



Office of the City Manager

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May 16, 2014

Honorable Mayor and Members of the City Council:

In accordance with the requirements of the Charter of the City of Redondo Beach, I submit for your review and consideration the City Manager's Proposed FY 2014-15 Operating Budget and Capital Improvement Program. The Proposed FY 2014-15 Budget is balanced, and has been developed pursuant to the City Council's adopted financial principles.

The combined Proposed Operating and Capital Budgets total \$103.4 million, with projected revenues of \$104.0 million. Revenues received in prior years will be used to fund some capital improvement appropriations in FY 2014-15. Of the total Proposed Budget, \$94.6 million, or 91.5 percent, will be used to fund the operations of the City, while \$8.8 million, or 8.5 percent, will go towards capital improvements. Our goal has been to prepare a comprehensive financial plan for services, programs, and capital projects that will assist the Mayor and City Council in the achievement of its vision for Redondo Beach.

Redondo Beach has remained fiscally sound over the years through proactive management and oversight of the City's finances. The City's long history of fiscal discipline, along with a diversified revenue base, has helped the City earn an AA+ credit rating, the second highest credit rating possible. Additionally, in July 2013, the Los Angeles County Civil Grand Jury recognized the City of Redondo Beach with a number one ranking out of 88 cities in Los Angeles County for Redondo Beach's adherence to Governmental Financial Officers Association "best practices" for governance and financial management. Fifty-five "best practice" criteria were used to evaluate each city's soundness of management and fiscal methods. The City of Redondo Beach received a top score of 97 out of 100 based on the evaluation criteria -- with the only less-than-perfect score resulting from the fact the City maintains a one month General Fund Contingency Reserve versus the two months recommended by the Governmental Financial Officers Association.

The Proposed Budget represents a continued commitment to prudent and deliberate financial management, as departments continue to operate with 66 fewer full time positions compared to pre-recessionary levels. Despite continuing financial challenges in the near term, the City Council's recent economic development successes and continuing commitment to Waterfront Revitalization, the City's financial picture is projected to improve over the long term.

In considering the coming 12 month period, a number of the City's revenue sources are showing signs of improvement and growth. This is result of two primary factors: (1) a slightly improving economy and (2) past actions by the City Council to enhance

revenues. Overall, General Fund revenues are projected to increase by 2.9% in FY 2014-15 compared to FY 2013-14. General Fund revenues are forecast to reach \$74.0 million in the coming year. The projected revenue growth in FY 2014-15 provides a welcome, one-year respite from the significant financial challenges of the past five years.

The Proposed Budget takes into account a number of internal and external factors which will have significant bearing on the City’s finances in FY 2014-15 and beyond. As shown in further detail in the accompanying pages, there are a variety of recommended measures to ensure that the Proposed Budget remains in balance. In addition, it is necessary to take a longer term view and to proactively plan for financial challenges on the horizon. While the City’s budget is comprised of 29 budgeted funds totaling \$104.0 million in overall revenue, it is the General Fund which will experience the most financial pressure to remain in balance in FY 2014-15 and beyond.

An overview of the City’s General Fund revenues and expenditures is provided in the following sections of the Budget Message.

General Fund Revenues

As referenced earlier, General Fund revenues are projected to increase by \$2,087,898 or the equivalent of 2.9% for FY 2014-15. The below table shows the primary revenue sources along with the percent change compared to the FY 2013-14 mid year report.

	2013/14 Midyear General Fund Rev	2014/15 Proposed General Fund Rev	Percentage Change
Property Tax	\$20,295,722	\$21,038,000	3.7%
Sales Tax	10,565,410	10,618,000	0.5%
Utility Users Tax	7,390,493	7,418,667	0.4%
Property Tax in Lieu of VLF	5,763,000	6,089,000	5.7%
Transient Occupancy Tax	4,210,439	4,500,000	6.9%
Franchise Fees	1,853,633	1,875,000	1.2%
Property Transfer Tax	2,147,574	2,150,000	0.1%
Parking Citations	1,260,400	1,260,400	0.0%
Parking Meter Fees	1,256,489	1,650,000	31.3%
Business License Tax	1,100,000	1,200,000	9.1%
Other	8,940,188	9,072,179	1.5%
Total Rev from Outside Sources	\$64,783,348	\$66,871,246	3.2%
Overhead Charges	7,143,371	7,143,371	0.0%
Total Revenue	\$71,926,719	\$74,014,617	2.9%

