



Office of the City Manager

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May 16, 2010

Dear Mayor and Members of the City Council:

The current fiscal year is quickly coming to a close with many achievements to celebrate and numerous challenges successfully overcome by hard work. Submitted for the City Council's consideration is the proposed budget from the City Manager for the coming fiscal year 2010-11.

The proposed FY 10-11 budget balances expenditures with available revenues through a series of recommended decision packages. This is a retrenchment budget that reduces municipal services. The "Great Recession" has ravaged the City's revenue sources. There appears to be very little on the horizon in California that will substantially change the difficult economic conditions we face. Consequently, the FY 10-11 budget balancing is based on requesting continued employee compensation concessions, reductions in authorized employee positions, cuts in capital projects funding and minor revenue enhancements.

Looking Back at the 2009-10 Fiscal Year

Our commitment is to providing the finest services to enhance the quality of life for those who live, work, visit and play in our community. Some of the important FY 09-10 achievements in support of that mission include:

- Completion of the Harbor Coastal Land Use Plan
- Installation of recreational improvements at Anderson and Franklin Parks
- Provision of quality police and fire services
- Protection of the environment with the Alta Vista and Sapphire storm water projects
- Acquisition of a permit to continue operation of Seaside Lagoon
- Secured \$5.2 million in federal economic stimulus funding for City infrastructure
- Completion of 75% of the new North Branch Library
- Approval of the Shade Hotel lease and plans for the South Bay Center South project
- Completion of Torrance Boulevard's Landscape Improvements
- Facilitation of Kohl's Department Store Opening

Outlook for the 2010 -11 Fiscal Year

Redondo Beach has been resilient and agile in responding to the multi-year economic crisis hurting our City and many other communities across the State. Our resilience is a reflection of the Mayor & City Council's leadership and the City employees' dedication to serving the community. While this budget maintains a 8.33% General Fund emergency reserve, the City's declining revenue base requires Departments to make significant cuts to bridge a \$3.7 million budget gap AFTER accounting for what we hopefully gain in the employee associations agreeing to the requested continuation of their compensation concessions.

The State and Federal government have been infamous for their budget deficits due to focusing their attention on increasing expenditures with little regard for the revenue needed to pay for those expenditures. Often heard from me is the adage "City budgeting begins with revenue, then you can start the debate about how to spend that revenue which is available." Unfortunately, our revenues are highly restrained and we are not seeing a revenue rebound in this economy. Instead, we may be entering an era of a "new lower normal"; that is, lower revenues to support municipal services and pay employees. This seems to be consistent with the UCLA Economic Forecast that indicates we can expect "little or no growth in the state for the balance of 2010, with the economy picking up speed slightly by the beginning of next year."

Every budget is built around key assumptions about what will happen in the coming year. The key assumptions used for developing our underlying fiscal plan were as follows:

❖ *Projected Revenues*

- Property taxes will be decreasing primarily due to a CPI decline in the Proposition 13 calculation.
- Sales taxes will be increasing from the midyear budget for FY 09-10 as consumer spending begins to increase. However, they are down significantly from FY 08-09.
- Utility users' taxes will be increasing slightly with rising energy costs.
- Transient occupancy (hotel room) taxes will be increasing when compared to the midyear budget for FY 09-10 from a strengthened travel and tourism industry, but they remain down significantly from FY08-09.
- Fees and charges will remain relatively flat with increases to parking meter fees being mostly offset by decreases to other fees and charges affected by fewer transactions.
- Business license taxes will be flat as private construction activity increases are offset by the delayed effect of business closures.
- Motor vehicle license taxes will be down as a result of the State's budgetary problems.
- State actions to take away local City revenues are likely by shifting to local government its service responsibilities. It is unknown at this time what precise new attacks will have to be endured.
- The dismal California unemployment rate of 12% will heavily weigh down consumer spending on goods, housing and travel translating to fewer taxes.

- ❖ *Projected Expenditures*
 - Without employee compensation concessions, personnel costs will climb without revenue to pay the expenses due to contracted salary adjustments, benefit cost increases, retirement cost increases and post-retirement health benefit costs.
 - Maintenance & operation expenses are increased only with a Decision Package recommended by the City Manager for a specific expenditure purpose.
 - Internal service fund allocations remain flat until the regularly scheduled midyear budget adjustment.

- ❖ *Projected Reserves, Designations and Fund Balances*
 - The General Fund Reserve of approximately \$6.0 million would be exhausted in FY 10-11 should actions not be taken to match revenues with expenditures.
 - In FY 11-12, the Public Employees Retirement System (PERS) will increase its assessment to the City approximately \$1.5 million to cover their investment losses to pay for the defined benefit program. A Decision Package is proposed to designate funding in preparation for that liability.
 - The Harbor Uplands Fund balance is declining and actions are being taken to correct this situation consistent with the City Council's approved Harbor Enterprise Action Plan.
 - The Lighting & Landscape District continues to drain General Fund resources because Council adjustments to charge rates have been constrained by the courts and voter/taxpayer resistance.
 - One-time year end designation money is not forecasted to be available to replenish the Liability and Workers' Compensation Funds.

The City Council adopted the following preferred budget balancing options and the staff has used them as the guideposts in crafting the proposed budget:

Budget Shortfall Options to Pursue (not in priority)

- Secure employee wage and benefit concessions
- Maintain frozen positions
- Identify and quantify services for reduction of operational costs and consolidation of facilities
- Reduce Commission meetings to save money and staff time
- Pursue federal and other outside funding for operations and capital expenditures
- Increase interagency and intergovernmental collaboration and cooperation to share procurement and reduce operational costs

The City Manager's "Seven Point Budget Balancing Approach" is detailed here:

- #1 Cutting maintenance & operational expenditures and consolidating facilities
- #2 Adopting selected revenue enhancements, i.e., fees, charges, penalties
- #3 Reducing discretionary General Fund capital improvement projects
- #4 Reducing personnel expenses by limiting part-time hours and deauthorizing selected vacant positions
- #5 Reducing personnel expenses by deauthorizing selected filled positions
- #6 Negotiating compensation concessions from employee bargaining associations
- #7 Expediting economic development opportunities and evaluating additional revenue sources

Overview of Developing the Proposed Budget

The City Manager is responsible for delivering a proposed budget to the City Council by May 16 of each year. This is done in accordance with the City Charter and the Council's Financial Policies. The City Manager is directly responsible to the City Council under the City Charter to 1) prepare and submit the annual budget to the Council 2) advise the Council on the City's financial condition and future needs 3) be responsible for the budget's administration after adoption 4) prepare and submit a complete report on year-end financial and administrative activities. The City's fiscal year runs from July 1 to June 30.

