



Office of the City Manager

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May 16, 2011

Dear Mayor and Members of the City Council:

The City of Redondo Beach has so far successfully navigated the past two years' economic storm. The Mayor and City Council are due important credit and thanks for the very tough choices they made leading the community during our nation's most difficult period since the Great Depression. Recognition also needs to be provided to the City's employees and management team who have worked collaboratively to deliver municipal services with significantly reduced resources and lower compensation. The community's engagement with the City and the work of the City's Commissions has been invaluable as we downsized our organization and adjusted service levels.

Fiscal Year 2011-12 finds the City's finances have stabilized, but at a much lower level than we would have forecast. More work has to be done as we maneuver through the next financial and economic challenges. We face strong headwinds from high unemployment, high oil prices, high housing defaults, high pension and health care costs, high regional and global competition, high state and federal deficits, high business failures and high doubt in government.

It is under these conditions that the proposed General Fund budget balancing for FY 11-12 will require continuing the 6% compensation concessions from employees. A first-time drawdown on the PERS set-aside fund in the amount of \$1.0 million also will be required.

Proposed is a \$99.0 million City Budget for FY 11-12 of which the General Fund represents \$69.9 million. The budget calls for maintaining the City's 8.33% General Fund reserve of \$5.8 million and continues the use of financial best practices to support our City's Standard & Poor's bond rating of AA+.

Redondo Beach, like so many other cities in the State of California, has been humbled by the nearly cataclysmic economic collapse and by the steep increase in labor costs attributed to the fast rise of public employee pension expenses. It has never been more apparent that the City's financial health is indexed to the economy, and experts do not forecast significant improvements in the California economy until 2013. Consequently, municipal revenues will be much lower than desired for several more years.

An illustration of our lower revenues is the fact that FY 11-12 City sales tax revenue is forecasted to reach the same level we received ten years ago. Changes in California's economic environment are also evident nationally, as weak American economic growth of 2.8% compares unfavorably with other countries' double-digit growth rates. The municipal service levels and employee compensation proposed in this budget have to be understood within the fiscal reality and be reflective of our ability to pay.

Nearly all California cities contract with the Public Employee Retirement System (PERS) for employee pension programs. PERS is a defined benefit retirement program for full-time employees and specific part-time employees. Cities, including Redondo Beach, have experienced significant cost increases in mandated funding for PERS. Bad investment decisions, poor actuarial projections, unilateral and retroactive benefit changes and ruinous decisions by the PERS management and board members have placed cities in precarious financial situations.

Providing a quality retirement program is an important factor in retaining and recruiting talented employees. We want to continue to provide pension programs that are competitive, fair and financially sustainable. The present system is not sustainable – PERS pension costs are accelerating far faster than the revenues that pay for them. Reform at the State level is required and must be accompanied by authentic restructuring of PERS pension costs for City employees. Local PERS reform has to be a priority or we will have to confront deep cuts in City jobs and services to pay our pension costs. The chart below illustrates the problem.

	<i>FY 09-10</i>	<i>FY 10-11</i>	<i>FY 11-12</i>	<i>FY 12-13</i>	<i>FY 13-14</i>
Misc - Employer	\$ 2,262,000	\$ 2,288,000	\$ 2,729,000	\$ 2,946,000	\$ 3,547,000
Misc – Employee	1,357,000	1,357,000	1,357,000	1,357,000	1,357,000
Safety – Employer	5,169,000	5,269,000	6,183,000	6,539,000	7,554,000
Safety - Employee	1,450,000	1,450,000	1,450,000	1,450,000	1,450,000
Total	\$10,238,000	\$10,364,000	\$11,719,000	\$12,292,000	\$13,908,000