All revenues have been conservatively and realistically projected, taking into account the best available information and incorporating input from HDL – the City’s property tax and sales tax consultant. Property taxes, projected at \$21,038,000 in FY 2014-15, constitute the largest single source of General Fund revenue for Redondo Beach and show a 3.7% gain compared to FY 2013-14 reflecting incremental improvement in property values. The next two largest sources of General Fund revenue, sales tax and utility users tax, are essentially flat at \$10,618,000 and at \$7,418,667 respectively.

Together, these three revenue sources comprise 52.7% of the City's General Fund revenue. Analysis of each of these and other revenue sources is provided in the revenue section of the Proposed Budget.

As the City Council is well aware, there are a number of limitations on the City's ability to increase revenues including the voter approval requirements of Proposition 13, noticing and protest provisions of Proposition 218, and other restrictions imposed by State and Federal regulations. Specific examples of the restrictions on the City's ability to raise additional revenue include requirements to:

- Seek voter approval in many instances prior to increasing tax rates (e.g. Property Tax, Sales Tax, Transient Occupancy Tax, and Utility Users Tax);
- Demonstrate a "nexus" between the City's cost of providing services and the fees charged for those services (e.g. Planning and Building Permit and Inspection Fees, User Pay Fees, etc.);
- Comply with the noticing and protest requirements of Proposition 218 prior to increasing certain property related fees (e.g. refuse rates and sewer rates); and
- Follow State and Federal regulations which govern how outside revenues are calculated and utilized (e.g. Housing, Community Development Block Grant (CDBG), and Transit Revenues)

Notwithstanding these limitations, staff has identified three opportunities for new or increased fees, which, if implemented, would generate an additional \$87,000 in General Fund revenue on an annual basis. These are listed below:

<u>Proposed Decision Package</u>	<u>Synopsis and Revenue</u>
4	Charging for check out of Library DVD's = annual revenue of \$75,000
47	Hosting Quarterly Food Truck Events at the Aviation Parking Lot as a Pilot Program = new annual revenue of \$10,000
5	Increased fees for Special Event Processing = new annual revenue of \$2,000

These revenue proposals are described in the pages immediately following this budget message.

General Fund Expenditures

FY 2014-15 General Fund expenditures, prior to the consideration of recommended decision packages, total \$72,026,050. This represents a 2.3% decrease in expenditure levels compared to the midyear FY 2013-14 budget as reflected in the table below:

	<u>2013/14 Midyear General Fund Exp</u>	<u>2014/15 Proposed General Fund Exp</u>	<u>Percentage Change</u>
Personnel	\$46,581,707	\$47,997,540	3.0%
Maintenance and Operations	<u>9,630,442</u>	<u>6,872,280</u>	-28.6%
Subtotal	\$56,212,149	\$54,869,820	-3.0%
Internal Service Fund Allocations	17,156,230	17,156,230	0.0%
Capital Outlay	<u>332,785</u>	--	-100.0%
Total Expenditures	\$73,701,164	\$72,026,050	-2.3%

The Proposed General Fund expenditures for FY 2014-15 are \$54,869,820 excluding internal service fund allocations. This represents a decrease of \$1.7 million, or 3.0%, when compared to the midyear budget for FY 2013-14. The primary reason for the decrease can be attributed to the inclusion of the carryover appropriations in the FY 2013-14 midyear budget. Described below are the major assumptions used in projecting our “base” budget.

- Personnel costs will increase by 3.0% to \$47,997,540 primarily due to new labor agreements and increases in PERS rates.
- 430 positions are authorized and funded compared to 496 in FY 2007-08.
- Maintenance and operations and capital outlay costs do not increase from midyear amounts unless a Decision Package is recommended by the City Manager for a specific purpose.
- Maintenance and operations expenses have decreased with the inclusion of carryover appropriations in the FY 2013-14 midyear budget.
- Internal service fund allocations were adjusted with the FY 2013-14 midyear budget review and will not be adjusted again until the FY 2014-15 midyear budget review.
- Capital improvement costs are scheduled in the Five-Year Capital Improvement Program.
- The difference between the General Fund revenue and expenditures before transfers in/out and Decision Packages is \$1,988,567. If all Decision Packages were adopted and transfers in and out were included, revenues would exceed expenditures by \$26,033.

