

Council Meeting of
May 25, 2010

PUBLIC HEARING

(Companion Item to Redevelopment Agency Item 5A)

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

Members of the Council:

Subject: Finance - 1st public hearing/budget workshop on the proposed budget revisions for the 2nd year of the City's two-year 2009-11 operating budget

RECOMMENDATION

Recommendation of the City Manager and the Finance Director that Your Honorable Body open the first public hearing and budget workshop on the proposed budget revisions for the 2nd year of the City's two-year 2009-11 operating budget and hold the second public hearing on June 15, 2010. (Companion item to Redevelopment Agency Item 5A.)

BACKGROUND/ANALYSIS

This public hearing was advertised and scheduled for the Council meeting this evening. This is the first of two public hearings/budget workshops scheduled for the 2nd year of the 2009-11 operating budget. These hearings should offer the opportunity for public discussion on the budget before you tonight.

At tonight's meeting, no formal action is requested.

The City Manager respectfully transmits his proposed changes to the 2010-11 fiscal year budget that was adopted as part of the two year operating budget for the 2009-10 and 2010-11 fiscal years last June. The budget for 2009-11, as presented, was balanced by eliminating a \$4.5 million budget deficit. A copy of the original two year operating budget has been attached for your review (limited distribution).

Unfortunately, General Fund revenues did not rebound as originally projected due to the prolonged recession, which technically ended at 4th quarter 2009. There are many signs that the economy is improving but unemployment continues to stall any optimism. General Fund revenues are projected to decline by 3.6% from last year. The hardest hit were sales tax and utility users' tax both caused by the downturn in the economy reducing consumer spending and less demand for products and oil based goods. However, the General Fund's largest revenue source, property tax, grew overall by 4.5% and the secured roll grew by 5.2%.

As reported during the fiscal year, City General Fund revenues were projected to be \$6 - \$8 million below budget and current estimates have revenues coming below budget by \$8.7 million. Even though the 2009-10 budget has been rebalanced through one time solutions by not filling non-critical vacancies and reviewing all departmental expenditures, the revenue shortfall adversely affects the 2010-11 fiscal year.

The pace and steepness of the economic recovery is highly contingent on unemployment. Unemployment numbers continue to be disappointing, which continually takes away any momentum from the recovery. General Fund revenues for the 2010-11 fiscal year are projected to grow modestly by about \$3 million or by 1.8%. This is \$8.8 million or 5% lower than what was projected a year ago. Even with the projected growth, revenues for the 2010-11 fiscal year are below fiscal year 2007-08 levels, particularly in sales tax.

In balancing the budget the following key elements were considered: 1) minimize the impact to the community; 2) maintain major programs including front line safety personnel; and 3) avoid employee layoffs and employee furloughs. While

the budget includes funding for agreed to wage packages for public safety personnel, and automatic step and longevity increases for all employees, due to revenue downturns the budget does not provide for potential wage and material increases. The non expansion of the wage base beyond contractual agreements assisted in rebalancing the 2009-10 year which will carry into the 2010-11 fiscal year. The recommendations by the City Manager rebalances the budget over the five year forecast by reducing ongoing expenditures by \$8.9 million, which includes over 21 positions and again stands by current negotiated employee contracts and funds the normal step progression and premiums for all employees. The non expansion of wages and materials for the 2009-10 and 2010-11 fiscal years was \$1.5 million and \$2.25 million respectively. The City Manager has received input from the departments as well as employees in arriving at this recommended budget.

I. Public Employees' Retirement System Employee Contribution

One of the major balancing strategies that is being recommended is pro-active and provides a locally controlled employee retirement option. It has immediate cost savings of \$630,000 in an area that has been one of the drivers of expenditure increases with the least impact to current personnel. It is the transfer of the responsibility of the employee share of the pension costs back to the employee for new hires. Currently, this contribution, 9% for Police and Fire and 7% for all others, is paid by the City (approx \$8.6 million). As noted, this change would be implemented for "new" employees only but does require the City to meet and confer with the affected employee organizations. Over the next four years the savings are estimated at \$2.5 million or \$630,000 annually and would continue to grow as the work force changes over.

