

**CITY MANAGER
PROPOSED BUDGET
REVISIONS**

***2ND YEAR OF THE 2011-2013
FISCAL YEAR BUDGET***

May 8, 2012

Key Dates

- **May 8th**
 - First Public Workshop
- **May 15th**
 - 2nd Public Workshop
 - Council Amend 2nd Year of the 2011-13 FY Budget
- **May 22nd**
 - Appropriations Resolution for the 2012-13 Fiscal Year
- **June**
 - Gann Spending Limit



CITY MANAGER PROPOSAL

- June 2011-Council adopted a two year operating budget for the 2011-12 and 2012-13 FY
- As proposed is balanced
- Reflects: City Policies & Goals
- Actions taken by this Council and prior Councils have allowed the City to effectively manage and balance budgets throughout these difficult times
- This Document now becomes the City Council's
 - May be revised and amended as directed by Your Honorable Body



ECONOMIC OUTLOOK

○ “Great Recession” behind us

- Technically ended December 2007

○ Current Economic Data

- GDP – 4th Qtr grew at annual rate of 3.0%
- Economy is recovering
 - Growth in retail sales/hotel room bookings
 - Stock market rebounds to four year high
 - DJIA trading above 13,000
 - Unemployment trending lower
 - Employment growing



DOW JONES INDUSTRIAL AVERAGE

Dow Jones Industrial Average

■ DOW

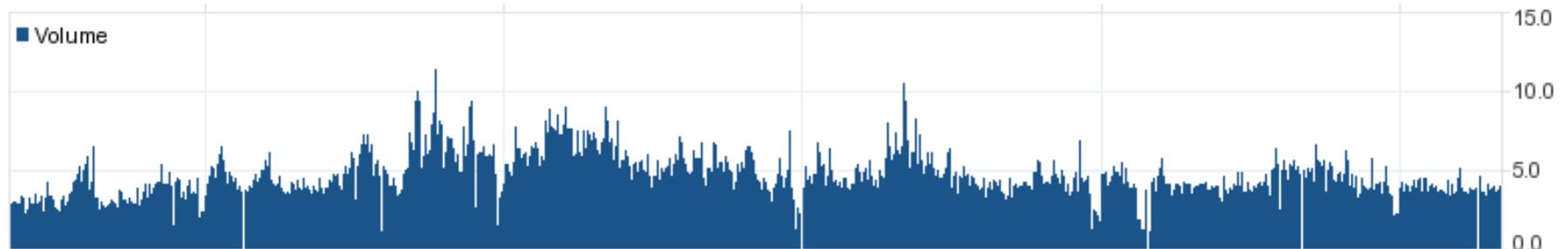
May 07, 2012



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■ Volume

Billions



UNEMPLOYMENT RATE HISTORY

Agency	02/2012	10/2011	10/2010	10/2009
Federal Gov't	8.3	8.9%	9.5%	10.0%
State	10.9	11.3	12.0	11.9
LA County	11.8	12.2	12.9	12.1
Gardena	11.3	11.2	11.9	11.3
Glendale	10.5	10.4	11.1	10.5
Hawthorne	15.6	15.4	16.4	15.5
Inglewood	15.0	14.8	15.8	15.0
Santa Monica	10.0	9.8	10.5	9.9
Torrance	6.0	6.0	6.4	6.0

TOTAL NEW JOBS CREATED/(LOSS) PER QUARTER IN 000'S

Year	March	June	Sept	Dec	Annual
2009	(2,341)	(1,535)	(769)	(415)	(5,060)
2010	114	588	(136)	461	1,027
2011	576	389	383	492	1,840
2012	688	115* April only	N/A	N/A	



ANTICIPATED CHALLENGES

○ Global Economy

- Default/Insolvency issues
- Oil Supply Concerns

○ Unemployment

- Improving, but continues to be drag on the economy
- Private sector encouraging
- Public sector concerning

