

CITY MANAGER'S PROPOSED BUDGET



2007-09 Fiscal Years

Two Year Operating Budget 2007-08 and 2008-09 Fiscal Years

- Community Outreach Meetings
 - February 27th – Charles Wilson Park
 - April 17th – South High School
- Public Workshops/Hearings
 - May 8th
 - May 15th
- Budget Adoption
 - May 22nd
 - Council adopts Two-Year Operating Budget for the 2007/08 and 2008/09 Fiscal Years
 - Council adopts appropriations resolution for the 2007/08 Fiscal Year

2007-08 Operating Budget

Note - Inclusive of internal transfers of \$42.5 million for a total of \$286.2 million.

General Fund

\$163.1 million 57.0%

Internal Service

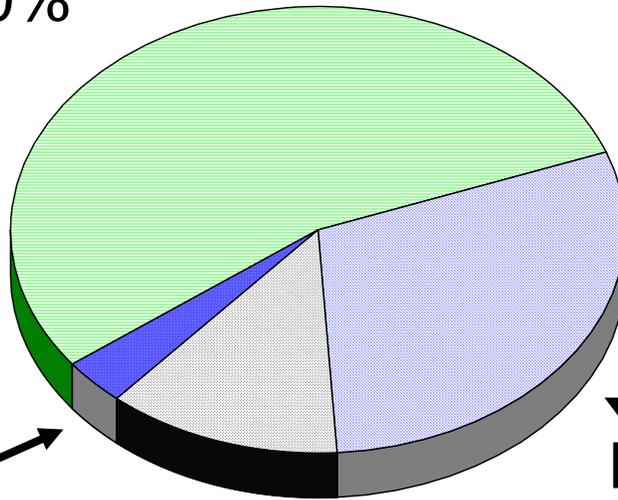
\$9.2 million 3.2%

Other Funds

\$27.1 million 9.5%

Enterprise Funds

\$86.7 million 30.3%



2007-08 Fiscal Year (Selected Funds)

	Sources	Uses	Fund Balance Increase/(Decrease)
General Fund	\$ 164,224,806	\$ 164,221,059	\$ 3,747
Enterprise Funds:			
Airport	10,802,000	10,787,805	14,195
Transit	21,644,820	21,644,820	-
Water	23,485,300	23,435,435	49,865
Emergency Medical	8,511,608	8,511,608	-
Sanitation	10,525,135	10,525,135	-
Cultural Arts	1,924,275	1,922,446	1,829
Sewer	2,084,500	1,962,796	121,704
Parks & Recreation	7,604,427	7,595,367	9,060
Internal Services			
Fleet	6,148,011	5,392,232	755,779
Self Insurance	3,815,949	3,815,949	-
ALL FUNDS		\$286 million	

Budget Highlights

- Budget is balanced throughout the 5-year Forecast
- Commits additional On-going funds for the look and feel of the Community
 - City Streetscape \$ 370,000
 - Maintenance of Roadways 600,000
 - Infrastructure Improvements 1,200,000
 - Library Book Budget 100,000

Budget Highlights (cont.)

- Includes 5th Paramedic Unit
 - \$365,000 peak time
- Supplements by replacing one-time sources of funds:
 - Armed Forces Day Parade \$50,000
 - 4th of July Fireworks Celebration 25,500
 - Cultural Arts Foundation 23,040
 - Torrance Symphony 4,000

Budget Highlights (cont.)

- Provides additional Library Operating Hours \$97,000
- Provides additional General Fund resources to offset increases in Labor and material and supplies to the following funds:
 - Emergency Medical Services \$682,000
 - Animal Control 62,000
 - Parks and Recreation 350,000
 - Cultural Arts Center 285,000

Budget Highlights (cont.)

