continues, revenue streams to the City will continue to improve. The budgetary outlook for the City remains somewhat optimistic.

There are many economic indicators that reflect a recovering economy: growth in retail sales and increases in hotel room bookings, the rebound in the stock markets to a four year high, a slight increase in business inventories, and improvements in the job market and unemployment rate. World events and uncertainty (debt concerns, flow of oil, civil unrest, higher fuels prices, etc.) continue to slow any momentum of economic growth.

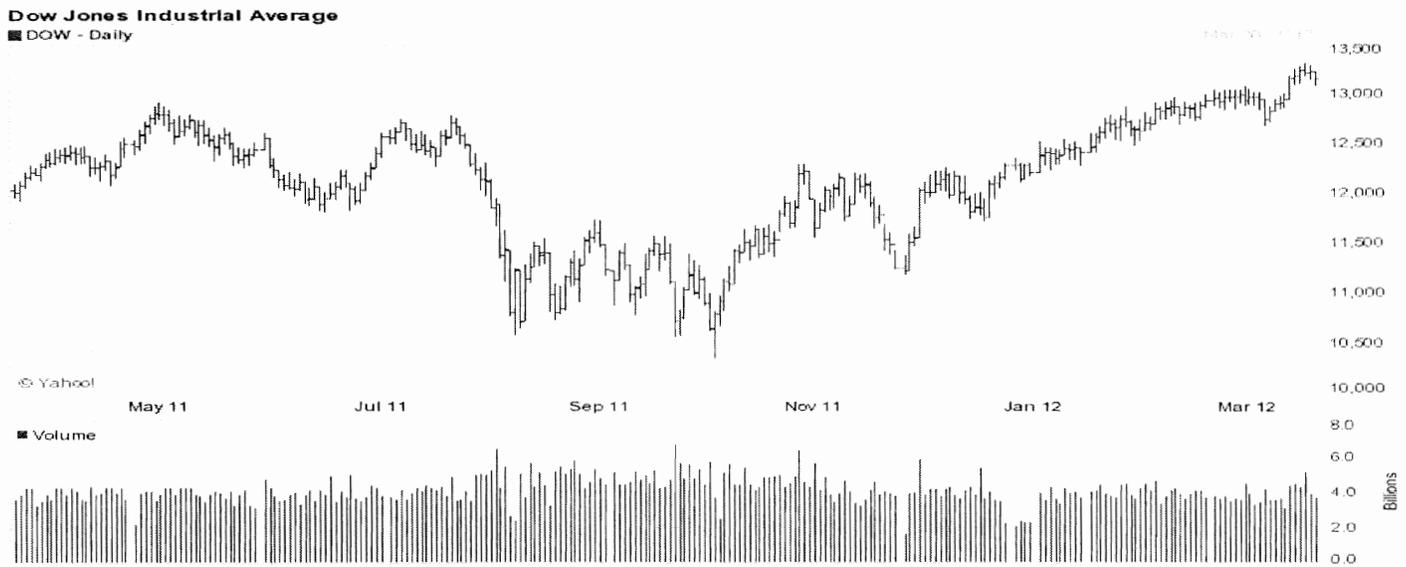
Over the last two years, the average cost of retail regular unleaded fuel at the pumps for Californians rose from \$3.09 a gallon to \$4.34 a gallon. As seen in the chart below, retail gas prices have had many fluctuations over the last two years that ultimately resulted in a steady increase.

24 Month Average Retail Price Chart



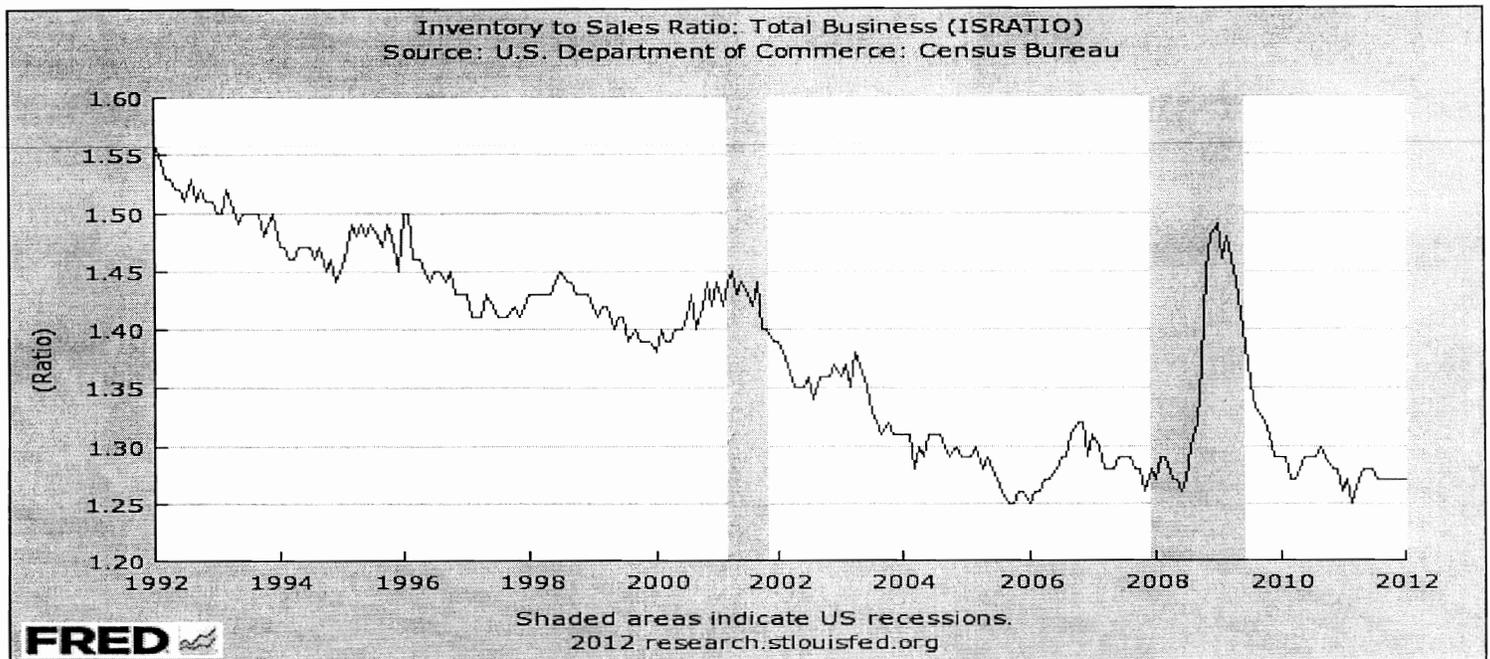
As consumers use more of their discretionary income for fuel, less is available for consumer spending.

The Dow Jones Industrial Average is trading above 13,000. This is a level that has not been reached since January 2008. This is a favorable sign, since the Dow was at 6,547 in March of 2009, and there are indicators that suggest that it may reach a high near the 14,000 level that was achieved in October 2007.



Business inventories at January 2012 are at 1.27 inventories to sales ratio, which is slightly higher than the 1.25 one year ago. Companies will increase inventories to keep up with consumer demand and in order for inventories to rise, companies will increase production by adding work hours to the

existing work force or hire additional workers. This is another sign that shows that the economy is beginning to trend upward.



The unemployment rate, although improving, continues to be a drag on the economy. The unemployment rate is a lagging economic indicator and it remains a major concern.