Every year the budget development process begins with an assessment of our revenue base, followed by an evaluation of potential changes in that revenue base. Next, the proposed expenditure plan for services and capital projects is prepared by the City's Department Heads under the direction of the City Manager. The City's expenditures are categorized into five areas: Personnel; Maintenance & Operations; Internal Service Fund Allocations; Capital Outlay; and Capital Improvements.

The Departments were directed to prepare their budgets starting at the expenditure and service levels adopted by the City Council for FY 09-10. Adjustments were then made to departmental expenditure budgets in the Personnel category that reflect changes due to labor agreements and employee movements within authorized compensation schedules. Expenditures in the departmental Internal Service Fund expenditure category were kept at the FY09-10 midyear level to be adjusted again at the FY10-11 midyear budget review. The combination of all of the above changes set the anticipated departmental "base" budget for FY 10-11.

Those Departments seeking changes to their base budgets or service levels were required to submit a supplemental request (*known as a "Decision Package"*) to the City Manager for each change. Departments were directed to recommend Decision Packages to reduce their anticipated base budget as well as back-up choices should economic conditions worsen.

The highest priority Decision Packages are recommended for approval by the City Council as reductions and supplements to the departments' FY 10-11 base budgets. We have many more departmental needs than we have funding available. The City is primarily a service organization with 75% of our costs associated with the personnel to provide the service in the General Fund.

The following criteria were used in the evaluation and ranking of Decision Packages. However, higher priority was given to providing resources to the police, fire, paramedic and public works functions.

1. Would the Decision Package reduce ongoing General Fund departmental expenditures to align with available City funding resources?
2. Would the Decision Package sustain or improve revenues to the City?
3. Would the Decision Package be needed to comply with mandates or fund unavoidable costs for current basic services?
4. Would the Decision Package be needed to protect the health and safety of the public, employees or environment?
5. Would the Decision Package support achievement of goals and objectives in the Strategic Plan?
6. Would the Decision Package improve organizational efficiency, economy or effectiveness?
7. Would the Decision Package fill gaps in current services or meet new service needs?

This budget is about making tough choices. The economy's downward spiral is taking with it the municipal revenues expected to pay for City services. Using the criteria described above and guided by our corporate value of "*Fiscal Responsibility*", a total of 49 Decision Packages are recommended. The total amount of revenue enhancement recommended is \$300,000. The total amount of proposed reductions for all Decision Packages is \$4.1 million with \$2.9 million recommended for the General Fund. The total amount of proposed appropriations for all Decision Packages is \$1.2 million with \$600,000 recommended for the General Fund. Decision Packages recommended by the City Manager are listed immediately following this message.

A key Decision Package for the City Council to consider as part of the “Seven Point Plan” for balancing the budget is a reduction in funding dedicated to General Fund capital projects through the Capital Improvement Projects Fund. Each year, by policy, the City Council endeavors to designate \$1 million in year-end general funds to the Capital Improvements Project Fund. Last year, the FY 09-10 budget resulted in \$1,045,000 of the Capital Projects Improvement Fund being returned to the General Fund to help balance the budget. At FY 08-09 year end closing, just \$700,000, was transferred to the Capital Projects Improvement Fund from the General Fund, since \$1 million was not available. In order to balance the proposed FY 10-11 budget, this \$700,000 is recommended to be returned to the General Fund with an additional \$600,000 in Capital Project Improvement Fund balance appropriated to the North Branch Library, but not expected to be needed, being returned to the General Fund. This will allow for just \$395,000 of the most needed General Fund capital projects to be recommended for funding.

The continued deferral of General Fund capital improvement needs will have a detrimental impact on City operations. While many of the General Fund capital projects planned for in the Five Year CIP have been deferred to later year, funded from alternative funds, which have become available through grants, or have some level of carry-over funding which results in the ability to skip a year of funding, these measures cannot be sustained indefinitely.

Other key Decision Packages as part of the “Seven Point Plan” relate to the scaling back of part-time pay and positions as well as the deauthorization of the following full-time positions. A total of 9 full-time positions are recommended for deauthorization. Of those, 2 are filled and 7 are vacant or filled with planned retirements.

- Harbor Projects Analyst – Harbor, Business & Transit (vacant)
- Harbor Facilities Manager – Harbor, Business & Transit (filled)
- Business Systems Analyst – Financial Services (filled)
- Administrative Coordinator – Recreation & Community Services (reclassified)
- Administrative Specialist – Fire (vacant)
- Park Maintenance Leadworker – Public Works (vacant)
- Senior Park Caretaker – Public Works (vacant)
- Maintenance Worker I (2) – Public Works (vacant)

Central to the “Seven Point Plan” is seeking the cooperation of our employees in reopening labor agreements to negotiate reduced personnel costs. Proposed cost cutting along with revenue enhancements will not be enough to correct for the economic impacts on the City. Therefore, the following employee compensation concessions are proposed as continuing:

- Deferral of the 2009 contracted 4% salary increase for another year (\$1,370,000 – General Fund) for employees represented by the RBCEA, RBPSA, RBPOA Management, and Teamsters, which would also defer a matching 4% salary increase for RBPOA and RBFA; plus continuation of the 6% salary concession agreed to last year by all groups (\$2,010,000 – General Fund)
- Continuation of 6% wage and benefit concessions for Management & Confidential employees (\$220,000 – General Fund)

The Annual Budget in Brief

The annual budget is a means to communicate about the municipal *services* we provide, the *quality* of those services and the *value* of those services. The Departments have prepared performance measures that describe their core annual service activities. Identified also are the key departmental projects and assignments that we expect to see completed during the fiscal year. In each department budget is an estimate of where staff hours are applied in accomplishing the work. The approval of budget reductions Decision Packages will necessitate revising work plans and recalculating staff hours for the final adopted budget.