Weighing on the City's Budget also are challenges from other levels of government. The Federal government has acted to decrease revenue resources to cities through significant cuts to, or discontinuation of programs such as CDBG and the American Recovery and Reinvestment Act (ARRA). As well, it has issued mandates to cities, leaving them to find a way to cover the significant cost of implementation, e.g., healthcare, storm water/wastewater requirements. Federal budget troubles are so severe that the Treasury Secretary must borrow from the Federal pension fund to meet the government's on-going operating expense obligations. The impact of the State's budget crisis has been somewhat mollified by the November passage of Proposition 22, which helps to protect municipal revenues from State raids. However, the State is actively attempting to eliminate city redevelopment agencies that are critical to job creation and business growth. Additionally, the State is attempting to shift many of its responsibilities to the local level without payment for new mandated costs, e.g., SB 375 climate change mitigation, prisoner transfer and release. The City's limited fiscal capacity will be stretched by the actions of the State and Federal governments.

The City is positioning itself for positive revenue growth with its economic development initiatives, e.g., Shade Hotel, Galleria expansion, as well as expanding cost controls to better manage expenditures, e.g., contracting services, using part-time staff to fill full-time positions.

Our City's Mission Statement reads:

“The City of Redondo Beach is committed to providing the finest services to enhance the quality of life for those who live, work, visit and play in our community”

This Mission Statement continues to serve as our compass while we experience a sea change in how the world works. The next few years will be a transition period for the City as we chart a course recognizing the new realities that pose both problems and opportunities. Business as usual cannot withstand the pressure of tax limits, uncapped costs and global economic competition.

We will take the opportunity to learn, recover and build an enduring organization that is financially sustainable and focused on:

- Quality full-service delivery to the community with primacy of exceptionally serving residents, businesses and visitors,
- Enhanced economic development delivering new jobs, expanded business success and better municipal revenue generation,
- Improved financial performance with manageable costs sustained by ongoing revenues, and
- Employee, team and organizational development featuring succession planning, training, tools, leadership and aspirations for compensation restoration.

Outlook for 2011-12 Fiscal Year

The City's Budget is built around key assumptions for the coming fiscal year. Our budget assumptions for creating this fiscal plan were as follows:

❖ *Projected Revenues*

- Property taxes will be increasing as improvements in the housing market are seen. To comply with Proposition 13, the FY 11-12 includes a positive CPI adjustment, while the midyear FY 10-11 includes a negative.
- Sales taxes will be increasing from the midyear budget for FY 10-11 with new businesses replacing closures and increasing consumer spending.
- Utility users' taxes will be increasing due to an increase in energy costs and a growth in overall demand.
- Transient occupancy (hotel room) taxes will be decreasing when compared to the midyear budget for FY 10-11 as a result of rising energy costs, continuing high (though decreasing) unemployment, the Euro's drop in value against the dollar, and Japan's recovery from earthquake damage.

- Fees and charges will remain relatively flat with increases in administrative fees, fire service fees, and building and engineering fees balanced by declines in library book fines and fees, recreation users pay revenue, and public works fees.
- 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 continue to heavily weigh down consumer spending on goods, housing and travel translating to reduced levels of tax revenue.

❖ *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 and 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 \$5.8 million would be exhausted in approximately 18 months should a drawdown the PERS set-aside and employee compensation concessions not occur.
- 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 Business Plan.
- The Street Landscaping and Lighting District continues to drain General Fund resources because Council adjustments to charge rates have been constrained by the courts and voter/taxpayer resistance.

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 City Council's Statements of Financial Principles. The City Manager is directly responsible to the City Council under the City Charter to 1) prepare and submit the annual budget to the City Council, 2) advise the City Council on the City's financial condition and future needs, 3) be responsible for the budget's administration after adoption, and 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 and 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 10-11. 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 FY 10-11 midyear level to be adjusted again at the FY 11-12 midyear budget review. The combination of all of the above changes set the anticipated departmental "base" budget for FY 11-12.

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.