Unemployment, or under employment, directly affects consumer spending, which makes up 2/3rds of the economy. The Federal and State unemployment rates are improving; the February 2012 rates were 8.3% and 10.9%, respectively, compared to 10.1% and 12.5% in late 2009. The unemployment rate for Torrance is currently at 6.0%, which is down 0.2% from February 2011 and is well below the National, State, and County of Los Angeles averages as well as some of our neighboring cities. The unemployment rate can be deceiving since it only measures those actively seeking employment. The drop in the unemployment rate could be attributable to those job seekers who are underemployed or have simply stopped looking. Conversely, unemployment numbers can spike as those who were unemployed and discontinued seeking employment begin to believe the economy is improving and again start seeking employment.

January Unemployment Rate	2012	2011
Federal Gov	8.3%	8.9%
State of California	10.9	12.2
Los Angeles County	11.8	12.3
Carson	12.2	12.6
Gardena	11.3	11.5
Glendale	10.5	10.7
Hawthorne	15.6	15.9
Inglewood	15.0	15.3
Santa Monica	10.0	10.2
Torrance	6.0	6.2

As mentioned above, overall General Fund revenues are projected to be short of budget by approximately \$3.5 to \$4.5 million. The shortfall in revenues is primarily caused by three major revenue sources: Utility Users' Tax, Motor Vehicle in Lieu and Interest Earnings on Investments. As reported in the first quarter and still continuing through January 31, Utility Users' Tax revenues are down, caused by many cell phone users replacing their mode of communication with text messages and other internet/data connections. Internet/data usage is not subject to the Utility Users' Tax. In conjunction with the continued increase in mobile cellular telephones and devices, more and more homes are moving away from traditional land line services. Electricity use in the City has declined as industrial, business, and residents cut back on power consumption.

Motor Vehicle in Lieu budgeted revenues will not be obtained as this revenue source was eliminated by State budgetary actions subsequent to the City approving its budget. This action is being

disputed by the League of California Cities and is scheduled to be heard by the Superior Court in May. Lastly, investment earnings continue to be challenged as interest rates hover around near zero yields.

Sales tax revenues generate approximately \$36 million annually and are the General Fund's second largest revenue source behind property taxes.

Sales tax receipts lag by about one quarter or about three months. In December, the City received final sales tax receipts for the July – September quarter, and in March the City received final sales tax receipts for the holiday season (October – December).

Retail Sales				
Top 5 Sales Tax Producers by Economic Segment (by 000's)				
Description	Year End 09/30/11	Year End 09/30/10	Variance	%
Auto Sales New	\$ 5,680	\$ 5,203	\$ 477	9.2 %
Department Stores	\$ 4,335	\$ 4,230	\$ 105	2.5 %
Restaurants	\$ 3,542	\$ 3,441	\$ 101	2.9%
Misc Retail	\$ 2,978	\$ 2,911	\$ 64	2.2%
Leasing	\$ 2,376	\$ 2,030	\$ 346	17.0%

Actual sales tax receipts received through January 2012 are higher than last year, as were the March 2012 numbers. This reflects a recovering economy as two-thirds of the economy is driven by consumer spending. At this time, staff is projecting sales tax revenues to be approximately \$600,000 to \$800,000 better than budget estimates.

Occupancy tax revenues received to date are 10% higher than last fiscal year and right in line with budget estimates. As consumer confidence increases, more discretionary spending occurs, which includes consumer spending on travel.

Overall, revenues for the General Fund are beginning to show signs of improvement, with the exceptions just mentioned. Expenditures for the General Fund are well within budget.

2012-13 Concerns

As we look past the current fiscal year to the 2nd year of the 2011-13 Two Year Budget, there are some areas of concern that impact the 2012-13 fiscal year: the dissolution, by the Governor, of all Redevelopment Agencies (RDA) in the State of California; the impact of CalPERS decreasing their assumption on annual inflation by ¼ of a percent; and achieving revenue goals in the Cultural Arts Center and Parks and Recreation Enterprise funds.

Dissolution of the RDA – For many reasons, the dissolution of California's RDA's is not as straight forward as the Governor would have thought. The adage of "the devil is in the details" is all too true. As the California Department of Finance and counties work out the details, there are many unanswered questions. Some of those questions are whether or not Torrance can continue funding a ½ time Planning Assistant using the administrative (5%) cost allowable under the law for running the successor agency, as well as whether or not the City's Home Improvement Program (\$325,000) can still be funded using existing low and moderate income housing monies through the use of the 5% administrative cost.

The oversight board, once appointed by the County, will determine if these costs are allowable or not, as well as what obligations can be funded out of what was referred to as "tax increment."

CalPERS - In January 2012, the CalPERS board approved a decrease to their assumption for inflation by ¼%. This change essentially reduces CalPERS assumption for investment returns from 7.75% to 7.5%, which will increase the City's contribution rate for the Police, Fire and Miscellaneous plans. The increase would take effect beginning in the 2013-14 fiscal year. The increase in the contribution rate for Fire would be \$420K, approximately \$1.1M for Police, and \$500K for Miscellaneous, or about a \$2.0M increase for the General Fund. The CalPERS Board did give direction to phase in the impact

over two years, which would decrease the impact for the first year and slightly increase the above numbers for the 2014-15 fiscal year.

Cultural Arts Center - The Cultural Arts Center is experiencing difficulty in achieving budgeted revenue figures through their charges for rentals and service programs. As of January, the revenue shortfall is projected to be \$166,000. The Center has many fixed costs to operate and expenditures are projected to be below budget by fiscal year end; however, the fund is projected to have an overall shortfall of \$70-\$80K.

Parks and Recreation - Parks and Recreation is another fund that is also experiencing challenges in generating sufficient revenues through their charges for services. While operating revenues as of January 31, 2012 are comparable to last fiscal year, it is projected that this fund will have a revenue shortfall of approximately \$650,000 by fiscal year end. The primary reasons are decreases in revenue for roller hockey, senior citizen social fees, and youth sports classes, which are due to decreased enrollments in the programs. In addition, the skateboard park will not generate any revenue this year due to closure of the facility. These areas will be addressed within the recommendations presented during the 2012-2013 budget process.

Program Modifications:

There are four program modifications that the City Manager is requesting that the Committee approve:

- (1) Approve an appropriation of \$62,540.23 from the sale of Centennial promotional items for the Torrance Centennial FEAP 739;
- (2) Reapprove the staffing change adding 0.5 of a Personnel Technician in Human Resources; and
- (3) Approve an appropriation of \$775,000 from the Reserve for Self Insurance Fund to assist in the funding of workers' compensation claims over four years; and
- (4) Approve the change in funding sources for the design for T-115 – Downtown Torrance Pedestrian Improvement Project from RDA funds to Gas Tax.

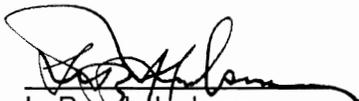
The City's Operating Budget remains balanced. The revenue shortfall is offset by savings from departments' budgets, salaries and materials. As part of the 2012-13 budget process, staff will present the City Manager's recommended amendments to the 2nd year of the 2011-13 fiscal year budget to address the effect of the shortfall in revenue on the City's Operating Budget. The 1st Budget Workshop is currently scheduled for May 8 and the 2nd Workshop is scheduled for May 15.

Respectfully submitted,



Eric E. Tsao
Finance Director

CONCUR:



LeRoy J. Jackson
City Manager

Committee Meeting of
April 3, 2012

Honorable Chair and Members
Of the Finance and Governmental Operations Committee
City Hall
Torrance, California

Members of the Committee

**SUBJECT: Request to appropriate funds from the sale of
Centennial promotional items for the Torrance Centennial FEAP 739**

Amount: \$62,540.23

RECOMMENDATION

Recommendation of the City Manager that City Council approve an appropriation of \$62,540.23 from the sale of Centennial promotional items for the Torrance Centennial – FEAP 739.