- ❑ Reflects City's Workshop Investment Network (Win) merging with Long Beach's Workforce Development Board
- ❑ Provides contingency scenarios should the City lose the Utility User's Tax on telephones due to an IRS ruling
- ❑ Proposes a financing option that increases General Fund resources by \$600,000 and smaller amounts to the other funds

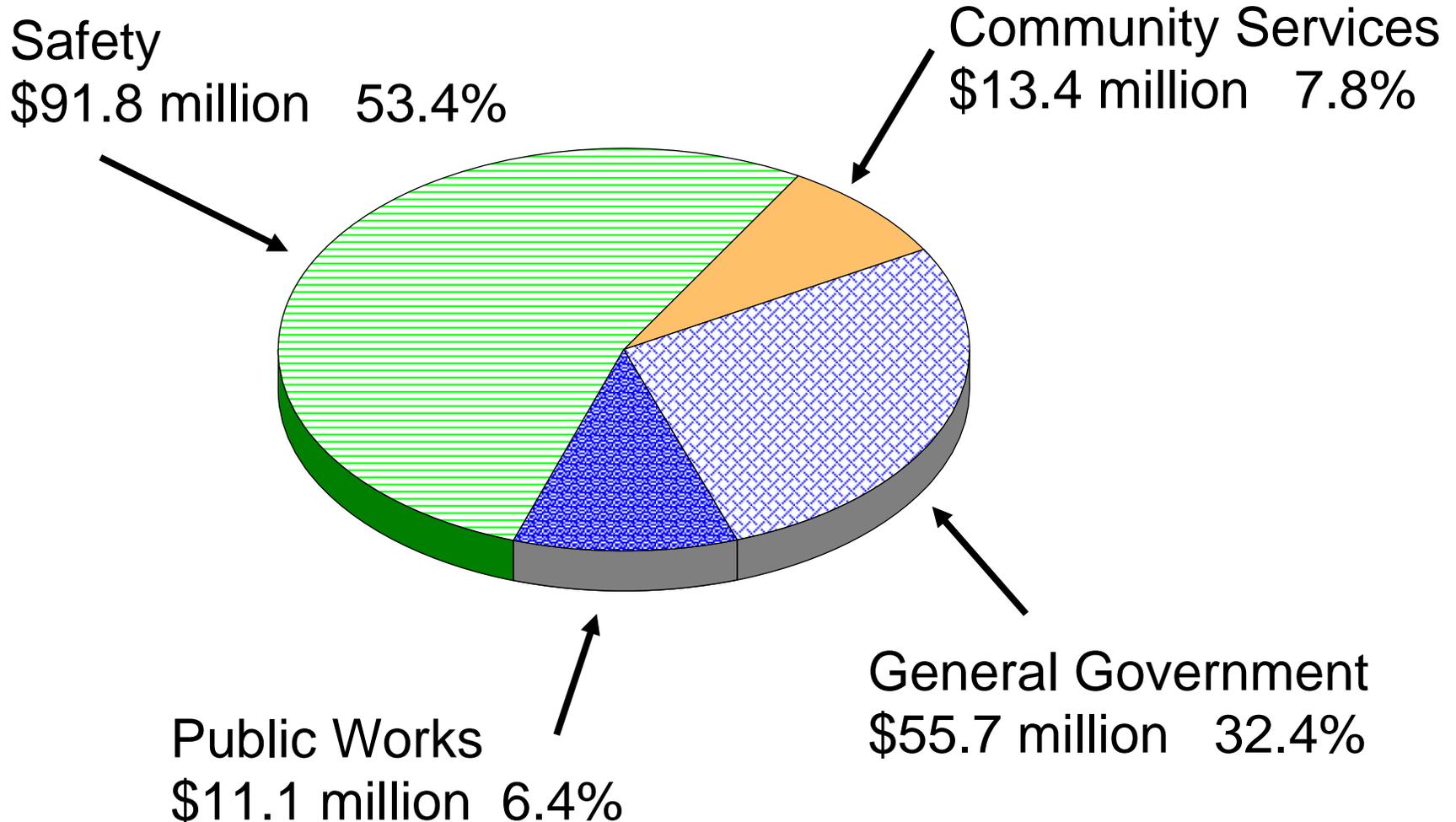
General Fund Revenues & Expenditures Percentage Increases

Fiscal Year	Revenues	Expenditures
2007-08	7.1%	6.4%
2008-09	4.0%	4.0%
2009-10	3.7%	3.7%
2010-11	3.5%	3.5%
2011-12	3.2%	3.4%

General Fund 5-Year Forecast

<u>Fiscal Year</u>	<u>Ending Balance</u>
2007-08	\$ 3,747
2008-09	5,679
2009-10	475
2010-11	8,338
2011-12	10,354

2007-08 General Fund Operating Budget by Function (Includes EMS & Animal Control Services)