- Fire \$125,000
- Police 125,000
- Miscellaneous 380,000

	Major Revenues - General Fund			Projected	
	Actuals (millions)			%	
	2007-08	2008-09	2009-10 (est)	2010-11	Growth
Property Tax	37.6	39.2	41.0	42.8	4.4%
Sales Tax	42.9	39.3	33.2	34.5	3.9%
Utility Users' Tax	35.8	33.2	33.3	34.4	3.3%
Occupancy Tax	7.9	6.9	7.8	8.0	2.6%
Business License	7.9	8.0	8.2	8.5	3.7%
Franchise Permits	5.4	5.7	6.4	6.8	6.3%
Investment Earnings	5.8	6.0	3.4	3.4	0.0%
	143.3	138.3	133.3	138.4	
% chg previous year		-3.5%	-3.6%	3.8%	
% of General Fund	84.9%	84.8%	80.6%	82.2%	

Budget deficit <\$8,900,000>

\$3,750,000
<\$5,150,000>

\$630,000
<\$4,520,000>

II. *Public Safety*

Changes in public safety are more often than not always difficult. Last year, the Police Department made major in-roads towards the development and implementation of "Team Policing", a new way of delivering front-line police services to the community. These in-roads included redeployment schedules that increased the number of officers in the field during peak hours, to increasing Police Lieutenants responsibilities to become "true" managers and part of the command team, and to moving towards non-sworn positions to provide long-term development and expertise in the fields not requiring police powers.

Police continues to see reductions in actual overtime (\$150,000) and is realizing one-time savings (\$300,000) due to early conversion of their non-sworn personnel.

The City Manager recommends moving two of the three Battalion Chiefs' driver/aides to fill two of the current vacancies and convert the 3rd driver/aid to a 40 hour per week schedule to provide administrative support during the day for a savings of \$357,000. (Note: the driver/aid provides staff support to the Battalion Chief at major incidents.) Additionally, the City Manager recommends through attrition moving the Administrative Battalion Chief and the Administrative Fire Captain to comparable non-sworn manager positions at a savings of \$310,000 annually.

An alternate option considered in lieu of the driver/aide recommendation to achieve comparable savings would use the three BC driver/aide for first call constant staffing and to move the 40 hour per week Fire Captains and 40 hour per week Battalion Fire Chiefs to the 56 hour per week schedule. There would be a substantial reduction in constant staffing hours and an elimination of the 15% premium related to the 40 hour assignment. However, without the concurrence of the affected employee organizations this option could not be achieved. The summary of all budget reductions for public safety are as follows:

Police

- Armed Forces Day Parade – \$30,000
The Department is not recommending that the parade be eliminated; however, there are adjustments to the schedule of events that can be considered to reduce costs. Specifically, the consolidation of the advance trip to Washington, D.C. to meet with armed forces staff with the legislative trip to meet with federal legislators will result in a savings of approximately \$5,000. Additionally, substantially reducing the pre-parade dinner on Friday and the post event dinner on Saturday will result in a savings of approximately \$25,000, for a total savings of approximately \$30,000.
- Reduction of department overtime \$150,000

- Elimination of one police vehicle – \$13,000
- Reduction in the County Animal Control Contract – 5,000
The department has replaced the Animal Control Staff Assistant with an Animal Control Officer. The additional Animal Control Officer will allow the department to reduce its County call-out services cost by \$5,000 by having more staff available for call-outs
- Honda vehicle donation to Police 34,000

Fire

- 2.0 Driver/Aides to fill current vacancies 357,000
- Admin. Battalion Chief to non sworn 150,000
- Admin. Fire Captain to non sworn 160,000
- Reduce overtime for the 4th of July Celebration 10,000
- Fire Services Day – discontinue the demonstrations at Southern California Regional Occupation Center (SCROC) 11,000
- Extend non-emergency vehicle life by one year 8,500
\$928,500

<u>\$928,500</u> <\$3,591,500>

III. **Non Safety Position Reductions (\$1,427,500)**

The 19.8 positions being recommended below produces \$1,427,500 in savings and have a manageable affect on the community. The reductions are achievable due to reduced activity and work load resulting from the slowing of the economy; different ways of deploying personnel. All of the positions, with the exception of three, are vacant. Consistent with past policy those incumbent employees would remain employed at their current salary until attrition.