Funding

Funding available from the sale of Centennial promotional items which include Lights, Camera, Action registrations and sale of commemorative Centennial bricks.

BACKGROUND AND ANALYSIS

The Torrance Centennial committee was established May 19, 2009 to plan and recommend fun-filled and educational events in the City to celebrate the City's first 100 years. In order to meet the financial requirements of putting on such a celebration, the City is contributing a total of \$100,000 paid into the Centennial budget over four years. To date, the City's contribution is \$75,000.

In order to supplement funds provided by the City, The Centennial Committee includes a fundraising subcommittee whose role is to seek out additional funds to cover the expenses that will be incurred for a city-wide celebration. Funds have been collected for registration for Lights, Camera, Action, sale of commemorative bricks for the construction of the Centennial Plaza and sale of promotional items. With the approval of this appropriation, the total Centennial budget is \$308,540.23.

Upcoming Centennial celebrations include: community parade, dedication of the Torrance Centennial Plaza and the Birthday Bash.

The Centennial Committee will continue a concerted effort to raise funds for the construction of the Centennial plaza and to ensure a successful, memorable and fun-filled event for our community to enjoy.

Respectfully submitted,


Eleanor B. Jones
Management Associate
Staff Liaison to the Centennial Committee

CONCUR:


LeRoy J. Jackson
City Manager

Committee Meeting of
April 3, 2012

City Council Finance and Governmental
Operations Committee
City Hall
Torrance, California

Members of the Committee:

SUBJECT: City Manager – Human Resources Department Reorganization

RECOMMENDATION

Recommendation of the City Manager that the Council Finance and Governmental Operations Committee reapprove the following staffing change:

- Add .5 Personnel Technician

Funding

Not applicable.

BACKGROUND AND ANALYSIS

At the Council Finance and Governmental Operations Committee meeting of December 13, 2011, staff presented the Human Resources Department Reorganization plan with several staffing changes. The initial item was submitted to the Finance Department prior to the meeting, however, a last minute change was made to recommend the transfer of the 1.0 Human Resources Analyst assigned to Civil Service to Human Resources Department Support Division and to add a .5 Personnel Technician to assist with volunteer recruitment and Civil Service support to the Civil Service Manager.

The change was reflected in the PowerPoint Presentation shared with the Finance and Governmental Operations Committee on December 13, 2011, however, due to an oversight, was not updated in the City Council Item 12E (Attachment A) which was approved on December 20, 2011. The correct slide is included in this item as Attachment B. The addition of the .5 Personnel Technician yielded a net budget savings of \$115,050, which is \$10,000 less than the \$125,000 budget reduction approved by the City Council as part of the 2011-13 City Operating budget. Since the Human Resources reorganization is a staffing plan in progress, staff anticipates future transition budget savings that will result from staffing modifications related to the new Human Resources Administrator position.

RECOMMENDATION

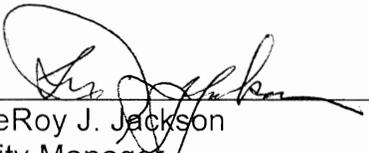
The City Manager recommends the reapproval for the addition of a .5 Personnel Technician to the Civil Service Division to formalize the action taken.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By *Mary Giordano*
Mary Giordano, Assistant City Manager

CONCUR:



LeRoy J. Jackson
City Manager

Attachments A) Excerpt from City Council Item 12E on December 20, 2011.
B) Updated HR Staffing Plan

Committee Meeting of
December 13, 2011

City Council Finance and Governmental
Operations Committee
City Hall
Torrance, California

Members of the Committee:

SUBJECT: City Manager – Human Resources Department Reorganization

RECOMMENDATION

Recommendation of the City Manager that the Council Finance and Governmental Operations Committee approve the Human Resources Department Reorganization and approve the following staffing changes:

- a) Transition the HR Department to a Division within the City Manager's Office
- b) Move the Risk Management Division of HR to the Finance Department
- c) Expand the scope of the Civil Service Division
- d) Delete 1.0 Human Resources Director
- e) Add 1.0 Personnel Technician

Funding
Not applicable.

BACKGROUND AND ANALYSIS

On June 21, 2011, as part of the 2011-13 City Operating Budget, your Honorable Body approved the reduction of 1.0 Human Resources position valued at \$125,000 pending the reorganization of the Human Resources Department. Upon further review of the Human Resources (HR) Department operations, the City Manager recommends the following key changes:

- Transitioning the HR Department to a Division within the City Manager's Office
 - Modifying the existing organization structure to develop two major HR Divisions; HR Operations and Department Support.
- Moving the Risk Management Division of HR to the Finance Department.
- Expanding the scope of the Civil Service Division to focus on marketing and recruitment of City staff and volunteers.

As part of the HR reorganization plan, the City Manager proposes utilizing existing Capital Improvement funds earmarked for the Human Resources Building Remodel in order to move the Risk Management division to the second floor of the City Hall East Annex and to remodel the existing HR building. The additional space that will become available as a result of moving Risk Management, will provide the opportunity to utilize the existing space to create additional office space for privacy, classrooms for testing, conference rooms, a dedicated lunch area and an expanded lobby. These changes will enhance the existing work environment, while creating a new entry for prospective employers and volunteers. The preliminary site plan is included as part of the attached HR Reorganization Plan.

The budget impacts of the proposed HR Reorganization are as follows:

• Delete 1.0 FTE Human Resources Director position	<\$240,000>
• Add 1.0 FTE Personnel Technician position	<u>\$83,300</u>
Budget Savings	<\$156,700>

With the implementation of the proposed HR Reorganization, the City will position itself to become an "Employer of Choice." The new HR model will include the HR Operations and HR Department Support functions. HR Operations will provide employees with a centralized avenue to seek assistance with transactional duties such as on-boarding, common term in Human Resources when an employee starts employment with the City. Additional functions will include providing assistance with processing benefit changes, obtaining mandatory training and all employee outreach functions. The HR Department Support function will focus on building close working relationships and awareness of individual Department needs. HR Analysts will be assigned to specific departments with the goal of assisting with exam plan development and exam results analysis, employee performance management, classification studies and compensation analysis.

The expansion of Civil Service with emphasis added on marketing and recruitment will provide an avenue for the City to actively engage in the marketplace to promote the City and to draw new talent to ensure the needs of the community are constantly met with a diverse, capable, and professional City workforce. The Civil Service team will work closely with employees leaving or retiring from the City utilizing the exit interviews process to seek feedback regarding their experience. Staff will also engage in workforce analysis to provide Department Heads with valuable information to assist with attrition planning as key positions are vacated as a result of retirements.

A key component of the reorganization is automation and visioning. With the advent of electronic communications and storage, a dedicated Senior HR Analyst will spend half of their time working to transition functions and paperwork on-line. Staff will rely on innovative measures already implemented in the City, at other agencies and the private sector to streamline processes such as processing requisitions, evaluations and benefit registrations.

RECOMMENDATION

The City Manager recommends the approval of the Human Resources Department reorganization inclusive of the following key actions; creation of a Human Resources

Division reporting to the City Manager, the move of the Risk Management Division to the Finance Department, the remodel of the HR Building and the second floor of the East Annex.

Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

By Mary Giordano
Mary Giordano, Assistant City Manager

CONCUR:

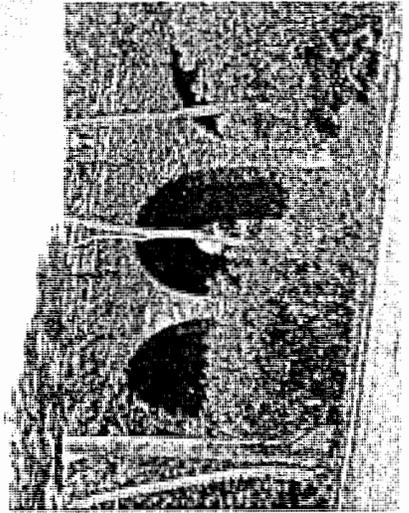
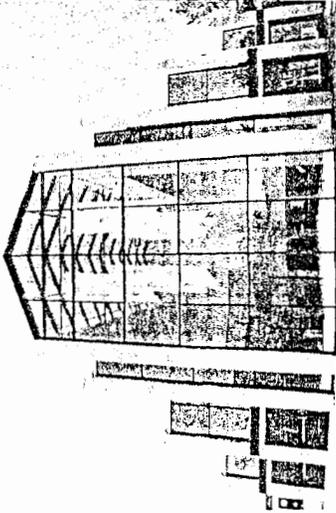