The City Council is scheduled to review the proposed Annual City Budget on May 25. The second review and adoption of the Budget and CIP are slated for June 1 and June 15, respectively. A more focused review of the Capital Improvement Budget is set for a workshop on June 8. Approximately 20 to 30 Budget Response Reports are expected to be prepared by staff during the City Council's budget deliberations. These Response Reports answer important financial, budgetary and policy questions raised by the City Council.

The total City revenue from all sources (excluding internal charges) is estimated to be \$91.5 million in FY 10-11. The total expenditures proposed for all funds is \$98.9 million. The difference of \$7.4 million will be funded from the estimated beginning fund balances, and the following proposed departmental expenditure reductions of which \$1.6 million are related to the General Fund.

City Clerk	\$ 87,630
City Treasurer	187,242
City Attorney	95,527
City Manager	153,996
Harbor, Business & Transit	223,750
Recreation & Community Services	100,872
Financial Services	140,402
Police	392,200
Fire	72,670
Public Works	326,979
Planning	<u>78,398</u>
Total	\$1,859,666

The FY 09-10 Capital Improvement Plan proposes \$6.7 million in projects to be paid for with \$6.7 million from eight funding sources.

General Fund Revenue

The projected General Fund revenue from outside sources for FY 10-11 is \$59,023,105, and assumes the continuation of State reimbursement for wildfire responses. This represents a decrease of \$156,117, or approximately 0.3%, when compared to the midyear budget for FY 09-10 and approximately 2.4% when compared to the adopted budget. As stated in the City Manager's Budget Preview of

May 4, 2010, major revenue sources of the City have continually been battered over the last several years. Examples of these declines follow.

Property taxes generally declined from \$19 million in FY 08-09 to an expected \$18 million in FY 10-11. Sales taxes generally declined from the previous \$10 million in FY07-08 to a budgeted \$7 million in FY 10-11. Transient Occupancy Tax (TOT) generally declined from the previous \$4 million in FY 07-08 to \$3 million anticipated in FY 10-11. Each of the major revenues has cycled downward following the fall of the economy. In addition, the voters' November decision not to apply UUT to the AES Power Plant closed the door on \$2 million of needed General Fund revenue.

General Fund Expenditures

The projected General Fund expenditures for FY 10-11 are \$54,678,273, excluding internal service fund allocations. This represents an increase of \$2.9 million, or approximately 5.6%, when compared to the midyear budget for FY 09-10 and an increase of approximately 9.0% when compared to the adopted budget. The primary reason for the increase from the midyear budget can be attributed to the inclusion of the previous deferred COLA increases of 4% and the 6% salary rollback, which are currently reflected in the FY 09-10 midyear, but which are not reflected in the FY 10-11 Proposed Budget, since employee groups have not yet agreed to these items for FY 10-11. Proposed are continuation of the compensation concessions and continued deferral of the COLAs, which would decrease personnel costs by \$3.6 million. However, described below are the major assumptions used in projecting our "base" budget expenditures prior to concessions.

- Personnel costs will increase by 9.1% to \$47,268,557.
- 452 positions are authorized compared to 495 five years ago.
- Maintenance & operations and capital outlay costs are not permitted to increase from midyear amounts unless a Decision Package is recommended by the City Manager for a specific expenditure purpose.
- Internal service fund allocations were adjusted with the FY 09-10 midyear budget review and will not be adjusted again until the midyear budget review.
- Capital Improvements costs are scheduled in the Capital Improvement Plan (CIP).

Costs associated with separation of employees due to their deauthorization in the budget can be expected. The year-end financial report will request a limited amount of funding to cover payouts, COBRA, workers compensation and unemployment costs that are not measurable at this time.

The difference between the General Fund revenue and expenditures before transfers out and Decision Packages is \$5,925,927. If all decision packages were adopted, revenues would exceed expenditures by \$11,000.

General Fund Reserve, Designations and Fund Balance

In accordance with the City Council's adopted Financial Principles, the General Fund will maintain a minimum reserve (undesignated fund balance) equivalent to 8.33% of the General Fund's projected operating budget. For FY 10-11, the total amount of this reserve is \$6,027,728. The reserve earns interest, smoothes cash flow and is ready for unanticipated expenditures or emergencies. Year-end fund balance designation money may be needed to meet the actuarial calculated reserve levels for the Self-Insurance Program Fund.

State of California's Potential Impact on the General Fund

The State of California will have a projected \$20 billion budget deficit next fiscal year. The State has consistently over estimated revenues and under estimated expenditures for the past decade. They have used gimmicks to mandate costs on cities and transfer responsibilities to us without the necessary funding. Last year at this time, we had a good understanding of where they intended a revenue grab from cities. This year the secrecy and silence in Sacramento leads us to believe there will be fast moving attempt to snatch revenues from cities before we can organize substantial opposition. This is reinforced by the fact that they may want to take such actions before the November ballot initiative that prevents more State robbery of municipal revenues.

Harbor Enterprise Fund

The Harbor Uplands Fund and the Harbor Tidelands Fund continue to reflect two key goals: 1) vitalizing the waterfront; and, 2) ensuring the financial health of the Harbor Enterprise. To that end, the City Council approved a Harbor Enterprise Financial Action Plan as part of the FY 2009/10 mid-year budget review which reduced expenditures for the Harbor Uplands in key areas and identified additional revenue opportunities.

The approved Harbor Enterprise Financial Action Plan was designed to reduce the operating shortfall in the Harbor Uplands Fund for FY 2009/10 and for the 2010/11 fiscal years. The actions outlined in the Harbor Enterprise Financial Action Plan are incorporated into the proposed FY 2010/11 budget. These budgetary actions are designed, in part, to allow the City Council time to consider and approve a Harbor Enterprise Business Plan, while currently in draft form, to provide a framework to achieve the Council's goals in relation to the Harbor Enterprise.

The projected Harbor Enterprise revenue for FY 10-11 is \$9,371,280. This represents a decrease of \$482,019, or approximately 4.9%, over the midyear budget for FY 09-10.

The projected Harbor Enterprise expenditures for FY 10-11 are \$11,388,051. This represents a decrease of \$5,265,717, or approximately 31.6% from the midyear budget for FY 09-10. The primary reason for the decrease can be attributed to the fluctuation from year to year in Capital Improvement Projects funded by the Harbor

Enterprise.