<u>\$1,427,500</u> <\$2,164,000>

City Attorney's Office – Position reductions due to vacancies.

- 0.5 Deputy City Attorney I \$62,000
- 1.0 Legal Secretary 89,500

Community Development Department - Position reductions due to decreased demand for development related services as construction activity has slowed considerably as a result of the current economic downturn.

- Public Works Inspector *(General Fund portion is 50%)* \$ 60,500
- Building Inspector 111,000
- Engineering Technician 85,000
- Building Permit Technician 81,500

Community Services Department – Consolidation of the registration and information desks in the West Annex Lobby, administrative support reduction in Park Services, and additional efficiencies sought in the Library.

- Typist Clerk \$ 65,000
- Library Assistant I 71,000

Community Services Department/Public Works Department – The Community Services and the Public Works Department are forming an alliance to achieve budget savings while working towards minimizing the impact on the community. The alliance is with respect to the mowing operations, which both departments provide, one in parks and one in the public right-of-way, and concrete work, which is performed primarily by Public Works. The alliance results in 6.6 position deletions:

1.6 maintenance workers (CS)	\$104,160
1 Cement Finisher (PW Concrete Crew)	94,700
1 Equipment Operator (PW Concrete Crew)	83,900
1 Maintenance Worker (PW Concrete Crew)	65,100
2 Maintenance Workers (PW Streetscape Crew)	<u>130,200</u>
	\$478,060

Each June through September, three maintenance workers with concrete skills from the Community Services Department (CS) Project Crew will come to the Public Works Department (PW) to re-form the eliminated 3 person concrete crew for a period of 4 months. CS will keep the Lead Maintenance Worker from the Project Crew to mow and will hire three temporary employees to weed, edge, and sweep during these same high growth months. This alliance will replace the four months that the Project Crew would have been assigned to the parks to increase mowing in the summer, and PW will pick up four months of lost production in concrete during the summer.

As part of this joint effort to be least impactful to the public while achieving savings, PW will explore alternate ways to provide streetscape upkeep. Artesia Boulevard currently takes 1.0 FTE for mowing the parkways, which is a two person crew every other week. Public Works has received a bid to mow Artesia once a week for a period of a year for \$20,000. The Department is recommending that this be entered into as a trial period, as this reduces the cost by \$45,200 for these slender parkways. The summary of the savings anticipated to be gained from the alliance is as follows:

6.6 position eliminations	<u>\$478,060</u>
Applied to General Fund deficit	\$346,000
Applied to temporary summer mowing hires (from existing maintenance worker list: 3 to CS for mowing/2 to PW for median maintenance)	112,060
Applied to Artesia mowing contract	<u>20,000</u>
	\$478,060

Finance Department – Position reduction due to consolidation of functions as a result of the upcoming One Stop Permit Center.

- Account Clerk \$77,000

Fire Department – Refer to Section II Public Safety

General Services Department – Position reductions due to projected vacancy and efficiencies in printing operations.

- Senior Custodian \$83,500
- Central Services Coordinator 99,000

Human Resources Department – Position reductions due to vacancies and operational efficiencies.