LeRoy J. Jackson
City Manager

Attachments: HR Reorganization Plan



Human Resources

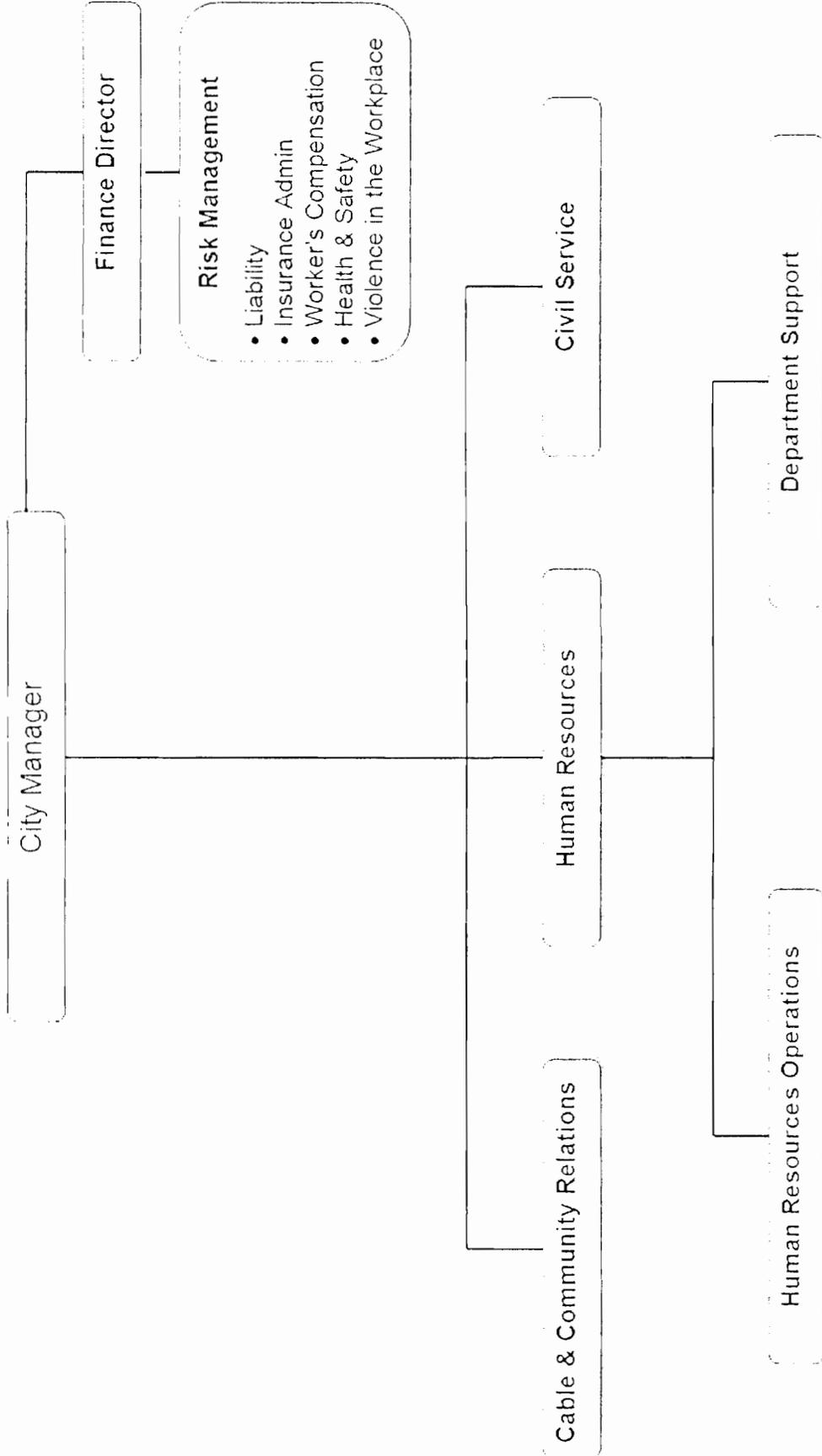
REORGANIZATION PLAN



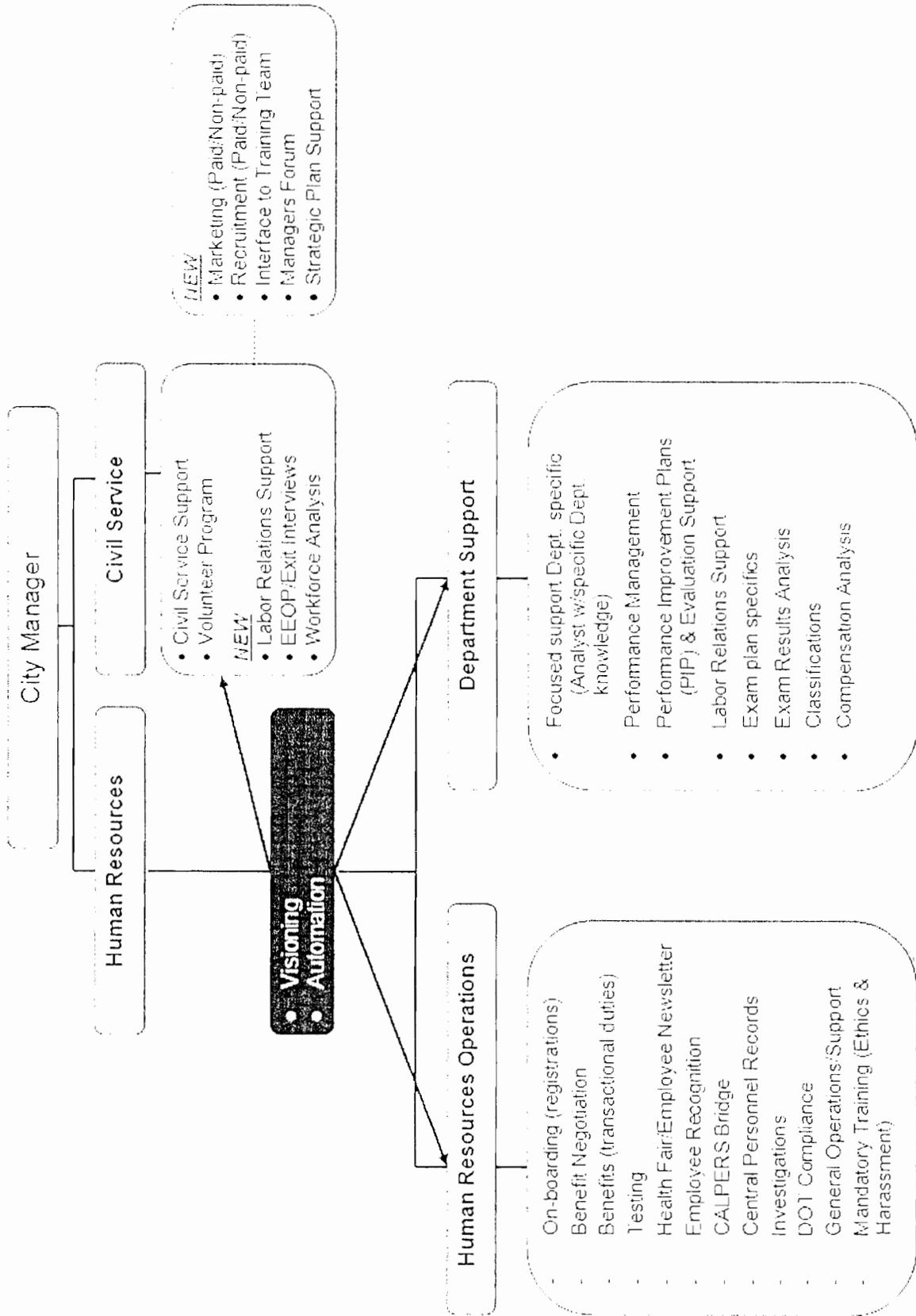
Background

- **2011-12 Budget Action**
 - City Council Authorized Reorganization of the HR Department
 - Transition from Department to Division under City Manager
 - Move Risk Management under Finance Department
 - Expand scope of Civil Service
 - Marketing
 - Recruitment
 - HR Major Functions
 - HR Operations
 - Department Support
 - Remodel Project Chronology
 - Phase I: Move Risk Management to 2nd Floor of East Annex
 - Phase II: HR Building Remodel