The difference between revenues and expenditures of \$2,016,771 will be funded from the estimated beginning fund balance.

Redevelopment Agency Fund

The projected Redevelopment Agency revenue for FY 10-11 is \$7,156,907. This represents an increase of \$936,490, or approximately 15.1% over the midyear budget for FY 09-10.

The projected Redevelopment expenditures for FY 10-11 are \$8,199,199. The Redevelopment Agency expenditures increased \$945,189, or 13.0% when compared to the FY 09-10 midyear budget.

The Courts have ruled that the “taking” of funds from redevelopment agencies across California to balance the State budget is constitutional. Although an appeal has been filed by the California Redevelopment Association (CRA), a \$ 288,719 payment to the State has been budgeted for FY 10-11.

Wastewater Fund

The projected Wastewater Fund revenue for FY 10-11 is \$2,514,376. This represents virtually no increase over the midyear budget for FY 09-10.

The projected Wastewater Fund expenditures for FY 10-11 are \$1,909,731. This represents a decrease of \$7,148,033, or approximately 78.9%, from the midyear budget for FY 09-10, as no additional capital projects are proposed in the FY10-11 budget.

Budget & Financial Transparency

We openly communicate the fiscal condition of our various municipal “business units” within the Budget by using mini-financial statements. In this way, the City Council can make informed policy choices, staff can make informed management decisions and the public can have an informed understanding of City activities. This Budget includes mini-financial statements for the following activities:

Community Development Block Grant
Redondo Beach Performing Arts Center
Breakwater Camp
Harbor Uplands
Parking Structures
Solid Waste
Farmers’ Market

Housing Authority
Seaside Lagoon
Harbor Tidelands
Beach Cities Transit
Wastewater
Street Landscaping & Lighting

Conclusion

The Mayor and City Council have acted responsibly on behalf of the community steering the City through tough budget time. My thanks are extended for the leadership and support you have provided me. These tough times will pass and the community will again enjoy the fruits of our investments.

I am very proud of our Department Heads and employees in their work to prepare the budget. I want to express special thanks to the Finance Services Department staff including Diana Moreno, Marni Ruhland, Jeff Payne, Steve Erlandson, Doug Kaku, and Robert Shellabarger for their efforts in helping build the budget document. In addition, I would like to say thank you to David Biggs, Ernie Odell and Frank Rowlen for their contributions to this document.

Sincerely,

A handwritten signature in black ink, appearing to read "William P. Johnson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

City Manager Recommended Decision Packages for City Council Approval

Decision Packages that would reduce departmental expenditures to align with available City funding sources:

Decision Package #1. City Manager's Office \$153,996 Budget Reduction. The proposed expenditure reduction would retain the Assistant to the City Manager position as authorized but unfunded for the fiscal year while the incumbent serves as the Acting Director of Recreation & Community Services. The departmental budget would maintain \$20,000 for contract and/or part-time personnel to conduct support activities for the City Manager's Office. The service impact would be reduced technical expertise available to staff for telecommunications, special projects, intergovernmental affairs and communications programs. Recommended is a reduction of \$153,996 to the General Fund one-time appropriation.

Decision Package #2. City Attorney's Office \$95,527 Budget Reduction. The proposed expenditure reduction, based on a pending retirement, would retain the Litigation Paralegal position (\$143,527) as authorized but unfunded for the fiscal year. The departmental budget would maintain \$48,000 for contract and/or part-time personnel to conduct support activities for the City Attorney's Office. The service impact would be reduced capacity for responding to legal issues and spreading the priority work to other employees in the department. Recommended is a reduction of \$95,527 to the General Fund one-time core appropriation.

Decision Package #3. City Clerk's Office \$87,630 Budget Reduction. The proposed expenditure reduction would retain the vacant Office Specialist III position (\$73,340) as authorized but unfunded for the fiscal year. Proposed also are cuts to office supplies, training, and membership dues that are no longer necessary due to recent reductions in departmental personnel. The service impact would be reduced capacity for responding to customer requests and spreading the priority work to other employees in the department. Recommended is a reduction of \$87,630 to the General Fund one-time appropriation.

Decision Package #4. City Treasurer's Office \$187,242 Budget Reduction. The proposed expenditure reduction would retain the vacant Senior Auditor position (\$108,412) as authorized but unfunded for the fiscal year. Also, proposed expenditure reduction would cut expenses related to the issuance of the Tax Revenue Anticipation Note (TRAN), the UUT Compliance and Revenue preservation program, outside auditing services, and miscellaneous operating expenses not required for the fiscal year. Recommended is a reduction of \$187,242 to the General Fund one-time appropriation.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #5. Commission Meetings \$12,000 Budget Reduction. The proposed expenditure reduction would schedule selected City Commissions meetings once every other month instead of monthly thus reducing hourly hard costs (\$12,000). The impact would be delays in reviewing policy issues by the Council's advisory bodies. Recommended is a reduction of \$12,000 to the General Fund ongoing core appropriation.

Decision Package #6. Harbor, Business & Transit Department \$223,750 Budget Reduction. The proposed expenditure reduction would deauthorize one vacant Harbor Projects Analyst position (\$121,121) and deauthorize one filled Harbor Facilities Manager position (\$137,629). The departmental budget would maintain \$35,000 for contract and/or part-time personnel to conduct support activities for the departmental needs. The service impact would mean less business assistance and economic development work while spreading the priority work to other employees in the department. Recommended is a reduction of \$24,228 to the General Fund ongoing core appropriation, a \$12,112 reduction to the Transit Fund ongoing core appropriation, a \$86,824 reduction to the Harbor Tidelands Fund ongoing core appropriation, a \$86,824 reduction to the Harbor Uplands ongoing core appropriation and a \$13,762 reduction to the Redevelopment Agency ongoing core appropriation.

Decision Package #7. Financial Services and Information Technology Department \$140,402 Budget Reduction. The proposed expenditure reduction would deauthorize one filled Business Systems Analyst position (\$140,402). The service impact would be that each department would need to become more self-sufficient generating MUNIS reports. Recommended is a reduction of \$126,362 to the General Fund and \$14,040 to the Information Technology Fund ongoing core appropriation.