- Senior Administrative Assistant \$95,000
- Personnel Technician 82,000

IV. Operational Efficiencies (\$806,500)

<u>\$806,500</u> <\$1,357,500>

City Manager's Office – \$29,000

- Postage savings from phasing Season's magazine to online only

Communication and Information Technology - \$411,500

- Savings and efficiencies yielded from server consolidation (virtualization) project. \$ 55,000
- Extend the PC replacement cycle from 5 to 7 years 92,500
- Extend the telephone replacement cycle from 10 to 15 years and the network cable replacement cycle from 15 to 20 years. 147,000
- Reduction in the Data Communications budget - 3 years of lower support and maintenance costs for the new telephone system 7,000
- Reduction in telephone system maintenance 110,000

Community Development Department - \$230,000

The Community Development Department provides land use permitting, construction plan checking and inspection services related to developments in the City. The demand for these services is related to the economic cycles experienced locally as well as nationally. The current economic cycle has decreased the demand for development related services as construction activity has slowed considerably. The slowdown softens the impact of deleting development related positions. As building activity returns, the three deleted positions will be re-evaluated.

- Traffic calming budget – reallocate budget to the general fund \$150,000
- Housing Supervisor position – reallocate 20% of Housing Services Supervisor back to Housing 20,000
- Reduction of department overtime 10,000
- Reallocation of positions to the Redevelopment Program 50,000

Community Services - \$27,000

- Realignment of supply room functions \$16,000
- Combination of registration desk with information desk 11,000

Finance Department

- Reduction of department overtime \$14,000

Fire Department – (included in Public Safety above)**General Services Department - \$45,000**

- Energy Savings from the Energy Efficiency and Conservation Block Grant (EECBG)

Human Resources Department - \$50,000

- Reallocation of WC Examiner
- Reduction of Department overtime

Police Department (included in Public Safety above)**V. Program Reductions (\$27,000)**

- Wild Wednesdays \$13,000
Eliminate the program, which covers three Wednesdays
- End support for portable restrooms at school sites \$14,000
 - Option – seek reimbursement from non profits

<u>\$27,000</u> <\$1,330,500>

VI. Employee Suggestions (\$223,500)

- Hold City Yard Open House every other year \$ 25,000
- Eliminate Employee Service Award Dinner (\$35,000)
 - CM recommends restructuring 10,000
- Info Bits – Post on TEN, eliminate printing 12,000
- Eliminate mailing of Annual Benefits Summary Statement 500
- Eliminate pre-council meeting dinner – staff (\$9,000)
 - CM recommends reduction by 50% 4,500
- Reduce/Eliminate color printing
 - CM recommends reducing color printing 5,000
- Employee energy conservation
 - CM recommends savings target 25,000
- Discontinue Rose Parade Float 132,000
- Eliminate Manager's workshop
 - CM recommends revisit but hold for 2011 9,500

<u>\$223,500</u> <\$1,107,000>

VII. Additional Fees (\$177,000)

- Increase class fees \$152,000
 - Based on market study
- Increase picnic fees at additional parks \$10,000
- DVD rental and late fees \$15,000

<u>\$177,000</u> <\$930,000>

VIII. Internal Adjustments (\$580,000)

- Defer increase to Self Insurance Fund \$300,000
- Advanced Life Support (ALS) without paramedic escort revenues in excess of the cost of phasing out the Hazardous Materials premiums for Fire \$280,000

<u>\$580,000</u> <\$350,000>

IX. Energy Investment (Capital Required - \$2.9M)

- Energy savings from projects \$350,000
 - Requires \$2.9 million in capital

<u>\$350,000</u> Balanced

X. Sources of One Time Monies

- RDA Downtown loan repayment \$2,000,000
- Telephone replacement \$500,000
- Early conversion of non-sworn positions in Police \$300,000

XI. If Council desires to remove items from the City Manager's recommended budget, the following alternate program reductions or others that the Council may propose may be considered to arrive at a balanced budget **\$540,000**