The highest priority Decision Packages are recommended for approval by the City Council as reductions and supplements to the departments' FY 11-12 base budgets. We have many more departmental needs than we have funding available. The City is primarily a service organization with nearly 70% 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 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 35 Decision Packages are recommended.

Not included as a Decision Package are unfunded positions, listed below, as these positions have already been removed from the budgeted numbers to move the City closer to a balanced budget.

- Office Specialist III – City Clerk
- Senior Auditor – City Treasurer
- Litigation Paralegal – City Attorney
- Assistant to the City Manager – City Manager
- Senior Administrative Specialist – Planning
- Maintenance Worker I (5) – Public Works

Also not included as a Decision Package are the following employee compensation concessions proposed as continuing:

- Deferral of the 2009 contracted 4% salary increase (\$600,000 – General Fund) for employees represented by the RBCEA, RBPSA, and Teamsters; plus continuation of the 6% wage and salary concessions previously agreed to by all groups (\$900,000 – General Fund)
- Continuation of 6% wage and benefit concessions for RBPOA Management, RBPOA, RBFA, and Management and Confidential employees (\$1,300,000 – General Fund)

The total amount of proposed expenditure reductions for all Decision Packages is \$172,661 with \$65,440 recommended for the General Fund. The total amount of revenue enhancement recommended is \$338,620. The total amount of proposed appropriations for all Decision Packages is \$2.2 million with \$500,000 recommended for the General Fund. Decision Packages recommended by the City Manager are listed immediately following this message.

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 City Council is scheduled to review the proposed Annual City Budget on May 31. The second review and adoption of the budget and CIP are slated for June 7 and 21, respectively. A more focused review of the CIP budget is set for a workshop on June 14. Approximately 20 to 30 Budget Response Reports are expected to be prepared by staff during the City Council's budget deliberations. These Budget Response Reports answer important financial, budgetary, and policy questions raised by the City Council.

The total revenue from all sources (excluding internal charges) is estimated to be \$94.5 million in FY 11-12. The total expenditures proposed for all funds are \$99.0 million. The difference of \$4.5 million will be funded from the estimated beginning fund balances, a drawdown the PERS set-aside, and employee compensation concessions.

The FY 11-12 CIP plan proposes \$6.2 million in projects to be paid for with \$6.2 million from 11 funding sources.

General Fund Revenue

The projected revenue from outside sources for FY 11-12 is \$67,227,752. This represents an increase of \$1,095,166, or 1.8%, when compared to the midyear budget for FY 10-11. Taxes, licenses and permits, and fines and forfeitures are contributing to the increase, while use of money and property (primarily investment earnings) and intergovernmental revenues are decreasing.

General Fund Expenditures

The projected General Fund expenditures for FY 11-12 are \$53,921,034, excluding internal service fund allocations. This represents an increase of \$2.5 million, or 4.8%, when compared to the midyear budget for FY10-11. The primary reason for the increase 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 10-11 midyear but which are not reflected in the FY 11-12 proposed budget, since employee groups have not yet agreed to these items for FY 11-12. Proposed are continuation of the compensation concessions and continued deferral of the COLAs, which would decrease personnel costs by \$2.8 million. However, described below are the major assumptions used in projecting our "base" budget expenditures prior to the concessions.

- Personnel costs will increase by 11.2% to \$47,181,646.
- 434 positions are authorized and funded compared to 497 five years ago.
- Maintenance and 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 purpose.
- Internal service fund allocations were adjusted with the FY 10-11 midyear budget review and will not be adjusted again until the FY 11-12 midyear budget review.

- Capital improvement costs are scheduled in the CIP.

The difference between the General Fund revenue and expenditures before transfers out and Decision Packages is \$2,663,476. If all Decision Packages were adopted, transfers in and out were included, and employee compensation concessions were implemented, revenues would exceed expenditures by \$42,720.

General Fund Reserve, Designations and Fund Balance

In accordance with the City Council's adopted Statements of 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 11-12, the total amount of this reserve is \$5,821,939. 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.