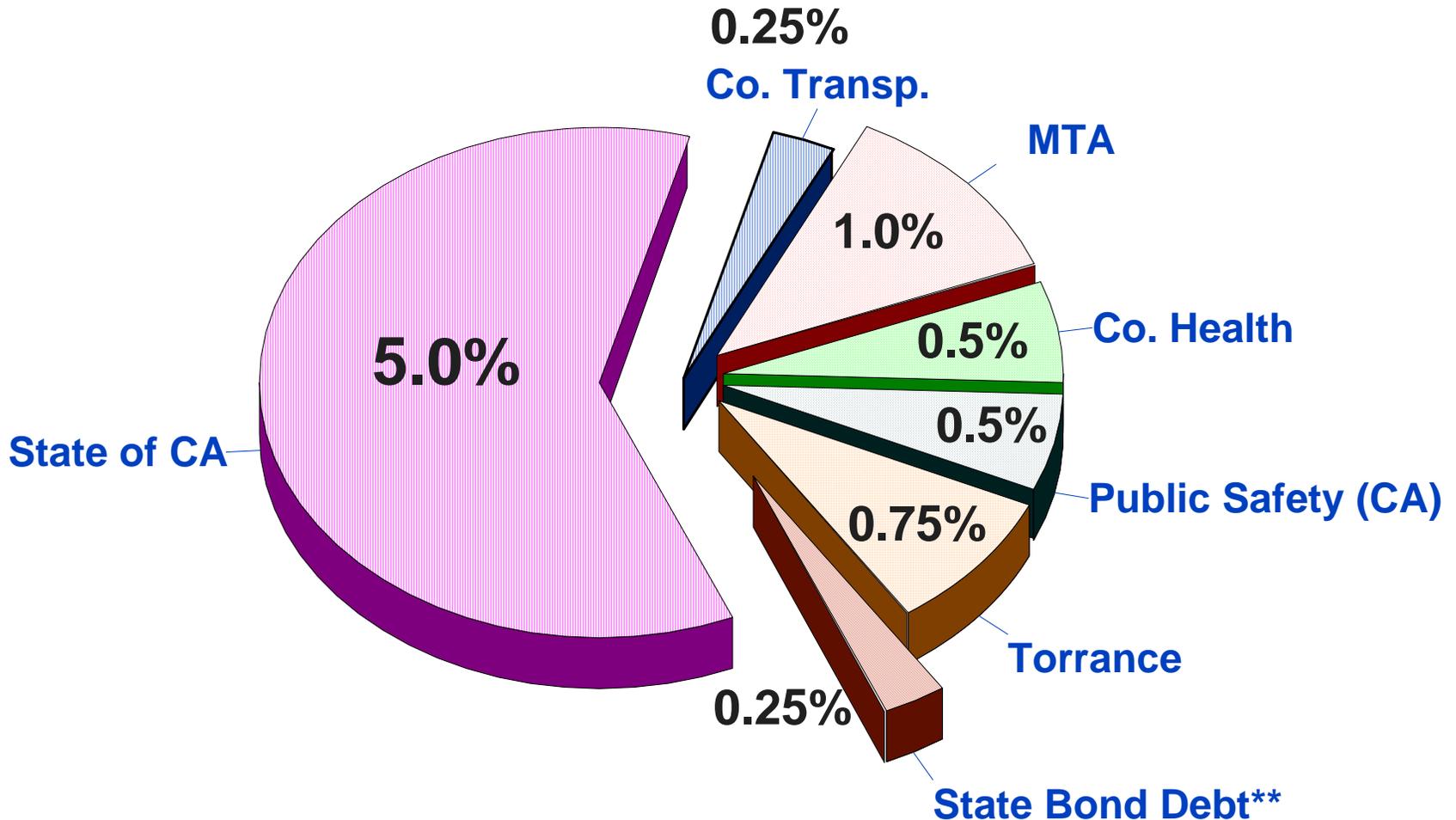


General Fund Top Three Revenue Source

Revenue Source	Budget	%
Sales Tax	\$ 45.1 million	27.6
Utility Users' Tax	35.7 million	21.8
Property Tax	35.9 million	22.0
Top Three Sources	116.7 million	71.3
Total General Fund Revenues	\$163.6 million	100.0

Sales Tax Allocation

Distribution of 8.25% L.A. County Sales Tax Rate (000's)