- Elimination of the following programs:
 - Concerts in the Park \$25,000
 - Library Hours – Close four (4) Sundays \$12,000
 - Operate for 28 Sundays instead of the 32 currently
 - Oodles of Noodles \$16,500
 - Reduce Park Patrols – Park Ranger Program \$17,000
 - Discontinue one (1.0) roving unit from each season – 760 hours
 - Summer Musicals \$63,000
 - 4th of July Celebration
 - Community Services \$50,000
 - Police overtime \$65,000
 - Aquacade \$7,500
 - Halloween Carnival \$5,500
 - Environmental Fair \$6,500
 - Community nonprofit grants – reduce by 50% \$20,000
 - General Fund subsidy to the Parks & Recreation Fund \$100,000
 - Eliminate the refuse services low income exemption \$79,000
 - for seniors/disabled for refuse services
 - Recover utilities for park facility usage \$74,000

XII. Additional Areas to Explore (requires meet and confer - \$263,000)

There are other options the City Manager will explore but due to requirements for the meet and confer process these will be considered for future budgets.

- Conversion of overtime rate in Fire from 2.1 to 1.5 (\$110,000)
- Restricting the maximum of compensatory time in Fire to 144 hours annually (\$53,000)
- Revisit how the City treats overtime in Fire for Fair Labor Standards purposes (\$100,000)
- Delay of Jan 2011 raises by 6 months (Fire) (\$430,000)
- Delay of Jan 2011 raises by 6 months (Police) (\$730,000)

Several of the recommendations may require some use of one time monies for those positions that are not vacant, where the savings were averaged over four years (PERS contribution savings), or where capital improvements are required such as the energy retrofit programs.

As with past messages, this document becomes the City Council's and may be revised and amended as directed by your Honorable Body.

As directed by your Honorable Body staff has attached the refuse rate agenda item originally heard on March 23.

Respectfully submitted,



LeRoy J. Jackson
City Manager

Attachments:

- A. Copy of Daily Breeze advertisement
- B. 2009-11 Operating Budget (Limited Distribution. A copy is available in the City Clerk's Office.)
- C. Refuse rate agenda item dated March 23, 2010

Summary of Recommend Balancing Options		
Projected Budget Deficit		\$ 8,900,000
Reserves for Wages/Materials 2008/09	\$1,500,000	
Reserves for Wages/Materials 2009/10	2,250,000	
		5,150,000
PERS Employee Contribution	630,000	
Public Safety	928,500	
Positions Reductions	1,427,500	
Operational Efficiencies	806,500	
Program Reductions	27,000	
Employee suggestions	223,500	
Additional Fees	177,000	
Internal Adjustments	580,000	
Energy Investment	350,000	
Budget (surplus/deficit)		\$ -
as recommended by City Manager		
Other Balancing Options to Consider	540,000	

Copy of Daily Breeze Advertisement

DB 5-65

PUBLIC NOTICE

CITY OF TORRANCE
NOTICE OF BUDGET WORKSHOPS/
PUBLIC HEARINGS

NOTICE IS HEREBY GIVEN that two budget workshops/public hearings will be held before the City Council on the proposed budget revisions for the 2nd year (2010-11) of the City's adopted two-year 2009-11 operating budget on Tuesday, May 25, 7:00 p.m., and Tuesday, June 15, 7:00 p.m., or as soon thereafter as Council business will permit, in the Council Chambers, 3031 Torrance Boulevard, Torrance.

Anyone with an interest in the matter may appear and be heard in person, or they may submit written material for Council consideration as long as it is delivered to the City Clerk, 3031 Torrance Boulevard, Torrance, CA, 90503, prior to the hearing.

This notice is given pursuant to the order of the City Council by order of LeRoy J. Jackson, City Manager, City of Torrance.

Pub: May 15, 23, 2010

ATTACHMENT B

City's Two-Year 2009-11 Operating Budget

Limited Distribution

Council Meeting of
March 23, 2010

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

Members of the Council:

SUBJECT: Finance & Public Works – RESOLUTION to approve increase of Refuse Rates

RECOMMENDATION

Recommendation of the Finance and Public Works directors that City Council adopt a **RESOLUTION** to approve an increase to monthly refuse rates by \$3.42 for the 1st year which includes an implementation loan for the General Fund that phases out completely after the 2nd year. The refuse rate would be increased by the May to May Consumer Price Index (five years) and there is no change to the current low income rate for senior and disabled residents.