Harbor Enterprise Fund

The Harbor Tidelands Fund and the Harbor Uplands Fund continue to move toward a continuation of two key goals: 1) vitalizing the waterfront; and 2) ensuring the financial health of the Harbor Enterprise. The City is in the initial stages of the Business Plan implementation and the financials should reflect their positive impact over the next several years.

The projected Harbor Enterprise revenue for FY 11-12 is \$9,319,780. This represents an increase of \$133,250, or 1.5%, over the midyear budget for FY 10-11.

The projected Harbor Enterprise expenditures for FY 11-12 are \$10,412,789. This represents a decrease of \$7,234,135, or 41.0%, from the midyear budget for FY 10-11. The primary reason for the decrease can be attributed to the fluctuation from year to year in capital improvements funded by the Harbor Enterprise.

The difference between revenues and expenditures of \$1,093,009 will be funded from the estimated beginning fund balance.

Redevelopment Agency

The projected Redevelopment Agency revenue for FY 11-12 is \$6,480,446. This represents a decrease of \$676,461, or 9.5%, when compared to the midyear budget for FY 10-11.

The projected Redevelopment Agency expenditures for FY 11-12 are \$6,792,583. The expenditures decreased \$1,406,616 when compared to the FY 10-11 midyear budget.

As discussed earlier, the State is attempting to eliminate city redevelopment agencies as one of its budget balancing measures. The California Redevelopment Association (CRA) is actively fighting this proposal.

Budget and 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:

Harbor Tidelands	Community Development Block Grant
Harbor Uplands	Housing Authority
Solid Waste	Seaside Lagoon
Wastewater	Redondo Beach Performing Arts Center
Transit	Breakwater Camp
Vehicle Replacement	Harbor Parking Structures
Street Landscaping and Lighting	Farmers’ Market

Conclusion

My professional thanks are extended to the Mayor and City Council for their critical policy decisions and sound financial decision making in handling the complexities of the City finances. Our City’s Department Head team continues their outstanding work in preparing balanced budget in tough financial times. Special thanks are expressed to the Financial 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 Pete Grant, Ernie O’Dell and Frank Rowlen for their contributions to this document.

Sincerely,



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. Refuse Collection and Recycling Program. The new refuse and recycling collection contract with Athens Services will reduce charges for single family collection, two City provided household hazardous waste (HHW) roundups, waste generated by City operations and HHW collected by street crews from the public. Upon ratification by a Proposition 218 vote on June 17, 2011, recommended is a reduction of (\$107,221) in revenues and expenditures to the Solid Waste Fund.

Decision Package #2. Reduction in City Treasurer Operating Expenses. City Treasurer expenses related to the issuance of the Tax Revenue Anticipation Note (TRANS) of \$62,770 and miscellaneous other operating expenses of \$2,670 are not required for FY11-12. Recommended is a one-time reduction in appropriation to the General Fund of \$65,440.

Decision Package #3. 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 to the other funding sources. The impact would be potential problems in attracting and retention of hourly employees. Recommended is approval to continue the 6% part-time pay reduction.

Decision Package #4. Flexible Hiring Freeze and Part-Time Hiring Practice. 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. Where practical, the use of part-time employees for staffing needs and PERS cost avoidance will continue. 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 #5. Athens Refuse Collection Road Impact Fee. Appropriation of \$250,000 to the Capital Project Improvement Fund is requested for use of road impact fees the City will receive annually from Athens Services for trash hauling. The funds will create a specific capital improvement project (Annual Roadway Maintenance) which will be used for the completion of various activities and the purchase of materials related to maintenance of roadways, parking lots, driveways, curbs and gutters impacted by trash hauling operations. Recommended is an on-going increase of \$250,000 in revenue offset by an on-going appropriation to the Capital Projects Improvement Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #6. DOC Beverage Container Grant Increase. Appropriation \$16,620 to the Beverage Container Recycling Grant is requested due to the release of funding for fiscal year 2010/2011 from CalRecycle. Combined with \$900 already appropriated in the core budget, the total grant is \$17,520. Recommended is a one-time increase of \$16,620 to revenue offset by a one-time \$16,620 increase in appropriations to the Solid Waste Fund.