Sales Tax Revenue by Segment

Auto Sales - New	20.3%
Department Stores	12.8
Restaurants	8.6
Misc. Retail	8.3
Furniture/Appliance	6.9
Service Stations	5.2
Bldg. Materials - Retail	4.7
Office Equipment	3.8
Light Industry	3.5
Foods Markets	3.0
All Others	22.9
Total	100.0

Distribution of Property Tax

Assessed Value
County 1% Rate

\$600,000
\$ 6,000

City of Torrance
12.2% (\$732)

Schools
(TUSD, El Camino, Other)
48% (\$2,880)



County
39.8% (\$2,388)

Utility User Tax

Federal Excise Tax

- ❑ The Internal Revenue Service (IRS) implemented a policy which essentially eliminated the collection of Federal Excise tax on long distance telephone calls.
- ❑ Telephone Companies have moved away from pricing based on distance to bundling service based on time
- ❑ Cities with a Utility User Tax Ordinance are concerned that the IRS actions may have an impact on Local Government

Utility User Tax Federal Excise Tax (cont.)

- ❑ The potential financial impact is estimated to be approximately \$6-8 million.
- ❑ Staff is formulating contingency scenarios
- ❑ Allow the budget to adjust to the loss of revenue over several years
- ❑ Scenarios would be viable for the short-term, and not permanent solutions, until the budget is rebalanced
- ❑ Current scenarios address up to \$4 million by reducing contributions to Capital (\$1.8 mil) and deferring certain liability payments (\$2.2 mil)

Financing Option- Tax Revenue Anticipation Notes (TRAN's)

- Increases General Fund resources by \$600,000 and smaller amounts to the other funds
- Financing Highlights
 - Prepay annual PERS cost and save 3.7%
 - Issue TRAN's at a financing cost of 3.5%
 - Invest funds (for normal bi-weekly payment) at City's investment pool rate of 5%

Industrial Property/Open Space

- Industrial Property on Crenshaw
 - Sets aside \$750,000 in working Capital for the acquisition of property
 - Potentially uses that are being explored
 - Transit Facility
 - Fire Station
 - Fire Training facility
- Open Space at Lomita and Anza
 - Due to the completion of the County Storm Drain has become a high priority
 - Sets aside \$200,000 for providing open space

Recommended Use of Year End Carryover

□ Capital	
■ FEAP Projects	1,300,000
□ Reserves	
■ Economic Anomaly	3,000,000
■ Litigation Reserve	250,000
■ Program Contingency	50,000
■ Proposition A Exchanges	400,000

Recommended Allocation of Year end Carryover

2006-07 Projected Reserve	May 2006	Recommended	Total
Economic Anomaly	\$ 6,624,349	\$3,000,000	\$ 9,624,349
Program Contingencies	222,015	\$ 50,000	272,015
Economic Development	807,222		807,222
Balancing Strategies	1,326,525		1,326,525
Litigation	152,540	250,000	402,540
Program Innovation	100,400		100,400
Revolving Nuisance Abatement	80,000		80,000
Benefit Rate Mitigation	2,502,825		2,502,825
Security Improvements	124,206		124,206
Proposition A Exchange	479,141	400,000	879,141
Compensated Absences	1,000,000		1,000,000
General Liability/ Workers' Comp. Claims	5,726,348		5,726,348

Program Modifications

- ❑ The recommendation to add staff is a difficult one
- ❑ Several support departments have been required continually to do more with less
- ❑ Resources are Stretched
- ❑ Particularly with regards to maintenance of Capital systems
- ❑ Department are becoming reactive vs proactive
- ❑ Staff has explored many alternatives and we conclude that these additions will be an efficient use of our limited resources

Program Modifications

City Treasurer

- ❑ Add 1.0 (FTE) Account Clerk to process cash deposits offset by parking citation revenue
- ❑ City issued over 250,000 Parking citations in 2006-07, volume has doubled since 2003-04 and since two additional Services Officers were added in 2001-02
- ❑ At that time no additional support was provided to process increase activity
- ❑ Time to process City deposits is averaging 10 days which is above the 24 hour goal of the department
- ❑ Even though the cost of the position would be offset by parking citation revenue there would also be an increase investment earnings by approximately \$30k to \$50k