Decision Package #8. Recreation and Community Services Department \$100,872 Budget Reduction. The proposed expenditure reduction would reclassify the vacant Community Program Manager position (\$128,247) to Recreation Supervisor (\$94,237) and de-authorize one Administrative Coordinator (\$84,862) position while the incumbent serves as Acting Recreation Supervisor. The service impact would be lessened capacity for organizing and directing Senior and Family Services programming. A portion of the administrative salary savings would be reallocated into the Senior and Family Services part-time staff (\$18,000) budget to offset the impact on front line programs and activities. Recommended is a reduction of \$100,872 to the General Fund ongoing core appropriation.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #9. Planning Department \$78,398 Budget Reduction. The proposed expenditure reduction would retain the Senior Administrative Specialist position as authorized but unfunded for the fiscal year while the incumbent serves as Acting Planning Technician. The service impact will be lesser telephone, counter and other public reception functions and shifting priority administrative tasks to other departmental personnel. Recommended is a reduction of \$78,398 to the General Fund one-time appropriation.

Decision Package #10. Fire Department \$72,670 Budget Reduction. The proposed expenditure reduction would deauthorize one vacant Administrative Specialist position. The service impact would be less capacity to support fire service programs. Part-time personnel will be used as needed to conduct a significantly reduced number of plan checks. Recommended is a reduction of \$72,670 to the General Fund ongoing core appropriation.

Decision Package #11. Police Department \$530,500 Budget Reduction. The proposed expenditure reduction would retain four Police Officer positions and one Sergeant position as authorized, but unfunded for the fiscal year. These positions would not be filled through vacancies and planned retirements. The service impact would be lessened capacity for special details (e.g., DUI enforcement, anti-terrorism task forces) and policing service in the Pier & Harbor area. Recommended is a reduction of \$392,200 to the General Fund ongoing core appropriation and a reduction of \$138,300 to the Harbor Uplands Fund ongoing core appropriation.

Decision Package #12. Public Works Department \$326,979 Budget Reduction. The proposed expenditure reduction would deauthorize four vacant Public Works Parks Division maintenance positions (\$326,979). The service impact would be less maintenance of city parks and street medians. The Public Works Department is currently utilizing temporary workers from the Transitional Subsidized Employment (TSE) Program to assist with park and street median maintenance. Recommended is a reduction of \$255,564 to the General Fund and \$71,415 to the Street Landscaping and Lighting ongoing core appropriations.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #13. Vehicle Replacement Fund \$674,880 Budget Reduction. The proposed expenditure reduction would decrease funding for FY 10-11 vehicle and equipment replacements by \$674,880. The City would purchase only four high priority vehicles. Recommended is a reduction of \$674,880 to the Vehicle Replacement Fund and transfer of the same amount to the General Fund.

Decision Package #14. Fuel Reduction \$125,000 Budget Reduction. The proposed expenditure reduction would decrease Public Works Department funding for vehicle and equipment fuel due to lower costs and fewer vehicles. Recommended is a reduction of (\$125,000) to the Vehicle Replacement Fund.

Decision Package #15. California Used Oil Recycling \$6,623 Budget Reduction. Due to a reduction of grant money from the State's CalRecycle program, the City's funding for this area needs to be decreased. Recommended is a decrease of \$6,623 to the Solid Waste Fund for the Used Oil Recycling Grant.

Decision Package #16. Capital Improvement Program \$1,300,000 Return to the General Fund. Last year's Five-Year Capital Improvement Program included a projected Capital Projects Fund expenditure of \$1,075,000 in FY 10-11. That spending plan was based on an assumed year-end transfer of \$1,000,000 from the General Fund. Given the state of the economy, only \$700,000 was available for transfer in November. Most of the ongoing projects previously identified for funding in FY 10-11 have sufficient carry-over funding to continue moving forward without the infusion of any new funds. Therefore, only \$395,000 in Capital Projects Fund projects is recommended for the coming fiscal year. Included in that funding scenario are several health and safety related projects such as the Aviation Gymnasium Skylight Replacement Project, the Council Chambers Entry Major Repair Project, and the Fleet Garage Roof Replacement Project. In addition, the construction of the North Branch Library is nearing completion, and the full amount of funds appropriated to that project are not expected to be used. An initial return of \$600,000 of Capital Projects funds appropriated to the North Branch Library project can be made to the General Fund at this time, with additional amounts possible when the project is completed and the \$1,025,000 of Library Foundation contribution to the project is received. It is recommended that the \$700,000 designated at year-end and \$600,000 of the appropriation for the North Branch Library for a total of \$1,300,000 be transferred from the Capital Improvement Projects Fund to the General Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #17. Part-Time Employees 6% Pay Decrease. The proposed expenditure reduction would be a continuation of the current decrease of part-time hourly wages by 6% representing a savings of \$131,158 to the General Fund and \$17,276 spread to the other funding sources. The impact would be potential problems in attraction and retention of hourly employees. Recommended is approval to continue the 6% part-time pay reduction.

Decision Package #18. City Manager's Flexible Hiring Freeze. The continuation of the City Manager's flexible hiring freeze is needed as a tool to create additional savings as a buffer to further economic and financial uncertainty. Recommended is approval to continue the City Manager's flexible hiring freeze.

Decision Packages that would sustain or improve revenues to the City:

Decision Package #19. Refuse Collection and Recycling Program Rate Adjustments. Set for City Council consideration at a public hearing on June 15, 2010 is a proposed refuse rate adjustment to generate revenues for offsetting higher refuse collection and recycling costs. Recommended is an on-going \$63,916 appropriation to the Solid Waste Fund.

Decision Package #20. Annual Parking Pass. Approval is requested for a \$5 increase for the City's Annual Parking Pass, adjusting it to \$80. A public hearing is scheduled for July 6, 2010, for Council to consider this action, which would increase ongoing revenue to the General Fund \$8,100. Recommended is approval of this adjustment to the Police Department's fees/charges schedule.

Decision Package #21. Library Fees. Approval is requested to increase the fees for holding Library materials. The current "no pick up fee" will be raised from \$0.50 to \$1.00, and a new "request for hold" fee will be implemented. A public hearing is scheduled for July 6, 2010 for Council to consider this action, which would increase ongoing revenue to the General Fund \$24,000. Recommended is approval of this update to the Library fees/charges schedule.