Decision Package #7. Fire Department Advanced Life Support Pass-Through Amendment. The City receives approximately \$190,000 annually from its existing Pass-Through Agreement with McCormick's Ambulance for patient transport. A recent audit revealed that the City has not been fully reimbursed for Code 3 responses. An update to the reimbursement agreement is needed to generate the revenue needed to pay for critical supplies, including cardiac and respiratory medications and traumatic injury stabilization splints. Current trends indicate that the City would be reimbursed approximately \$72,000, assuming \$71.50 per patient. Recommended is direction to hold a public hearing on June 21, 2011 for consideration of a Code 3 response fee of \$71.50 and to amend the existing McCormick Agreement to capture this revenue.

Decision Package #8. Overlap Parking Fee. On March 1, 2011, Council amended the Zoning Ordinance to allow administrative review and approval of overlap parking. Authorization of overlap parking would no longer require Planning Commission approval. With this, it is necessary to reduce the current fee of \$875, which includes the cost of review by the Planning Commission. Recommended is direction to hold a public hearing on June 21, 2011 for consideration of a proposed fee of \$625 for administrative review and permit issuance costs of overlap parking.

Decision Package #9. Administrative Use Permit Fee for Personal Improvement Services. Pending amendments to the Zoning Ordinance would establish an Administrative Use Permit (AUP) for small Personal Improvement Services (e.g., classes, training instruction). Since Personal Improvement establishments do not require the work effort of a full Conditional Use Permit (CUP), which is currently the only type of permit available to these establishments, full cost recovery would equate to approximately half the cost of a CUP. Recommended is direction to hold a public hearing on June 21, 2011 for consideration of full cost recovery fee of \$875 for an AUP.

Decision Package #10. Business License Administrative Appeals Fee. The Municipal Code provides for an appeal process to the City Council if the license holder does not agree with the administrative decision to revoke a business license. Consistent with appeals relative to Administrative Permits, a fee needs to be established for this action. Recommended is direction to hold a public hearing on June 21, 2011 for consideration of a business license appeal fee of \$300, equal to that of an Administrative Permit appeal.

City Manager Recommended Decision Packages for City Council Approval

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

Decision Package #11. Recreation & Community Services Lease Payment and Revenue Adjustments. The General Fund portion of the Recreation and Community Services rent expense will decrease by \$85,000 and the Housing Authority's rent expense will increase by \$7,947 starting July 1, 2011, when the Department moves to 1922 Artesia Boulevard. The General Fund savings will be offset by a revenue decrease of \$165,000 from loss of sub-leases (Carden Dominion, WIA) at the Knob Hill site. Recommended is an on-going General Fund decrease to rental/lease expense of \$85,000, a decrease in General Fund rental/lease revenue of \$165,000, and a \$7,947 increased appropriation to the Housing Authority Fund.

Decision Package #12. Fuel Cost Increase. Public Works Department requires additional funding for fuel purchases due to its significantly higher cost. Recommended is an on-going appropriation to the Vehicle Replacement Fund of \$100,700.

Decision Package #13. Other Post Employment Benefits Actuarial Valuation (OPEB). An actuarial valuation of the City's OPEB liability is required to be in compliance with Government Accounting Standards Board Statement No. 45 and CalPERS year-end requirements. Recommended is a one-time appropriation to the General Fund of \$13,000.

Decision Package #14. Wastewater and Street Landscaping and Lighting Administrative Fees. The County of Los Angeles has assessed the City with increased administrative processing fees for revenue apportionments under SB 2557. Recommended is an on-going appropriation of \$20,800 to the Wastewater Fund and \$6,500 to the Street Landscaping and Lighting District Fund.