Significant External Factors Impacting the City Budget

This section highlights six significant external factors and their projected short term and long term impacts on the City's budget as listed below:

- New Marine Avenue Hotels
- Continuation of Waterfront Revitalization Efforts
- Planning for a New Anchor Tenant at the South Bay Galleria
- Significant Increases in PERS Rates
- Potential Modifications to Employee Compensation
- Continued Intervener Status with AES

The final four factors are accompanied by policy recommendations for City Council consideration.

New Marine Avenue Hotels – As a result of the City Council's multi-year economic development and planning efforts, construction is in the final stages for two new hotels on Marine Avenue – a 172 room Residence Inn by Marriott and a 147 room Hilton Garden Inn. Both hotels opened in early May 2014.

To secure the financing for these major developments in a downturn economy, the first several years of transient occupancy tax revenue is being set aside as a form of mortgage insurance. Once the mortgage insurance obligation is fulfilled, (at this point anticipated in 2018), the City will benefit from an estimated \$2 million a year in new transient occupancy tax revenue. Additionally, a third hotel project is being planned at this site. While these hotels eventually will be a significant boost to the City's revenue base, it is important to note that no additional property tax or transient tax revenues are projected as part of the FY 2014-15 Proposed Budget.

Continuation of Waterfront Revitalization Efforts – Work is continuing on the revitalization of the Pier and Harbor area. Last year, the City Council authorized an Environmental Impact Report (EIR) for the proposed CenterCal Waterfront Revitalization concept. The EIR process will include additional opportunities for public input and is expected to last 18 months followed by entitlements and permitting. The nearly \$2 million in costs associated with the EIR are being paid by CenterCal. The project is expected to be open in five to six years at which point it is estimated to generate significant new revenues, primarily transient occupancy tax and sales tax in the General Fund, and ground rent in the Harbor Tidelands and Harbor Uplands Funds. The project's most recent financial forecast, which was shared with the City Council in late 2013, anticipates new revenues of \$4 - \$6 million a year, beginning around 2020. In the two to three years leading-up to the project opening, the City will need to prepare for significant decreases in revenue from the Pier and southern portion of the Harbor as these areas will be adversely impacted by the unavoidable reconstruction and rehabilitation of 60 year old infrastructure.

Planning for a New Anchor Tenant at the South Bay Galleria – As has been well publicized, Nordstrom will vacate the Galleria in the first quarter of 2015. While the South Bay Galleria is actively working to secure a replacement anchor tenant and simultaneously evaluating how to best redevelop the site, there will be a short term period of transition where the City's sales tax base unquestionably will be impacted.

Recommended Action: As a result, the Proposed Budget includes a Decision Package to establish a \$900,000 Revenue Loss Reserve anticipating a significant loss in sales tax revenue during this time of transition. The funding for the Revenue Loss Reserve would be redirected from the New Police Facility Capital Improvement Plan project – leaving a balance of \$100,000 in that project to complete community polling as the next logical step in considering new and upgraded public safety facilities in Redondo Beach.

Significant Increases in PERS Rates – Over the past several years, cities and counties statewide have experienced significant increases in costs from the Public Employees Retirement System (PERS). For Redondo Beach, pension cost increases in the past four years have resulted in approximately \$2.3 million in new, ongoing costs. PERS has advised that over the next four years, the pension cost increase to the City will be approximately \$4.1 million. For FY 2014-15, the City has been advised by PERS that rates will increase by 1.2% for miscellaneous employees and 2.7% for public safety employees or the equivalent of \$694,215 in new ongoing costs.

Recommended Action: As a proactive measure, in FY 2010-11, the City Council established a special budget reserve designed to smooth the year to year fiscal impact of large PERS rate increases. The current balance of the PERS Reserve is \$3,108,809. The Proposed Budget includes a Decision Package to allocate \$694,215, an amount equal to the cost of the rate increase from FY 2013-14 to FY 2014-15, from the PERS Reserve as a contribution towards the City's employee pension obligations. At the close of FY 2013-14, consideration will be given to replenishing the PERS Reserve from fund balance.