HR Division

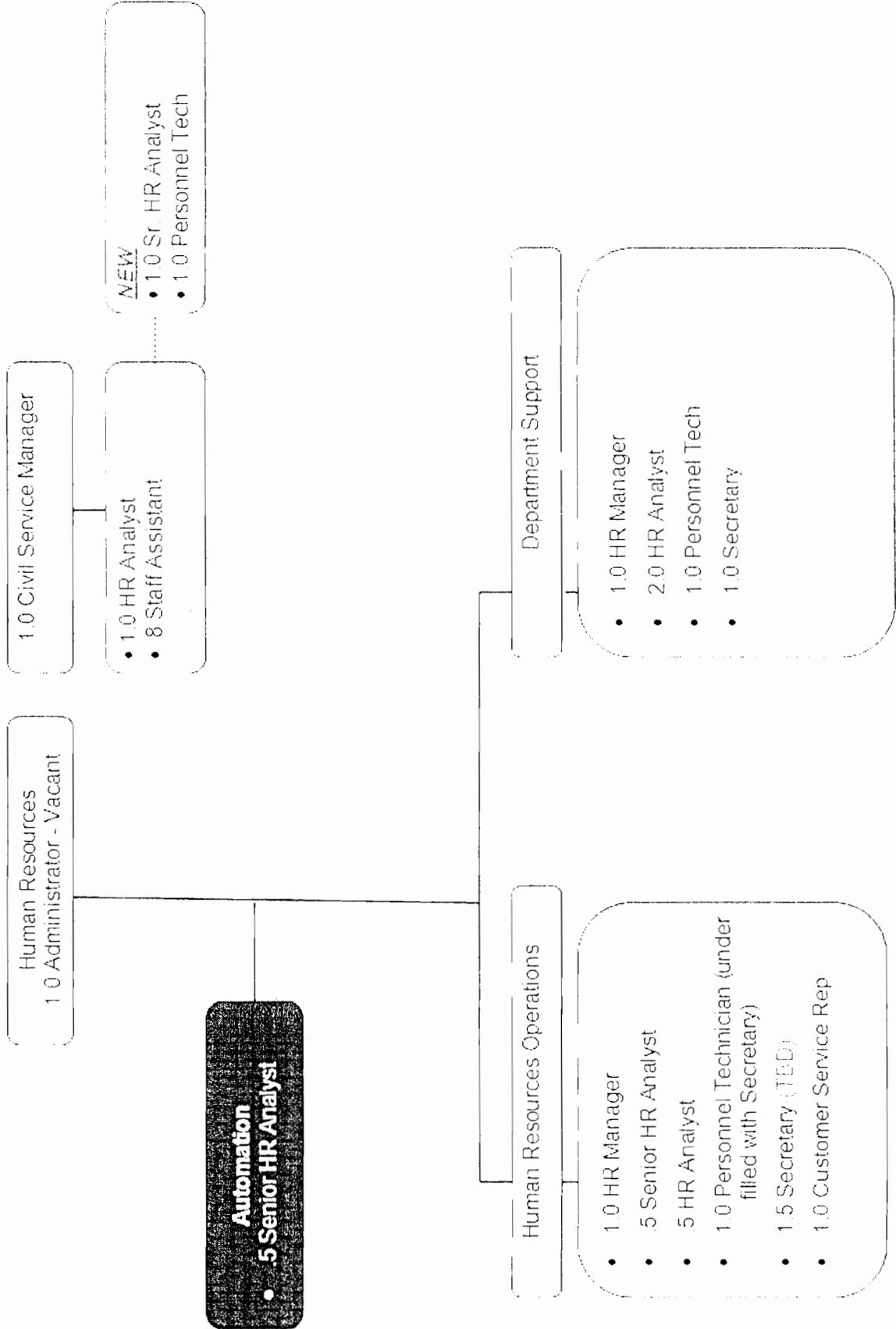


HR & Civil Service



STAFFING

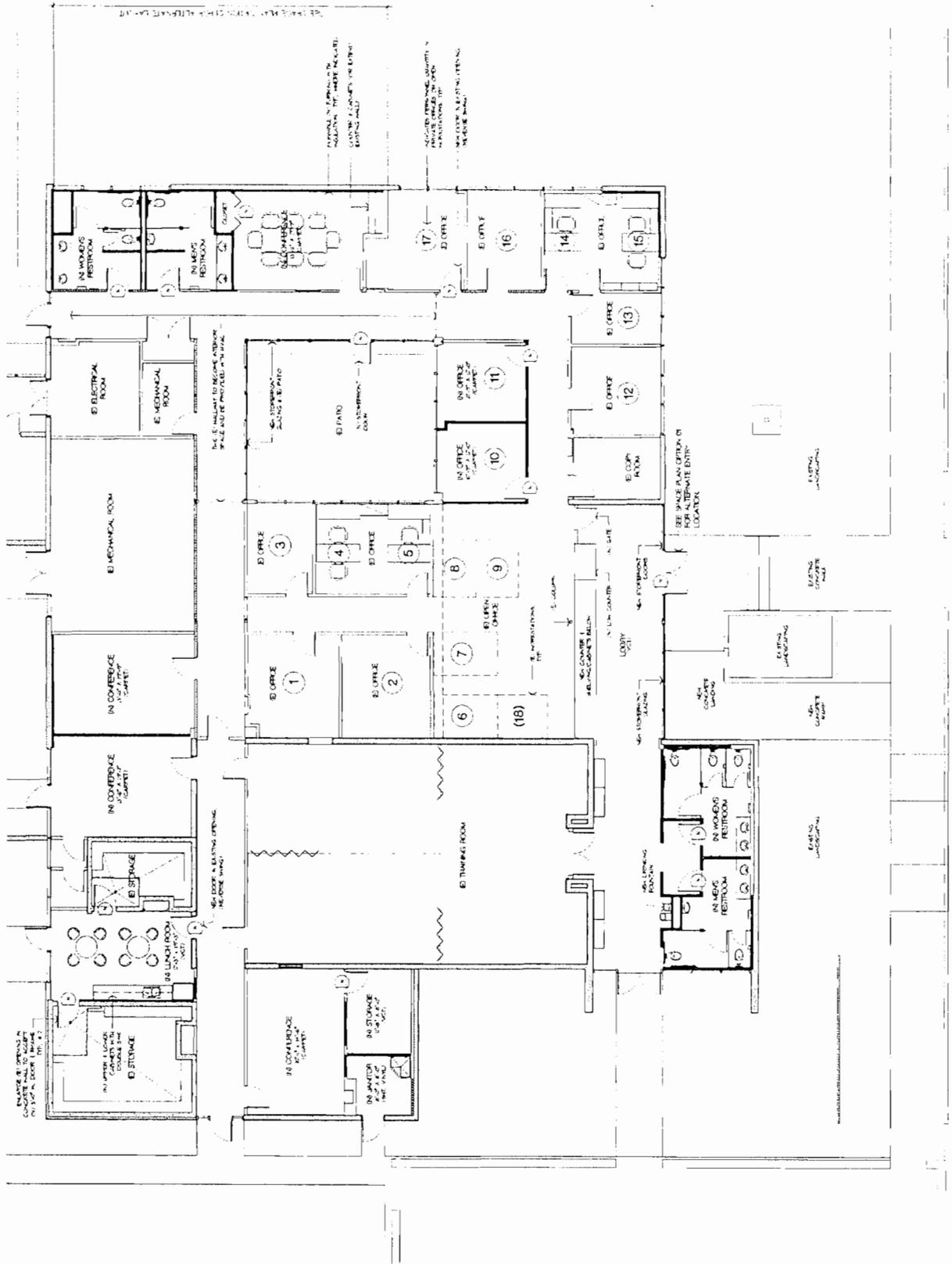
Mobile Applications Personnel Recruitment



Remodel Goals

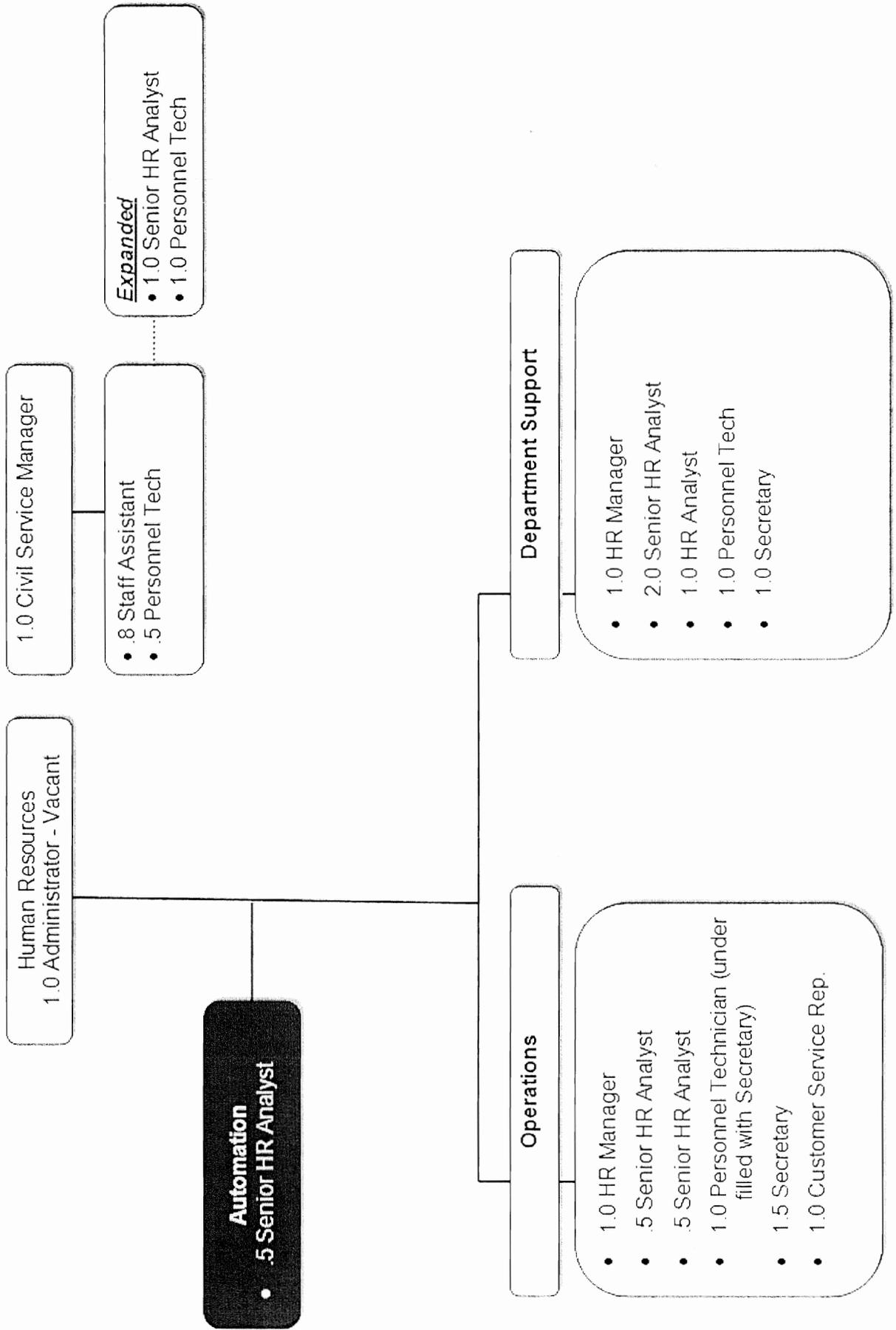
- **Remodel Goals:**
 - Expand lobby with new storefront doors
 - Create office like atmosphere throughout existing building
 - Enclose the patio with storefront windows
 - Add carpet and lighting to existing hallways
 - Create additional conference rooms
 - Create additional office space for privacy
 - Dedicated lunch room
 - Enhance current Training Room
 - Add new concrete ramp and landing

Space Plan - HR & Civil Service



STAFFING PLAN IN PROGRESS

Includes adding 1.5 Personnel Technician



Committee Meeting of
April 3, 2012

Honorable Chair and Members
of the Finance and Governmental Operations Committee
City Hall,
Torrance, California

Members of the Committee

SUBJECT: Request to appropriate Funds from the Reserve for Self-Insurance Fund

Amount: \$775,000

RECOMMENDATION

Recommendation of the Finance Director that City Council approve an appropriation of \$775,000 from the Reserve for Self-Insurance Fund

Funding

Funds are available in the Reserve for Self-Insurance Fund.

BACKGROUND AND ANALYSIS

The City self-insurers workers' compensation claims up to \$2,000,000 per occurrence. The City charges claims that are under four-years to departmental budgets, and claims over four years to the Self-Insurance Fund. Staff is anticipating a shortfall in the appropriation for FY 2011/12 for claims over four-years. Workers' compensation costs for claims under four-years are within budget.

The cost for claims over four years has increased over several years due to the cost of life-time medical care associated with these claims, such a medical expenses for medications, tests, surgeries and medical devices/aids. Many of the life-time medical care claims are for retired employees who are in their 60's and 70's, with some injuries dating back to the 1970's and 1980's. Because life expectancy is increasing and the medical field continues to make advancements in treatment, many injured workers' are having multiple procedures and surgeries.