Decision Package #15. Step Increases for Part-Time Library Staff. Appropriation is needed to fund step increases for part-time staff reaching specified thresholds. Recommended is an on-going appropriation of \$21,300 to the General Fund.

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

Decision Package #16. Maintenance Agreement – Storm Water Diversion Facilities. Appropriation of \$30,000 is requested for contracting annual maintenance of storm water diversion facilities recently constructed in Alta Vista Park and at Sapphire Street. Public Works Department lacks the staff and technical expertise to repair and maintain the water filtration components. Recommended is an on-going appropriation to the General Fund of \$30,000.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #17. Seaside Lagoon NPDES Required Water Testing. Recreation & Community Services funding is required to perform testing on the Seaside Lagoon water feature to maintain compliance with the City's NPDES permit. Recommended is an on-going appropriation of \$18,500 to the Harbor Tidelands Fund.

Decision Package #18. Attorney's Fees for Harbor Tidelands and Uplands. Due to consistently high levels of activity in the Harbor Tidelands and Uplands areas and continuing legal needs in conjunction with the Regional Water Quality Control Board discharge requirements for Seaside Lagoon, general coastal land use matters, and other harbor real property and leasehold issues, additional funds are needed. Recommended is a one-time appropriation of \$155,000 the Harbor Tidelands Fund and \$75,000 to the Harbor Uplands Fund.

Decision Package #19. Transit Vehicle Replacement. Federal Transit Administration establishes "useful life/mileage" requirements at five years for small and seven years for large transit vehicles. The transit capital plan requires annual purchases to replace vehicles that are approaching maximum standards. New vehicles also improve public safety and have lower maintenance repair costs. To replace five fixed-route transit vehicles, recommended is a one-time total appropriation of \$2,307,200 to the Transit (\$274,046), Air Quality Improvement (\$162,394), and Intergovernmental Grants (\$1,870,760) Funds. Together with the use of funds on hand, recommended are increased revenue estimates of \$33,357 to the Transit Fund and \$1,870,760 to the Intergovernmental Grants Fund.

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

Decision Package #20. Harbor, Business & Transit Part-Time Intern. Marketing activities and administrative tasks require additional attention to maintain adequate progress. Proposed is a part-time intern position. Recommended is an on-going appropriation of \$4,387 to the Harbor Tidelands Fund, \$4,387 to the Harbor Uplands Fund, and \$4,387 to the General Fund.

Decision Package #21. Transit Marketing Activities. Appropriation is needed for BCT/WAVE brochure design and production, marketing and promotional assistance for transit and regional rideshare programming, and technical assistance with online BCT transit mapping and integration. Recommended is an ongoing appropriation of \$119,200 to the Transit Fund.

Decision Package #22. Street Landscaping and Lighting District. In FY 2007-08, the City Council approved an on-going \$873,500 General Fund subsidy to the Street Landscaping and Lighting District. An additional appropriation is required in FY 2011-12 to cover higher costs for the Street Landscaping and Lighting District to prevent a reduction of service. Recommended is a one-time \$144,255 transfer from the General Fund to the Street Landscaping and Lighting District Fund.

City Manager Recommended Decision Packages for City Council Approval

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

Decision Package #23. Public Works - Vehicle Replacement. Appropriation is necessary for scheduled replacement of seven vehicles used by the Fire, Public Works and Police Departments. Replacement vehicles have accrued many miles and experienced increased repair costs. Recommended is a one-time appropriation of \$469,411 to the Vehicle Replacement Fund.

Decision Package #24. Fire Department Hose Replacement. Existing hose has failed to pass the annual pressure test due to extensive wear and tear needs replacement. Recommended is a one-time appropriation of \$3,100 to the General Fund.