Potential Modifications to Employee Compensation – In FY 2009-10, City employee compensation was reduced six percent to help the City navigate the great recession without resorting to lay-offs or reducing service to the community. Through the most recent meet and confer process, the City Council and five employee bargaining groups entered into labor agreements whereby four of the six percent wage reduction was restored effective July 1, 2013. The on-going costs attributable to this four percent restoration total approximately \$1.1 million and are reflected in the Proposed Budget's personnel expenditures. Management and Confidential employees were provided with a three percent wage restoration effective December 14, 2013, and approximately \$150,000 is allocated in the Proposed Budget to cover these costs. Part-time employees have not received on-going wage restorations and no funds are set aside in the Proposed Budget for this purpose other than to achieve compliance with minimum wage regulations.

Based on the requirements of the 2012 - 2014 Redondo Beach Police Officer Association labor agreement, the Proposed Budget allocates approximately \$1.8 million to fund the contractually obligated increase for members of the Redondo Beach Police Officers Association. No further wage restorations for any groups are included as part of the Proposed Budget.

Recommended Action: The on-going cost of restoring the remaining wage reductions for the flive labor groups, the Management and Confidential Employees, and the part-time employees totals approximately \$900,000. In order to fund all or a portion of these restorations, some combination of additional on-going revenues and/or on-going expenditure reductions would be necessary at the time wage restorations are made.

A Budget Response Report is being developed to identify alternative expenditure reductions or new revenues as possible means of funding the restoration of the remaining wage reductions. This listing will include a menu of options for City Council's consideration along with the associated service and staffing impacts of each alternative. The recommended action will be for the City Council to consider and provide guidance on these alternatives as a possible means of funding additional wage restorations.

Continued Intervener Status with AES – As the City Council is aware, the current AES power plant must be retired or reconfigured by 2020 as ocean water can no longer be used for once-through cooling of the plant. AES Southland has chosen to apply for a permit from the California Energy Commission (CEC) to completely rebuild the plant on Harbor Drive in order to comply with the new regulations. In April 2013, the City Council voted to oppose AES' application to rebuild the plant and also decided the City would participate as an intervener in the application process. Interveners have the power to request documents, cross-examine witnesses and participate more directly in the CEC's application evaluation. The City Attorney's Office has served as the lead department in performing and overseeing Intervener activities with supporting budgetary appropriations. To date, \$335,890 of the \$609,695 appropriated City funds have been expended for Intervener activities before the CEC and PUC, leaving \$273,805 available for continued Intervener work.

Recommended Action: After the current appropriation is exhausted, the City Attorney advises that between \$116,000 and \$236,000 in additional City funding will be needed if Intervener efforts before the CEC, PUC, and other related agencies are to continue with full and active engagement by the City for the first six months of FY 2014-15. Planning is best done in six month increments due to the fact that it is difficult to accurately predict how the various Administrative Hearings will unfold. The range of costs relates to the degree of involvement of outside legal counsel and technical experts needed to perform this work. At this point, no funding has been allocated in the Proposed FY 2014-15 Budget for continued Intervener efforts. Similar to the above issue related to the restoration of wage reductions, a Budget Response Report is being developed to identify

possible methods of funding the cost of Intervener efforts in FY 2014-15. Because Intervener activities occur for a limited duration, the options will consist of projects or other one-time cost allocations. The recommended action will be for the City Council to consider and provide guidance on the alternatives should the City Council opt to continue with Intervener efforts in the coming fiscal year.

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 executive team under the direction of the City Manager. The Budget & Finance and Public Works Commissions also provide their advice and expertise in assisting City staff in the development of the operating budget and CIP. 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 proposed budgets starting at the expenditure and service levels adopted by the City Council for FY 2013-14. 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 2013-14 midyear level to be adjusted again at the FY 2014-15 midyear budget review. The combination of all of the above changes set the anticipated departmental "base" budget for FY 2014-15.

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 2014-15 base budgets. We have many more departmental needs than we have funding available. The City is primarily a service organization with nearly 77% of our costs associated with the personnel that provide these services reside in the General Fund.