A Summary of the cost of claims over four-years, since FY 2007/08 is as follows:

<u>FISCAL YEAR</u>	<u>OVER FOUR YEARS</u>
2007/08	\$2,166,598
2008/09	\$1,674,233
2009/10	\$2,083,155
2010/11	\$2,317,127
2011/12	\$2,275,000*

* = estimated

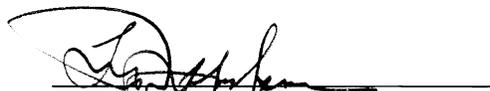
A Self-Insurance Reserve was established and is available for fluctuation in claims costs. Therefore the transfer of \$775,000 is recommended. The projected cash balance, including this request, of the Self-Insurance Fund at year-end is \$6,600,000.

Respectfully Submitted

Eric E. Tsao
Finance Director

By 
Randall Sellers, Risk Manager


Eric E. Tsao
Finance Director


LeRoy J. Jackson
City Manager

T 115

Infrastructure Action Plan (IAP)

Type of Project	Traffic and Transportation
Project Location	Cravens Avenue (between Torrance Blvd & Carson Street), and other Downtown Torrance streets
Project Title	Downtown Torrance Pedestrian Improvement Project
Submitting Department	Community Development - Redevelopment Activities
Prepared By	MARTOS, MARINA N.
Preparer's Email	mmartos@torranceca.gov
Managing Department	Community Development - Redevelopment Activities
Project Leader	CHUN, CAROLYN M.
Project Leader's Email	cchun@torranceca.gov
Project Start Date	01/10/2012
Estimated Completion Date	12/31/2012

Project Request Status	Approved
Approved Project Status	Active

Description

This project is an effort to stimulate and revitalize the downtown area by making it a more attractive and viable area for pedestrians. We have identified a couple of major goals associated with this project. First, an improved pedestrian atmosphere in the downtown area would increase locally and regionally serving transit lines. Secondly, increased pedestrian activity within the project area would help stimulate the local business economy. The streets bordering the project area serves three different Torrance Transit bus routes (Lines 1, 3, and 5). These routes intersect at three points in the downtown area, making this a prime location to improve the connections to the South Bay and Downtown Los Angeles. Improved pedestrian connectivity between each of these routes will help boost transit ridership, reduce automobile dependency, and attract more patrons to the downtown area, and will help establish Downtown Torrance as a central point for regional and local activity. Cravens Avenue, where the majority of the sidewalk and pedestrian improvements are to be made, is one such street that serves as an important connection between two major transit thoroughfares (Carson Street and Torrance Boulevard). This project specifically seeks to rehabilitate the sidewalks along Cravens Avenue, as well as add and upgrade existing street furniture and signage throughout the Downtown commercial core. This project was awarded funding in the 2009 Metropolitan Transit Authority's Call for Projects, with a commitment of matching funds from the City. The total project cost at the time of the Call for Projects application was estimated at \$1.118 million, with a City match of \$325,000. The design engineering cost associated with this project was not included in the Call for Projects cost or proposal, and staff estimates an additional \$100,000 will be needed to complete necessary design work.

Justification

Cravens Avenue serves as an important link between the Downtown Torrance commercial, residential, and recreational uses. Cravens connects to two major streets (Carson Street and Torrance Boulevard) that serve as regional thoroughfares for automobile and public transit. The project area encompasses the portion of Cravens Avenue between Torrance Boulevard and Carson Street (approximately 0.5 mile in length), which houses a senior center, senior apartments, condominiums, a mixed-use development, neighborhood park, office space, restaurants, retail, and is within walking distance of Torrance High School. Currently, the sidewalks change width each block, ranging in width from under 4' wide to 13' wide. Sidewalks are either overly landscaped creating a narrow passageway for pedestrians, or feature little-to-no landscaping creating a stark and unpleasant experience. As a result, there is no cohesive streetscape identity on Cravens Avenue, resulting in an unpredictable and inconsistent pedestrian environment. There are also a high number of handicapped and youth users on the street due to its connections to the South Bay Home Health Care Clinic, Bartlett Senior Center, senior apartments, and Torrance High School. These factors make it necessary to provide a safer and more pleasant pedestrian experience on Cravens Avenue that will better connect the street to surrounding communities.

Impact of Non-Approval

Non-approval of these funds would result in the loss of awarded grant funds, and further delayed the rehabilitation and revitalization of Cravens Avenue and Downtown Torrance in general.

Other Alternatives Considered

As this project was awarded in the 2009 Metro Call for Projects, funding is contingent upon the local match estimated at the time the application was submitted. If match funds are not provided, the project dissolves.

NOTE FROM FINANCE: Since RDA is going to be abolished in February 2012, funding in the amount of \$100,000 is pending availability (Originally, the \$100,000 will come from RDA Downtown operating budget).

Department Priority	<input type="text" value="5"/>	<input type="text" value="Medium"/>	
Recommendation	<input type="text" value="Recommended"/>	Recommendation Last Changed	
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		Date/Time	<input type="text" value="1/12/2012 3:44:09 PM"/>
Initial Funding			
Council or City Manager Approval Date		<input type="text" value="01/10/2012"/>	
Council or City Manager Approval Item		<input type="text" value="12A"/>	
Council or City Manager Approval Amount		<input type="text" value="\$1,218,000"/>	

Cost Activity By Fiscal Year

Original Budget Amount: \$1,218,000		Created By: MARTOS, MARINA N.		Created Date: 3/3/2011 10:32:47 AM		
	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Project Management		\$89,000				\$89,000
Design	\$100,000					\$100,000
Construction Management		\$89,000				\$89,000
Construction		\$940,000				\$940,000
Environmental Assessment						\$0
Right-of-way						\$0
Inspection						\$0
Sub-Total:	\$100,000	\$1,118,000	\$0	\$0	\$0	\$1,218,000

Cost Activity By Financing Source

Original Budget Amount: \$1,218,000		Created By: MARTOS, MARINA N. Created Date: 3/3/2011 10:32:47 AM				
Financing Source	To Be Determined	MTA Grant	Gas Tax 2105 Fund			Total
Project Management			\$89,000			\$89,000
Design	\$100,000					\$100,000
Construction Management			\$89,000			\$89,000
Construction		\$793,000	\$147,000			\$940,000
Environmental Assessment						\$0
Right-of-way						\$0
Inspection						\$0
Sub-Total:	\$100,000	\$793,000	\$325,000	\$0	\$0	\$1,218,000

Project Timeline

Original Timeline		Created By: MARTOS, MARINA N.			
		Created Date: 3/3/2011 10:32:47 AM			
Description	2011-12	2012-13			
Project Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Design	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Construction Management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Assessment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Right-of-way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inspection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inspection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Financing Source - Details

Original Budget Amount: \$1,218,000		Created By: MARTOS, MARINA N. Created Date: 3/3/2011 10:32:47 AM					
Financing Source	Council Approved Date/Time	2011-12	2012-13	2013-14	2014-15	2015-16	Total
MTA Grant	01/10/2012 12A		\$793,000				\$793,000
Gas Tax 2106 Fund	01/10/2012 12A	\$100,000					\$100,000
Gas Tax 2105 Fund	01/10/2012 12A		\$325,000				\$325,000
Sub-Total:		\$100,000	\$1,118,000	\$0	\$0	\$0	\$1,218,000

Financing Source Options

Original Budget

Created By:

MARTOS, MARINA N.

