

Redevelopment Agency  
May 25, 2010

**PUBLIC HEARING**

Agency Agenda Item 5A  
(Companion to Council Item 13A)

Honorable Chairman and Members  
of the Redevelopment Agency  
City Hall  
Torrance, California

Members of the Council:

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

**RECOMMENDATION**

Recommendation of the Executive Director and the Finance Director that Your Honorable Body open the first public hearing and budget workshop on the proposed budget revisions for the 2<sup>nd</sup> year of the City's two-year 2009-11 operating budget and hold the second public hearing on June 15, 2010. (Companion item to City Council Item 13A.)

**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 2<sup>nd</sup> 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 4<sup>th</sup> 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.

	Major Revenues - General Fund Actuals (millions)			Projected	
	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%	

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.

Budget deficit <\$8,900,000>

\$3,750,000

<\$5,150,000>

\$630,000

<\$4,520,000>

### ***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

## **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 3<sup>rd</sup> 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>
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**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>
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**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>
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**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>
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**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 9,500
  - CM recommends revisit but hold for 2011

<u>\$223,500</u> <\$1,107,000>
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**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>
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**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>
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**IX. Energy Investment (Capital Required - \$2.9M)**

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

<u>\$350,000</u> Balanced
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**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
  - 4<sup>th</sup> 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  
Executive Director

**Attachments:**

(Included with companion item City Council Agenda Item 13A)

- 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		
<b>Projected Budget Deficit</b>		<b>\$ 8,900,000</b>
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	