Decision Package #22. Parking Citation Administration. The Police Department expects improved revenues/cost savings with the implementation of a new citation processing contract. Recommended is approval of an ongoing increase in parking citation revenues of \$20,000 to the General Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #23. California Department of Conservation Beverage Container Recycling Grant. Increased funding of \$7,400 is available from the State Department of Conservation based on current revenue estimates. Recommended is a one-time appropriation to the Solid Waste Fund of \$7,400.

Decision Package #24. Fire Prevention Reserve Program. The Fire Department is unable to keep current with its fire code inspection program due to the deauthorization of one (1) Fire Prevention Inspector position. Implementation of a Fire Prevention Reserve program will allow the Fire Prevention bureau to meet that need. Revenue generated for second and third inspections will cover the costs of the program and ensure all businesses meet fire code compliance. Recommended is an ongoing General Fund increase to revenue of \$21,000 and an on-going General Fund appropriation of \$21,000.

Decision Package #25 Recreation Registration Fee in Lieu of Convenience Fee for Recreation and Community Services Related Activities. Proposed is an In-lieu of the Convenience Fee of \$3, which is limited to phone and on-line transactions, a \$2 Registration Fee would be applied to all forms of program registration; including on-line, fax, phone, in-person, and by mail. Using a Registration Fee in place of a Convenience Fee is estimated to generate \$12,500 additional General Fund revenue. Registration fees on a per activity basis are a Recreation Industry standard. Local cities charge as much as \$15 per registration. A public hearing is scheduled for July 6, 2010, for Council to consider this action. Recommended is approval to eliminate the \$3 Convenience Fee for on-line and telephone transactions related to Recreation classes/activities and implement a \$2 Registration Fee for all Recreation classes/activities.

Decision Package #26. Pier/Harbor Parking Structures Operation and Financial Management. The operational and financial management system installed five years ago for the Pier/Harbor Parking Structures is in need of a full review. The system is has been more costly than projected and has customer service limitations. Outside assistance on a contract basis is needed to assist the staff in this review. Recommended is a one-time appropriation of \$15,000 to the Harbor Uplands Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #27. Measure R Transportation Funding. The City has received approximately \$330,000 in new Measure R Transportation Funds thus far and anticipates receiving \$575,000 annually in the future. The proposed CIP programs \$140,000 in Measure R Funds in FY 10-11 to fund the City's mandated Pavement Management Survey which is an amount that previously was charged to the Capital Projects Fund (General Fund). It is proposed that no other Measure R Funds be programmed this current fiscal year pending any needs identified by the final Caltrans approval of the Esplanade Project and defer all other allocations of the fund until the State Budget is adopted. The State had previously targeted City share of gas tax as a possible solution to its budget woes. Gas tax revenues are primarily used by the City for street operation, maintenance and repair. Measure R funds could back-fill part of any loss of Gas Tax funds to the State for these important activities for which there is no other identified replacement funding source. Recommended is a one-time appropriation of \$140,000 included in the Capital Improvement Budget.

Decision Packages that would be needed to comply with county-state-federal mandates or fund unavoidable costs to maintain current basic services:

Decision Package #28. Fair share distribution of County SB 2557 Administrative Processing Fees to Solid Waste Fund. The City has been assessed increased administrative processing fees for revenue apportionments under SB 2557 from the County of Los Angeles. Recommended is an on-going appropriation of \$7,809 to the Solid Waste Fund.

Decision Package #29. Proposition 218 mailing for Refuse Rate Increase Protest Ballot. In order to conduct Proposition 218 Protest Balloting, mailings must go out to all property owners of record and/or anyone responsible for paying the refuse bill. An appropriation is needed to cover the total cost of mailings and the 45-day written notices of the protest hearing. Recommended is an on-going appropriation of \$2,900 to the Solid Waste Fund.

Decision Package #30. Special Election Consolidated with L.A. County of November 2, 2010. An appropriation is required for the costs associated with Harbor Land Use changes under voter approved Measure DD. The November election provides citizens the opportunity to vote on "Major Changes in Allowable Land Use". Recommended is a one-time appropriation to the General Fund of \$165,000.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #31. General Municipal Election of March 8, 2011. The General Municipal Election is set to be held March 8, 2011. This includes election of Council members for Districts Three and Five, the City Clerk and City Treasurer, and two Members of the Redondo Beach Unified School District Board. Recommended is a one-time appropriation to the General Fund of \$241,470.

Decision Package #32. PERS Retirement Contribution Set-Aside. The City is expecting a major increase to its mandated contribution to PERS of approximately \$1.5 million in FY 11-12. Proposed is designation of the unspent FY 09-10 Vehicle Replacement Fund money preparing for this up-coming unfunded employee retirement cost. Recommended is the designation of \$1,500,000 of Vehicle Replacement Fund money for the FY 11-12 PERS payment.

Decision Packages that would be needed to protect the health and safety of the public, employees or environment:

Decision Package #33. Frangible, Non-toxic, Lead-free Ammunition. An appropriation is needed to pay the increased costs associated with the mandated use of frangible, non-toxic, lead-free ammunition at the Police Department firearms training facility. Recommended is an on-going appropriation of \$11,162 to the General Fund.

Decision Package #34. Relocation of the Recreation & Community Services Department. The Recreation & Community Services Department presently operates in the closed elementary school facility owned by the Redondo Union School District located at PCH/Knob Hill. The facility is aged and deteriorated. The School District has turned down the City's request for a long term lease at market rates which would permit the Department to stay and rehabilitate the buildings. Consequently, the City will need to relocate the Department into modular buildings at Aviation Park. Proposed is a financial plan that 1) would borrow \$760,000 from the City's Self Insurance Fund to be paid back over a ten year period at 5% interest with property lease and operating cost savings to be achieved in the general fund as a result of the move, 2) would borrow an additional \$750,000 from a third party capital lease financing firm as part of the acquisition of the modular buildings, and 3) would ensure that the move occurs by June 30, 2011. Recommended is a one-time appropriation of \$760,000 from the Self-Insurance Fund to the General Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision packages that would support achievement of goals and objectives in the Strategic Plan:

Decision Package #35. Street Landscaping and Lighting District. In FY 07-08, the City Council approved an ongoing \$873,500 General Fund subsidy to the Street Landscaping and Lighting District. An additional appropriation is required in FY 10-11 to cover higher costs for the Street Landscaping and Lighting District to prevent a reduction of service. Recommended is a one-time \$139,296 transfer from the General Fund to the Street Landscaping and Lighting District Fund.