Decision Package #25. Transit Technical Assistance. Appropriation is needed for technical assistance related to Federal, State, and local compliance with National Transit Database (NTD) reporting, Disadvantaged Business Enterprises (DBE) regulations, and general BCT and Dial-A-Ride services. Recommended is an on-going appropriation of \$60,800 to the Transit Fund.

Decision Package #26. North Branch Library Security Communications. Appropriation is needed to fund increases in costs of alarm phone lines to provide theft, fire, and safety systems at the North Branch Library. Recommended is an on-going appropriation of \$3,524 to the General Fund.

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

Decision Package #27. Transportation Concepts Rate Increase. Appropriation is needed for Council's previously approved contractual rate adjustments with the BCT transportation provider, Transportation Concepts, to operate Lines 102, 104, and 109. Recommended is an on-going appropriation to the Transit Fund of \$73,064

Decision Package #28. One Temporary Full-Time Position and Two Part-Time Positions for City Clerk for Seven Months. As part of the City Clerk's Office succession plan, required is an appropriation for one temporary full-time position (Chief Deputy City Clerk) and two part-time positions (Records Management Coordinator). Individuals hired in these positions will be trained to potentially transition into the positions of the retiring employees as part of the succession plan. Recommended is a one-time appropriation of \$106,905 to the General Fund.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #29. Information Technology – Replacement Equipment. Appropriation is necessary for 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 \$327,000 appropriation to the Information Technology Fund.

Decision Package #30. Enhanced Streaming of City Council Meetings. Granicus Managed Hardware will enable the City to stream City Council meetings over leading platforms including smartphones, tablet PCs, as well as laptop and desktop computers. Recommended is an on-going appropriation of \$3,600 to the General Fund.

Decision Package #31. Two Part-Time Building Inspectors. Increased building activity and subsequent increases in inspection activities necessitates additional manpower. In particular, extensive inspection hours will be required by three major proposed construction projects over the next year. Recommended is an on-going appropriation of \$94,000 to the General Fund.

Decision Package #32. One Part-Time Administrative Personnel for Engineering. Increased building activity will cause increases in administrative activities. One part-time position is recommended to provide administrative coverage not available with current staffing. Recommended is an on-going appropriation of \$19,000 to the General Fund.

Decision Package #33. 4th of July Fireworks Event Funding. For the past five 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 \$19,000 of parking revenue collected from the event. By year three, the amount was reduced to \$9,500. In addition, the City annually waives approximately \$12,000 in costs for City services for this signature event. The City's de-escalating level of fiscal support coupled with a decline in sponsorship funding led CSF to request a total of \$14,750 of funding to pay for the 2010 fireworks event.

On February 15, 2011, the City Council approved the request from CSF for funding in the amount of \$18,000 to assist in payment of the fireworks and barge costs. In addition, the City Council approved the use of Uplands and Tidelands funds (instead of the General Fund) to cover the cost of City services for the event based on the increased revenue from July 4 parking. Recommended is a one-time appropriation of \$18,000 to the Harbor Tidelands Fund, an on-going appropriation of \$12,000 for City services to the Harbor Funds (\$9,200 Uplands, \$2,800 Tidelands), and an on-going decrease to the General Fund of \$12,000.

City Manager Recommended Decision Packages for City Council Approval

Decision Package #34. Confirmation of Signature Special Events. The six recommended signature events with waiver of City hard and soft costs are: 4th of July 2011 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 10-11. This represents \$31,000 in costs to the General Fund, \$2,800 to the Tidelands Fund and \$9,200 to the Uplands Fund for the July 4th event costs. Recommended is the ongoing budgeting of hard and soft costs for only these special events.

Decision Package #35. Transfer from CalPERS Reserve Fund. The increased mandated contribution to CalPERS is seen in the FY 11-12 budget. Beginning with the year-end close of FY 09-10, the City began to set aside funding for the increases in the CalPERS Reserve Fund. Recommended is the use of \$1 million of the nearly \$2.5 million in the fund with a transfer from the CalPERS Reserve Fund to the General Fund to cover the FY11-12 increased retirement contributions.