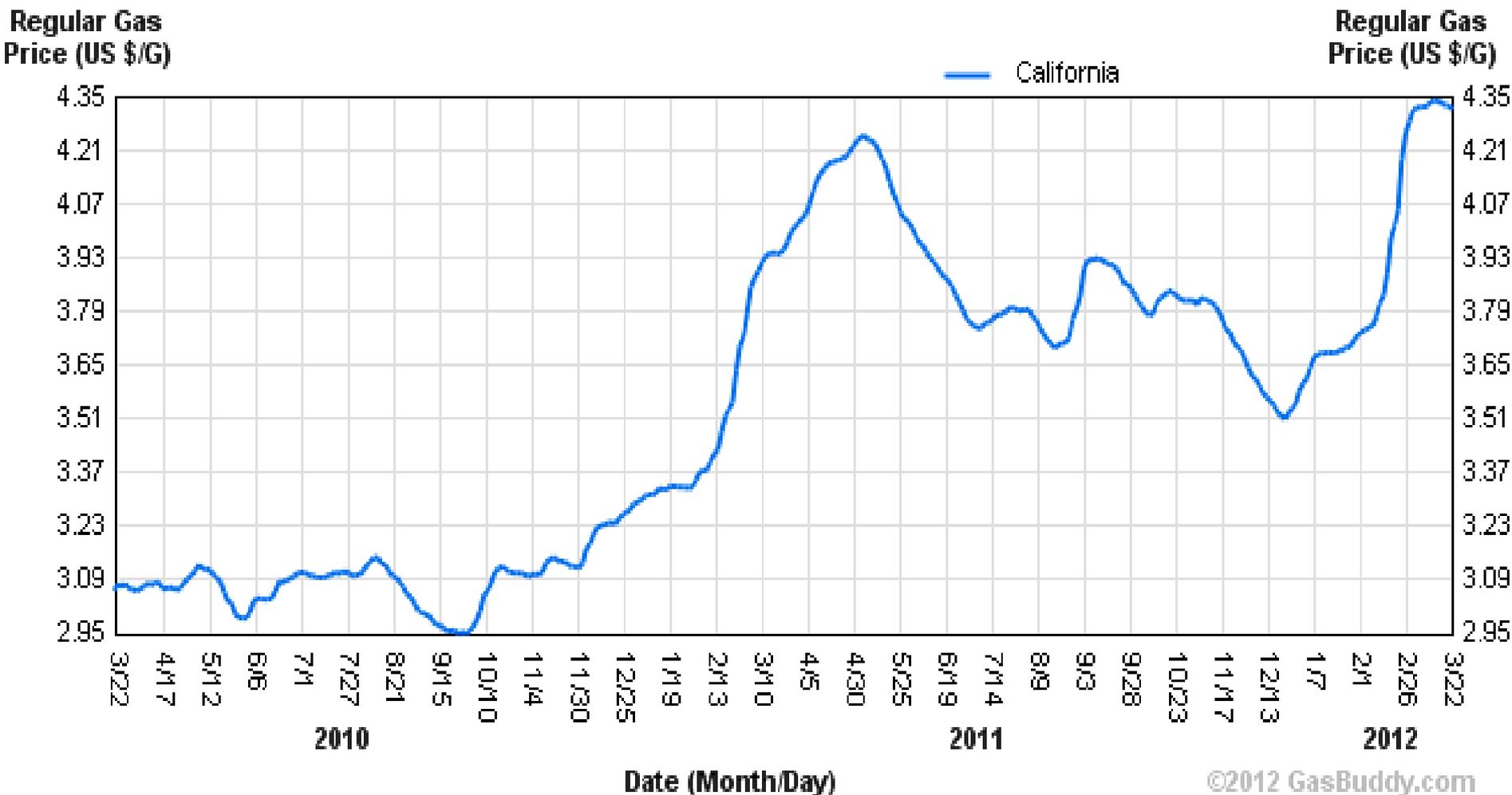
○ Inflation

○ Loss of Redevelopment



Retail Gas Prices - Two Year History

24 Month Average Retail Price Chart



BUDGETARY CONCERNS

○ **State Budget**

- \$10 - \$12 billion budget shortfall
- About the same deficit this time last year
- State solutions will continue to pressure on local resources
 - Vehicle License Fee
 - State prisoner realignment

○ **State Retirement PERS rate hike**

- Decrease in investment rate assumption of $\frac{1}{4}\%$
- Reduces investment return assumption: 7.75% → 7.5%
 - Increase City's contribution in FY 2013-14 by \$2M
 - Rate “smoothing” option decreases increase by \$750,000 in 2013-14 but increases rate by \$125,000 a year thereafter



2011-12 HIGHLIGHTS

- New employees paying Employee Paid Member Contribution (EMPC)
 - Meet and confer process completed with a all labor groups
 - Annual savings \$121,000
 - Savings grow by \$240,000 annually as new employees are hired
- Human Resources Restructuring - \$115,000 savings
- Energy savings
 - Annual savings to date \$111,000
- Reduction of Hazardous Material Premiums (2009-10)