Decision Package #36. Boat Launch Ramp Location and Alternatives. Engineering and design work is needed to identify the location for a Harbor boat launch ramp (a Strategic Plan objective) and to update the City's boat launch alternatives study. Outside contract expertise is needed for this task. Recommended is a one-time appropriation of \$20,000 to the Harbor Tidelands Fund and \$20,000 to the Harbor Uplands Fund.

Decision Packages that would improve the organizational efficiency, economy or effectiveness:

Decision Package #37. Communications Center Reorganization. The City's Communications/Dispatch Center is presently supervised by a Police Sergeant. Proposed is a Police Department reorganization that would civilianize the supervisory position with a Communications Manager (\$5,556 - \$7,175 monthly) providing net savings of \$78,244. Lower cost and greater continuity in administration is expected but this would reduce the number of career development positions available to sworn personnel. Recommended is approval of the Communications Manager position.

Decision Package #38. Time Warner Institutional Fiber Network - Maintenance Contract. Under the City's Settlement Agreement with Time-Warner, existing high speed data and voice communications will remain available to off-site facilities. An appropriation is needed to pay for the use and maintenance of the Time Warner Institutional fiber-optic network and avoid the much higher costs associated with other providers. Recommended is an on-going appropriation of \$27,000 to the Information Technology Replacement Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #39. Public Works - Replacement Police Vehicles. An appropriation is necessary for the scheduled replacement of four existing vehicles used by the Police Department. Recommended is a one-time appropriation of \$147,624 to the Vehicle Replacement Fund.

Decision Package #40. Transfer of Outside Printing Costs From the Printing & Graphics Division to the Police Department and City Manager's Office. A budget transfer is needed from Printing & Graphics to the Police Department (\$1,760) and City Manager's Office (\$3,350) for outside printing services directly related to these areas. Recommended is an on-going appropriation to the General Fund of \$5,110 and an on-going decrease to the Printing & Graphics Fund of \$5,110.

Decision Package #41. Administrative Coordinator Reclassification to Analyst Position. Proposed is a reclassification of the Administrative Coordinator (\$3,909 - \$4,473 monthly) to an Analyst (\$4,479 – \$5,452 monthly) position. The Analyst position would be responsible for departmental duties as well as be assigned to other departments including the City Manager's Office and Harbor, Business & Transit Department for special projects. Recommended is the reclassification and an on-going reduction to the General Fund of \$1,084 for current overtime expenses.

Decision Packages that would fill gaps in current services or meet new service needs:

Decision Package #42. North Branch Library Facility Staffing and Operations. The North Branch Library is expected to be completed in September 2010. Proposed is staffing for the Library at 32 hours per week which represents operating Monday, Wednesday, and Thursday 12 Noon to 8 PM and Saturday 9 AM to 5 PM. Eight hours of that service is contingent on the Council's adoption of an increase to the Library Holds Fee which will create \$24,000 in new revenue to the General Fund. Also proposed is the required supplement \$25,000 to the Building Occupancy Fund for the new building's maintenance and operation. Recommended is an on-going appropriation of \$24,000 to the General Fund for eight hours of service and an on-going appropriation of \$25,000 to the Building Occupancy Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #43. Attorney Audit Confirmation Letters. The City's auditors require outside legal counsel to prepare annual confirmation letters for which the attorneys charge a fee. Recommended is an on-going appropriation of \$4,300 to the General Fund.

Decision Package #44. Solar Compacting Trash Container Pilot Program. The purchase of a solar-powered compacting trash container for placement in a public location would emphasize and encourage recycling. Recommended is a one-time \$5,000 appropriation to the Solid Waste Fund.

Decision Package #45. Beach Cities Transit (BCT) Bus Passes. Due to an increase in ridership and the purchase of monthly bus passes, BCT costs for bus pass materials (cards and stickers) and subsidies are expected to rise. Additional funding is necessary for issuance of bus passes and to comply with BCT bus pass policy. Recommended is an on-going total appropriation of \$21,764 to the Transit (\$6,764) and AQMD (\$15,000) Funds.

Decision Package #46. Cap the Number of Fee Waivers Available to After-School Playground Program Participants. The current fee waiver policy allows any participant who meets specific income qualifications to enroll in the After-School Playground Program at no charge. The fee waiver cap would help stabilize program revenues and expenses and would allow RCS personnel to maintain appropriate staff/participant ratios. Recommended is authorization to cap After-School Program Participant Fee Waivers at 60 per year, distributed on a first-come, first-served basis.