BACKGROUND/ANALYSIS

On January 12, 2010 the City Council conducted and closed the fee hearing to increase refuse rates by \$5.86 a month that would increase with the Consumer Price Index (CPI May-to-May) at the beginning of each fiscal year (for five years), which follows the guidelines as prescribed by Proposition 218. Staff's recommendation was to implement an increase to the refuse fee by \$5.86 a month from \$22.29 to \$28.15 and increase the low income exemption for seniors or disabled residents by \$1.48 from \$8.24 to \$9.72.

Staff is proposing to add weekly green waste collection in the City following two years of testing through a pilot program. The current residential recycling rate for areas without green waste is approximately 22%, which is well below the 50% requirement by the State under AB 939. Green waste represents about 30% of the waste stream in all of the test areas of the City and will allow residential collection to meet the State standard.

Throughout the trial period, the put-out rate for green waste containers has been approximately 65%, on average. Green waste is somewhat seasonal in our region but is fairly consistent throughout the year. The volume of green waste is also affected by weather, as we experienced this past January when the volume was 40% less than the volume in February. Staff analyzed the green waste volumes and put-out rate to determine the required number of routes for the program.

As presented during the rate hearing, Proposition 218 governs enterprise type rate increases. Proposition 218 for City operated refuse operations requires the fee not

to exceed proportional costs of the service attributable to the parcel. This clause is now being interpreted to apply to any discounts provided, including low income, seniors, disabled, etc. This means that the rate structure cannot favor any service receiver. Proposition 218 does not disallow discounts or exemptions but requires an offset from another source such as the General Fund. Many cities that operate their own refuse operations are discontinuing low income and discount programs. Proportional cost requirements do not affect those refuse operations not operated by a local government and it remains unclear whether it affects those operations awarded under a franchise agreement.

The City currently provides a discounted fee for those residents who are seniors or disabled with household incomes less than \$27,075. The rate is indexed to 2.5 times the Federal poverty level for a single family household (\$10,830). There are currently 466 residents that participate in this program at a cost of roughly \$79,000 annually. If this discount was increased to offset the proposed increase, the low income exemption program cost would increase to approximately \$103,000 a year.

In addition, the City provides free large item pick up service to the community. The same crew that provides this service also picks up refuse and recycling at City owned buildings. The entire cost of the large item pick up is about \$250,000 annually, of which \$50,000 is for City collection. The cost for large item pick up is allowable under Proposition 218 but the City portion of \$50,000 would be transferred to the City's General Fund. Based on the above modifications, the proposed rate change would be reduced by \$0.44. Staff recommends the funding of this by reducing 1.0 Engineering Technician III (vacant) and materials from the Public Works budget – General Fund.

Phasing the rate increase over two years - \$2.00 yr 1, \$1.00 yr 2

Staff is recommending phasing the rate increase over two years by borrowing from the General Fund's "Alternate Fuel Vehicle" Reserve. Staff has provided a two or a three year phase in option:

Buying down the rate (per month)

<u>1st Yr.</u>	<u>2nd Yr.</u>	<u>3rd Yr.</u>	<u>Cost</u>
\$(2.00)	\$(1.00)		\$1,050,000 (Recommended)
\$(2.00)	\$(1.33)	\$(0.67)	\$1,400,000

The line of credit would only be drawn on when needed to maintain a positive cash balance in the fund and would be repaid from year end operational savings when available. The rate of the interest charged would be the City's average portfolio yield plus 2% (4.5% based on current rates).

These recommendations would bring the rate increase from \$5.86 as originally proposed to \$3.42. As the General Fund loan is phased out the rate will increase by \$2.00 in the 3rd year.