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IMPLEMENTATION OF OPERATIONAL EFFICIENCIES AND CHANGES TO BUSINESS PRACTICES

- Cellular telephone restructuring of contracts - \$70,000 savings
- Reallocation of personnel in Library Division, adding 5.0 full-time positions and reducing 12.5 part-time positions - \$115,000 savings
- Parks and Recreation shift schedule change (weekend work scheduling to reduce overtime) - \$50,000 savings
- Transferring community outreach programs to Cable - \$155,000 savings to General Fund

CONCUR IN EXTENDING CERTAIN METHODS

- Continue deferment of funding post employee benefits at full actuarial estimate - \$1.0 million
- Maintain increased shift of Gas Tax revenue from capital projects to operations - \$200,000
- Maintain shift of the annual interest earnings from the Tax Revenue Anticipation Notes (TRAN) program from capital projects to operations (earnings are partially derived from the prepayment of pension expense) - \$500,000



USE OF ONE TIME FUNDS

- The taking of Vehicle License Fees by the State last July is currently being litigated by the League of California Cities under the contention that the State violated voter approved Proposition 1A with its action - \$530,000 (Current Economic Anomaly balance \$10.1 million)



BUDGET ENHANCEMENTS

- The addition of police officer positions to addresses the increased personnel needs required of the service needs imposed by the State on the City through the prison release realignment
 - Recommending adding one Police Officer July 2012 and an additional one Police Officer January 2013 - \$300,000 this fiscal year
 - Continue the funding decision for two additional Police Officers to the 2013-15 Two Year budget cycle



BUDGET ENHANCEMENTS (CONT)

- Provide \$25,000 to be used for marketing efforts on a performance based contract related to our Community Services and classes and for Cultural Arts Center room rental to increase enrollment and increase revenues.



BUDGET ENHANCEMENTS (CONT)

- Staffing for voter approved Measure R Capital Projects:
 - \$45 million of Measure R funding over the next 5 years
 - Approved projects include: Transit Center, improvements to PCH/Hawthorne and Maple/Sepulveda, intersection improvements to Crenshaw/405
 - Add 2.0 Assistant Engineers, 1.0 Public Works Inspector/Capital Projects and materials (\$415,000) reimbursed from Measure R funding



BUDGET ENHANCEMENTS (CONT)

- Additional budget for adding High Occupancy Vehicle service to Line #1 and #3 for Transit - \$1,550,000
 - Fully funded from federal funds
- Defer this issue to follow up items – no action at this time Replacement funding for the City’s Home Improvement Program (HIP) if it is determined that this program is not a “Recognized Obligation” under the new rules for prior Redevelopment Agency debt
 - HIP program is CDBG eligible and would recommend using CDBG funds



CITY MANAGER WOULD OFFSET BY:

- Use of additional Cable funds \$47,000 to offset general fund expenditures
 - Cable to no longer cover community events (Torrance Symphony, ECC sports, election forums, open mic night, etc.)
- Using Proposition C funds, 1/2 cent sales tax measure approved by Los Angeles County to benefit public transportation, in the amount of \$275,000 for street maintenance, in lieu of General Fund, reducing the amount of funds available for capital projects.



RECOMMENDED TO BE DISCUSSED DURING 2013-15 TWO YEAR BUDGET CYCLE

- Staffing set aside for maintenance of potential acquired sport fields (court land)
- Strategic Plan Three-Year Update Cycle - \$135,000 (one-time)
- Resources for outreach to a second Sister City - \$42,200
- 2014 Rose Float (funding requirement in 2012-13)



SOME SOLUTIONS FOR THE 2013-15 TWO YEAR BUDGET CYCLE

- Continue use:
 - Gas Tax revenues for operations - \$200,000
 - Tax Revenue Anticipation Notes for operations instead of funding capital - \$500,000
- Explore the option to smooth PERS policy change to reduce by $\frac{1}{4}\%$ in earnings assumption - \$750,000 (2013-14); but would increase costs by \$125,000 (2014-15+)
- Use the net proceeds from Cooperative exchanges between cities of Proposition A & C funds for operations instead of funding capital - \$200,000



SUMMARY

- Current Fiscal Year budget remains balanced
- Revenue shortfall offset by savings from department budgets, salaries and materials
- Staff will present City Manager's recommended amendments to address effect of revenue shortfall on operating budget
- 1st Budget Workshop – May 8th
- 2nd Budget Workshop – May 15th



QUESTIONS AND DISCUSSION