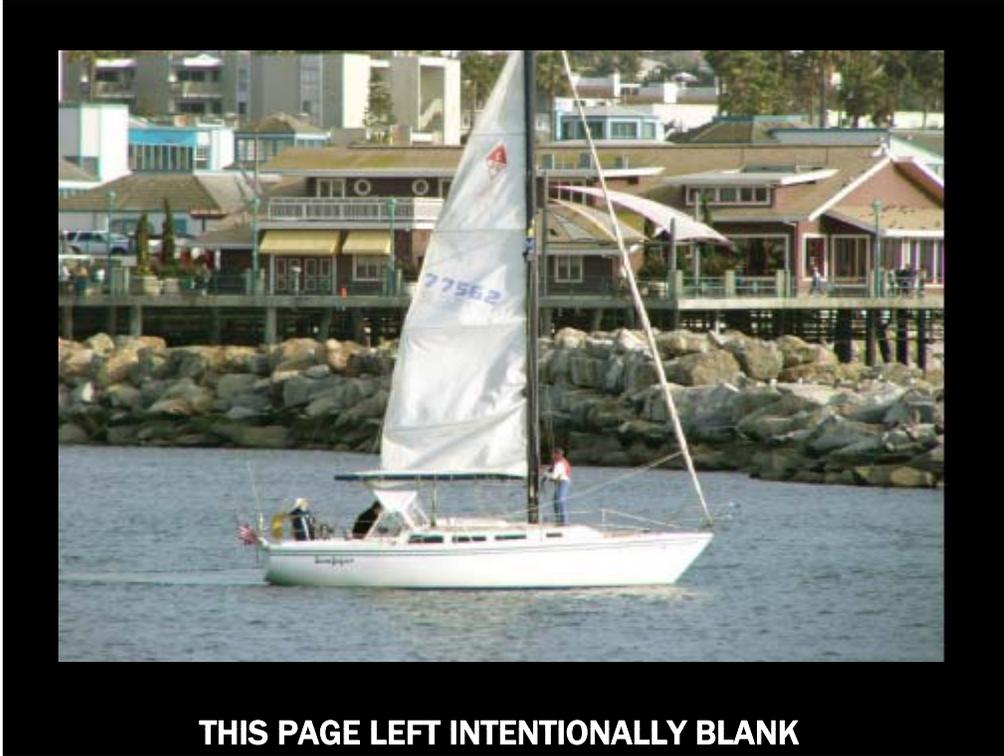
Decision Package #47. Band Shell Replacement in Veterans Park. The Veterans Park Band Shell was built in 1957 by the Chamber of Commerce for their annual Christmas Pageant. The Veterans Park Band Shell is in poor condition with safety problems and serious structural integrity issues. The Leadership Redondo group expressed their interest in proceeding with a project to replace the Band Shell. The group has chosen the Veteran's Band Shell Replacement as their first choice for a project on the condition that the City has the funding to remove the existing structure and prepare the foundation for a new multi-use structure. The Parks & Recreation Commission and Historical Commission would be involved in consideration of the project. Recommended is authorization to initiate the Band Shell replacement project and include it in the Capital Improvement Budget.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #48. 4th of July Fireworks Event Funding. For the past four years the City has contracted with Community Spirit Fireworks (CSF) to coordinate the annual 4th of July Fireworks Event. In year one of the agreement, the City paid CSF all of the \$19,000 of revenue collected from special event parking fees; in year two, \$14,250; and in year three, \$9,500. For the 2010 event the City was scheduled to pay CSF \$4,750. The City's de-escalating level of fiscal support coupled with a decline in sponsorship funding led CSF to request an additional \$10,000 of funding to pay for this year's fireworks barge. On May 4, 2010 the City Council approved the request for additional funding. Recommended is a one-time appropriation of \$10,000 to the Harbor Tidelands Fund and authorization to contribute the scheduled \$4,750 of Harbor parking fee revenue.

Decision Package #49. Confirmation of Signature Special Events. The six proposed signature events with waiver of City hard and soft costs recommended are: 4th of July 2010 Event; Super Bowl 10K Run/Walk; Lobster Festival; Spring Fest; Riviera Village Summer Festival; and Riviera Village Holiday Stroll. These are the same events the City Council approved for FY 09-10. Recommended is the ongoing budgeting of hard and soft costs for only these special events. This represents \$38,400 in costs to the General Fund, \$2,300 to the Tidelands Fund and \$2,300 to the Uplands Fund.

Decision Package #50. Information Technology – Replacement Equipment. An appropriation is necessary for the upgrade and/or replacement of equipment that has reached end-of-life or can no longer meet increasing software demands and provide the service levels needed by City staff to serve the community. Recommended is a one-time \$136,743 appropriation to the Information Technology Fund.





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July 1, 2010

The Honorable Mayor and Members of the City Council
City of Redondo Beach, California

Subject: Council Actions Amending the Proposed FY10-11 Budget

Prior to formal adoption of the FY10-11 Budget, reallocation adjustments were needed to several funds described below and reflected in Attachment A.

<i>Mole B Development</i>	<i>An additional \$10,000 appropriation will further fund development at Mole B (the land mass area located at the west end of Marina Way created to protect the water area adjacent to King Harbor Marina).</i>
<i>George Freeth Memorial Project</i>	<i>A \$52,500 appropriation will complete the George Freeth Memorial project.</i>
<i>Drama Camp</i>	<i>An additional \$67,308 appropriation will fund the 2010 drama camp summer program.</i>
<i>Compensation Concessions</i>	<i>A \$4,066,345 reduced appropriation reflects wage and benefit concessions from all of the City's bargaining units.</i>

The adjusted costs reflected in Attachment A were approved by the City Council at its June 30, 2010 meeting. In addition to the items above, Decision Packages #1 through #50 were adopted as proposed.

Respectfully Submitted,

William P. Workman
City Manager

ATTACHMENT A

SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

	Mole B Development	George Freeth Memorial Project	Drama Camp	Compensation Concessions	Totals
<i><u>Revenues</u></i>					
General Fund	-	-	56,230	-	56,230
<i><u>Expenditures</u></i>					
General Fund	-	-	67,308	(2,904,211)	(2,836,903)
State Gas Tax	-	-	-	(66,937)	(66,937)
Street Landscaping & Lighting	-	-	-	(91,906)	(91,906)
Transit	-	-	-	(27,911)	(27,911)
Air Quality Improvement	-	-	-	(1,503)	(1,503)
Intergovernmental Grants	-	-	-	(6,005)	(6,005)
Community Development Block Grant	-	-	-	(6,607)	(6,607)
Housing Authority	-	-	-	(33,816)	(33,816)
Capital Projects	-	-	-	(11,277)	(11,277)
Harbor Tidelands	-	-	-	(209,557)	(209,557)
Harbor Uplands	10,000	52,500	-	(145,410)	(82,910)
Solid Waste	-	-	-	(63,519)	(63,519)
Wastewater	-	-	-	(69,080)	(69,080)
Self-Insurance Program	-	-	-	(12,168)	(12,168)
Vehicle Replacement	-	-	-	(40,103)	(40,103)
Building Occupancy	-	-	-	(94,925)	(94,925)
Information Technology	-	-	-	(62,287)	(62,287)
Printing & Graphics	-	-	-	(10,684)	(10,684)
Emergency Communications	-	-	-	(147,440)	(147,440)
Redevelopment Agency	-	-	-	(60,999)	(60,999)
Total Expenditures	10,000	52,500	67,308	(4,066,345)	(3,936,537)