Program Modifications

Communications Information Technology

- Add 1.0 FTE Information Technology Analyst for departmental support for Human Resources, Community Development, Public Works and General Services. (\$125,600)
- Add 1.0 FTE System Analyst (Networks)
- Add 1.0 FTE Information Technology Analyst to support the Police Department's in-car digital video system (\$125,600)
- Add 1.0 FTE Systems Analyst for Network Support in Data Communications (\$139,900) City Treasurer

Communications and Information Technology 2007-2008

Recommended : Systems Analyst for the Communications Division

Network Function :

- ❑ Installs, configures, and maintains networking equipment in the closets and backrooms on each floor of every City building.
- ❑ Network connections make it possible for everyone's PC throughout the City to access the City's software applications, databases, Internet, and email.
- ❑ The Communications Division's Network Services staff designs, installs, maintains, and supports this backroom network infrastructure connecting the City's 25 local and remote locations.
- ❑ Currently, the Communications Division's Network Service's supports all networking equipment throughout the City and is comprised of one IT Analyst.

Communications and Information Technology 2007-2008

Recommended : Systems Analyst for the Communications Division

Impact of Non-Approval :

- ❑ Communications Division stays in reactive mode ... preventative maintenance being a low priority.
- ❑ There is no coverage when this staff is absent.
- ❑ Potential for:
 - More failures due to less maintenance and timely equipment replacement.
 - Network performance and security breaches due to lapse of maintenance and monitoring.
 - Longer outages when problems do occur.
 - Additional cost to hire consultants to implement network-related projects.
 - Delay or postpone some network dependent projects (Alternate EOC, Transit's TAP farebox project, etc.)

Communications and Information Technology 2007-2008

Recommended : IT Analyst for PD's in-car video (Applications and Systems)

- On May 9, 2006, City Council approved a Capital Project (FEAP 566) to install, operate, and maintain video cameras in Police cars.

Impact of Non-Approval :

- Without this position, PD's in-car video project will be on hold as CIT does not have the additional man-power resources to move ahead.

Communications and Information Technology

2007-2008

Recommended : Shared IT Analyst between HR and Applications & Systems

- Assist HR to automate and streamline its operational processes:
 - monitor and track staff training
 - automate/track regulatory changes (HIPPA, MOU's, etc.)
 - develop employee database management system.
- Community Development / Public Works' new Phased Traffic Light Control System
- Community Development's mobile enhancements to the Permit System
- Central Service's Print Management Cost Allocation System.

Communications and Information Technology 2007-2008

Impact of Non-Approval :

HR will not be able to reasonably automate their operational processes.

- Postpone implementation of
 - Phased Traffic Light Control System
 - Mobile enhancements to the Permit System
 - Print Management Cost Allocation System

Program Modifications

Community Services

- Increase Library Operating Hours (\$97,000)
- Increase budget for concerts/movies in the park (\$22,110)

Program Modifications

Fire

- Add Coordinator nurse position offset from contract services

Program Modifications

General Services

- Add 0.5 FTE Graphics Designer (\$38,800)
- Additional operating resources for the Cultural Arts Center Enterprise Fund (\$285,000)

Program Modifications

Human Resources

- Add 1.0 FTE Intern in Risk Management (\$22,275) to assist in the administering of increased workers compensation open claim files

Program Modifications

Police

- ❑ Reallocate 1.0 FTE vacant Typist Clerk position to Records Supervisor position (\$23,400)
- ❑ Reallocate 1.0 FTE vacant Services Officer to Administrative Analyst position in Research and Training (\$21,300)
- ❑ Add 1.0 FTE Public Safety Communications Supervisor (\$85,700)
- ❑ Additional operating resources for the Animal Control Services Fund (\$62,000)

Other Information

- Adding 5th Paramedic Unit – Peak Time
 - Sets aside \$365,500 annually
 - Undetermined on what hours and how the unit will be staffed
 - Council to provide Staff direction through the Labor negotiation process
- Torrance Cultural Arts Foundation
 - Total request \$180,600 annually
 - Currently City subsidy is \$80,000 annually and contributed an additional \$23,040 for the 2006-07 fy
 - Proposed budget recommends replacing 2006-07 one-time funding of \$23,040 with on-going funds
 - City subsidy (on-going) would be \$103,500 annually

Public Hearing

- Questions/Discussion
 - Council
 - Public
- Public Hearing Closed
- Direction from Council
- Summary