Total Amount: \$1,218,000

Total Percentage: 100%

Created Date:

3/3/2011 11:14:03 AM

Financing Source	Percent	Amount
Gas Tax 2105 Fund	27%	\$325,000
MTA Grant	65%	\$793,000
Gas Tax 2106 Fund	8%	\$100,000

Financing Source - Summary

Project Budget By Funds (Excluding Ongoing cost)

Total Project Cost: \$1,218,000

Financing Source	Life to Date Appropriation	Total Amount
Gas Tax 2105 Fund	\$0	\$325,000
Gas Tax 2106 Fund	\$100,000	\$100,000
MTA Grant	\$0	\$793,000
Grand Total:	\$100,000	\$1,218,000

By Sources/By Fiscal Year (Excluding Ongoing cost)

Total Project Cost: \$1,218,000

Financing Source	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Gas Tax 2106 Fund	\$100,000					\$100,000
MTA Grant		\$793,000				\$793,000
Gas Tax 2105 Fund		\$325,000				\$325,000
Sub-Total:	\$100,000	\$1,118,000	\$0	\$0	\$0	\$1,218,000

Original Budget
Amount: \$1,218,000Created By: MARTOS, MARINA N.
Created Date: 3/3/2011 10:32:47 AM

Financing Source	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Gas Tax 2106 Fund	\$100,000					\$100,000
MTA Grant		\$793,000				\$793,000
Gas Tax 2105 Fund		\$325,000				\$325,000
Sub-Total:	\$100,000	\$1,118,000	\$0	\$0	\$0	\$1,218,000

Quarterly Updates

Month	<input type="text" value="December"/>	Year	<input type="text" value="2011"/>
No Update Submitted			

Budget vs. Expenses

Last Payroll Update Budget As Of

Expenses

Revenue

Life To Date Budget - Posted	_____
Life To Date Budget - Unposted	_____
Total Life To Date Budget	_____
Actual	_____
Encumbrances	_____
Unposted Transaction	_____
Available Budget	_____

Life To Date Budget - Posted	_____
Life To Date Budget - Unposted	_____
Total Life To Date Budget	_____
Actual	_____
Unposted Transaction	_____
Available Budget	_____

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April 3, 2012

COMMITTEE MEETING
April 3, 2012

Honorable Chair and Members

Of the Finance & Governmental Operations Committee

City Hall

Torrance, California

The Treasurer's Office and the Investment Advisory Committee have set out to develop and implement investment procedures that ensure the City's investment objectives of a high degree of asset safety and adequate liquidity to meet operating and capital expenditure needs, and a reasonable return of the City's investment assets given the City's foremost goals of safety and liquidity.

Investment Summary

As of December 31, 2011 total investments of \$311.4 million consisted of the following categories:

1) Pooled Funds (Investment Portfolio)	\$ 154.6 million
2) Restricted Funds:	
A. Debt issue proceeds	\$ 9.9 million
B. Deferred Compensation	
a) 457	\$ 130.3 million
b) 401(a)	\$ 7.3 million
C. Retirement Health Savings Plan	\$ 3.1 million
D. Public Agency Retirement Services (PARS)	\$ 6.2 million

The Pooled Funds consist of surplus funds invested and managed directly by the City Treasurer. The funds have generated year-to-date interest earnings of \$1.3 million and the effective rate of return equaled 1.67%.

The restricted funds, made up of the Debt issue proceeds, Deferred Compensation funds, Retirement Health Savings Plan and PARS are invested accordingly:

- 1) Debt issue proceeds are invested through a trustee appointed under the Debt Trust Indenture. The funds are invested at the direction of the City Treasurer.
- 2) Deferred Compensation fund is managed by a third party administrator - Great West Life. Investment options made available to the participants are selected and approved by the Deferred Compensation Committee. The fund is a self-directed program. Participants have the ability to direct their contributions among numerous investment options.

- 3) The Retirement Health Savings Plan is managed by a third party administrator – ICMA Retirement. Investment Options are made available to the participants and are selected by ICMA Retirement. Participants can direct their contributions among numerous investment options. This tax-deferred program has been offered to employees for the purpose of saving dollars to supplement the cost of health expenses upon retirement.
- 4) The PARS Plan is an enhanced benefit plan managed by a third party administrator – Public Agency Retirement Services and held in Trust through Union Bank. The investment Option is chosen by the City Treasurer as the Plan Administrator. However, the City Treasurer works in conjunction with the two employee associations (TPSA and Engineers) that negotiated this benefit for their membership. This tax-deferred program has been negotiated with TPSA and Engineers for the purpose of enhancing their retirement benefit.

NOTE: The Deferred Compensation Plans, Retirement Health Savings Plan and PARS are held in a custodial account for the benefit of the Participants or their Beneficiaries and are not an asset of the City of Torrance.

Investment Forecast

As stated by The Federal Open Market Committee, the committee will maintain the target for the federal funds rate at 0 to .25 percent well into 2013. Chairman Bernanke has expressed concerns that although we have seen improvement in the economy the growth rate has not been strong or consistent thus supporting the Fed's low rate commitment. The FOMC will continue to monitor the economy and adjust their strategy as needed to subdued inflation trends, and stable inflation expectations.

How does this affect our Investment Portfolio? It means that current and future purchases will be receiving a lower interest rate return. The portfolio's callable instruments with higher rates are more likely to be called and will be reinvested at lower rates of return. Overall, the effective rate of return on the portfolio will decline.

GASB 31 Impacts on Investments

GASB 31 took effect June 1997. The intent of GASB 31 is to bring to light potential liquidity problems by requiring municipalities to denote to market their securities with a maturity greater than one year. This paper gain or loss must be booked against investment earnings at year-end.

One way to avoid the gain/loss issue is to limit all purchases to maturities of less than one year. This condition would then preclude a market valuation and allow investments to be carried on a book value basis. This situation could reduce earnings potential in the loss of yield that a security with a longer term would usually offer.

Within our investment policy we adhere to a buy and hold philosophy. Therefore, our current strategy will not change in light of GASB 31. We will continue to place a percentage of the portfolio out longer on the yield curve to take advantage of higher earnings. At the same time we keep in excess of 17.66% of the portfolio liquid in order to meet current and future obligations.

At the present time the monthly investment report tracks all securities by listing the face value, book value and market value. The portfolio paper gain or loss is the difference between book and market value. The unrealized gain/loss is noted monthly even though it is not physically applied to earnings until year-end.

Investment Strategy

Over the last quarter, securities that were either called or redeemed have been re-invested. However, due to the declining market environment all new purchases were re-invested at a lower interest rate. As an example, the securities that were redeemed rolled off with an average rate of return of 1.808% whereas all new purchases were invested with an average rate of return of 1.60%. However, when compared to the three year Constant Maturing Treasury rolling average of .36%, the Portfolio is still outperforming its benchmark.

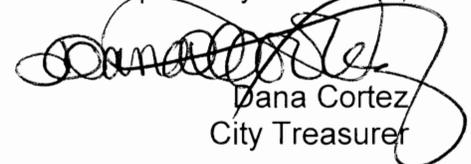
Strategically, we will continue to place money out in the market. Although the market would encourage a very short portfolio, it is not our intent to change our objectives of matching purchases with cash flow needs. We will continue to place investments out on the yield curve to take advantage of a higher rate of return with funds that are not needed on the short term.

To be consistent with the City's objectives of high degree of asset safety, all investments will be invested in high quality rated instruments or those guaranteed by the "full faith and credit" of the government.

Recommendation

Accept and file the 2nd Quarter Report.

Respectfully submitted,



Dana Cortez
City Treasurer

NOTED:



LeRoy J. Jackson
Investment Committee Member