Staff considered the following options to further mitigate the rate increase but at this time is not recommending these options:

Option 1 - Large Item Pickup Charge (\$0.21-\$0.58 per month)

Currently the City provides the community with large item pick up once a year (up to 20 items) at no charge. The City currently does not provide additional pick ups. If the City charged for this service, the refuse rate could be offset by the additional revenue generated:

Charge for 1st Large Item Pickup	Revenue Generated	Effect on Proposed Monthly Rate
\$25.00	\$ 72,500	\$ (0.21)
50.00	\$145,000	(0.42)
70.00	\$203,000	(0.58)

*Subsequent pickups (per calendar) year would be - \$75.00

Option 2 - Reduce Residential Street Sweeping (\$1.00 per month)

The City currently provides weekly residential street sweeping that is paid for under the refuse rate. This service can be reduced to monthly sweeping, which is the minimum requirement under the County MS4 permit. Reducing street sweeping to this level will reduce the cost of refuse collection by \$1.00 per month. Proper street cleaning is needed to prevent materials from entering the storm drain system. The weekly street sweeping program collects about 40 tons of material per week in the residential areas. Some of the sweeping would be picked up by residents but other areas will go unswept until the next street sweeping. This reduced service level would increase the amount of materials entering the storm drain system and most likely require additional catch basin and storm drain maintenance caused by the additional debris.

Option 3 - Reduce Recycling Collection (\$1.23 per month)

Green waste is considered to be putrescible waste and must be collected weekly. Putrescible waste is "Solid waste that contains organic matter capable of being decomposed by microorganisms and of such a character and proportion as to cause obnoxious odors and to be capable of attracting or providing food for birds or animals." The Los Angeles County Health Code, Chapter 11, Section 11.16.030 states that "...such garbage or putrescible material, whether mixed with rubbish or other material or not, shall not be kept for more than seven days." Therefore, alternate week green waste collection is not an option to reduce the cost of the program.

However, the City could provide alternate week collection of recyclables. This option would result in a rate reduction of approximately \$1.23 per month. The option may be detrimental to the City meeting the required diversion goal because residents

may use the regular black containers for excess recyclables when their carts are full. Potential problems include storage issues for additional containers, the need for regulation of the waste stream, and lower recycling participation.

Per Council request the following information is being provided:

Low Income Rate Adjustments

At the close of the hearing staff was also directed to return with information on providing a 50% increase exemption for those households at the medium income (approximately \$35K) and not to increase the rate for those households 75 years and older at the medium income.

Staff has looked at several different indexes to calculate "medium" income and recommends using one of the two following indexes: 1) Continue using the Federal poverty level but increase the income qualification to 3.0 times the Federal poverty level which would increase the level to \$32,490; or 2) Use the Section 8 Housing income qualifier for a two (2) party household at \$31,700 or a three (3) party household at \$35,700. The number of households that would qualify for either the increased household income and for the 75 years or older households is difficult to determine. The City does not have access to household income or age information which includes single family households. The only data the City has available would be the 2000 Census that reports household income, size of household, age of household by unit size, etc. Unfortunately, it does not provide a direct correlation for our purposes in projecting the above exemption nor is the report current.

If the City's exemption program included income level up to \$32,000 to \$35,000 for qualification to offset 50% of the proposed increase of \$5.42, staff would estimate no more than an additional 800 participants. The cost of the program would increase by an additional \$26,000. If those households 75 years and over were exempted, staff would estimate an additional 800 participants at a cost of \$52,000. At this time, staff would not recommend enhancing the low income exemption program.

RECOMMENDATION

Staff recommends fully implementing a weekly green waste program to meet the waste reduction requirements and environmental goals of the City. The proposed increase to monthly refuse rates is \$3.42 for the 1st year which includes an implementation loan for the General Fund that phases out completely after the 2nd year. The refuse rate would be increased by the May to May Consumer Price Index (five years) and there is no change to the current low income rate for senior and

disabled residents. Continue providing a subsidy to the current low income program for senior and disabled residents at the current level (no increase) paid by the General Fund.

Respectfully submitted,

Eric. E. Tsao
Finance Director

Robert J. Beste
Public Works Director

CONCUR:

LeRoy J. Jackson
City Manager

Attachments: A. Resolution
B. Los Angeles County Code and Definition
C. Council Item of January 12, 2010