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July 1, 2011

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

Subject: Council Actions Amending the Proposed FY11-12 Budget

Prior to formal adoption of the FY11-12 Budget, reallocation adjustments were needed to several funds described below and reflected in Attachment A.

- LaPaz Parkette Improvements* *An appropriation of \$50,000 in grant funding will help to fund the LaPaz Parkette improvements.*
- Perry Park Play Equipment* *An appropriation of \$100,000 in grant funding will help to fund the Perry Park play equipment replacement.*
- City Clerk Departmental Staffing* *A \$118,000 appropriation will fund two temporary full-time positions in the City Clerk's Office.*
- Assistant to the City Manager* *A \$68,027 appropriation will allow for the refilling the Assistant to the City Manager position.*
- Bicycle Transportation Plan* *A \$58,000 appropriation will fund the bicycle transportation plan implementation project.*
- North Redondo Park Development* *A \$94,000 appropriation will provide funding for park improvement projects in North Redondo Beach.*
- Compensation Concessions* *A \$3,496,322 reduced appropriation reflects wage and benefit concessions from all of the City's bargaining units.*

The adjusted costs reflected in Attachment A were approved by the City Council at its June 30, 2011 meeting. In addition to the items above, Decision Packages #1 through #35 (except #28) were adopted as proposed.

Respectfully Submitted,

William P. Workman
City Manager

ATTACHMENT A

SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

	LaPaz Parkette Improvements	Perry Park Play Equipment	City Clerk Departmental Staffing	Assistant to the City Manager	Bicycle Transportation Plan	North Redondo Park Development	Compensation Concessions	Totals
<i>Revenues</i>								
Intergovernmental Grants	50,000	100,000	-	-	-	-	-	150,000
<i>Expenditures</i>								
General Fund	-	-	118,000	(79,015)	-	-	(2,785,661)	(2,746,676)
State Gas Tax	-	-	-	-	-	-	(50,167)	(50,167)
Street Landscaping & Lighting	-	-	-	-	-	-	(68,695)	(68,695)
Measure R	-	-	-	-	58,000	-	-	58,000
Air Quality Improvement	-	-	-	-	-	-	(1,048)	(1,048)
Intergovernmental Grants	50,000	100,000	-	-	-	-	(5,525)	144,475
Comm. Development Block Grant	-	-	-	7,065	-	-	(8,199)	(1,134)
Parks and Recreation Facilities	-	-	-	-	-	29,000	-	29,000
Subdivision Park Trust	-	-	-	-	-	65,000	-	65,000
Housing Authority	-	-	-	7,065	-	-	(14,605)	(7,540)
Capital Projects	-	-	-	-	-	-	(7,361)	(7,361)
Harbor Tidelands	-	-	-	44,381	-	-	(130,848)	(86,467)
Harbor Uplands	-	-	-	44,381	-	-	(95,947)	(51,566)
Solid Waste	-	-	-	-	-	-	(39,411)	(39,411)
Wastewater	-	-	-	-	-	-	(45,039)	(45,039)
Transit	-	-	-	-	-	-	(14,782)	(14,782)
Self-Insurance Program	-	-	-	-	-	-	(2,913)	(2,913)
Vehicle Replacement	-	-	-	-	-	-	(33,816)	(33,816)
Building Occupancy	-	-	-	-	-	-	(73,707)	(73,707)
Information Technology	-	-	-	15,000	-	-	(27,730)	(12,730)
Printing & Graphics	-	-	-	-	-	-	(5,910)	(5,910)
Emergency Communications	-	-	-	-	-	-	(64,837)	(64,837)
Redevelopment Agency	-	-	-	29,150	-	-	(20,121)	9,029
Total Expenditures	50,000	100,000	118,000	68,027	58,000	94,000	(3,496,322)	(3,008,295)