The following criteria were used in the evaluation and ranking of Decision Packages with a higher priority given to providing resources for core municipal services 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?

Budget deliberations are about policy priorities, allocating limited resources and making difficult choices. Using the criteria described above and guided by our corporate value of “Fiscal Responsibility”, a total of 47 Decision Packages are recommended.

Not included as a Decision Package are unfunded positions, listed below, as these positions have already been removed from the Proposed Budget numbers to present the City with a balanced budget as required by the City Charter.

Office Specialist III – City Clerk
Senior Auditor – City Treasurer
Litigation Paralegal – City Attorney
Police Lieutenant - Police
Senior Administrative Specialist – Planning
Maintenance Worker I (5) – Public Works

The total net amount of proposed appropriations for all Decision Packages is \$3.5 million with \$1.4 million recommended for the General Fund. Decision Packages recommended by the City Manager are listed immediately following this message.

The Annual Budget in Brief

The Budget is a means to communicate about the municipal services the City provides, 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 Budget on June 3. The second review and adoption of the budget and CIP are slated for June 17. A number of 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. I encourage City Councilmembers to ask budget questions early in the process – thereby allowing City staff sufficient time to prepare thorough responses to the issues raised.

The total revenue from all sources (excluding internal charges) is estimated to be \$104.0 million in FY 2014-15. The total expenditures proposed for all funds are \$103.4 million.

The FY 2014-15 CIP plan proposes \$8.8 million in projects to be paid for with \$8.8 million from 14 funding sources.

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 2014-15, the total amount of this reserve is \$5,999,770. The reserve earns interest, smoothes cash flow and is ready for unanticipated expenditures or emergencies.

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 continuing the Business Plan implementation and the financials are reflecting its positive impact.

The projected Harbor Enterprise revenue for FY 2014-15 is \$10,204,245. This represents an increase of \$386,922, or 3.9%, over the midyear budget for FY 2013-14. The increase reflects a slightly improving economy and movement towards the waterfront revitalization.

The projected Harbor Enterprise expenditures for FY 2014-15 are \$10,261,005. This represents a decrease of \$5,553,451, or 35.1%, from the midyear budget for FY 2013-14. The primary reason for the decrease can be attributed to the inclusion of carryover capital improvement projects funded by the Harbor Enterprise.

The difference between revenues and expenditures of \$56,760 will be funded from the estimated beginning fund balance retained for the capital improvement projects.

Successor Agency to the Dissolved Redevelopment Agency

The Redevelopment Agency was dissolved as of February 1, 2012 and succeeded by the Successor Agency to the Redevelopment Agency (Successor Agency). The Successor Agency exists basically to pay administrative expenses and debt previously incurred by the Redevelopment Agency. Revenues and expenditures for the Successor Agency are both anticipated to be \$1,210,163 for FY 2014-15. In compliance with State policies and procedures, administrative expenses are limited to \$250,000 and the remainder of the revenue of \$960,163 will be distributed by the State from the Property Tax Trust Fund to pay debt.

Budget and Financial Transparency

As has been the case for a number of years, we openly communicate the fiscal condition of our various municipal “business units” within the budget by using mini-financial statements. In this way, the Mayor and 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	Housing Authority
Harbor Uplands	Seaside Lagoon
Solid Waste	Redondo Beach Performing Arts Center
Wastewater	Breakwater Day Camp
Transit	Harbor Parking Structures
Vehicle Replacement	Farmers’ Market
Street Landscaping and Lighting	Community Financing Authority
Community Development Block Grant	Successor Agency

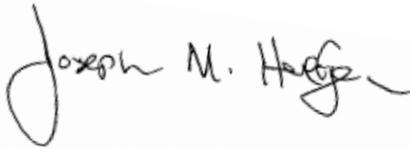
Conclusion

The Annual Budget is the single most important matter that comes before the Mayor and City Council. I would like to express my appreciation to the Mayor and City Council for providing the long-term vision and support that are crucial for the City to achieve its goals. I would also like to recognize the contributions of the City's employees for providing budgetary solutions that allowed us to meet the economic challenges of the past years, while maintaining the high service levels expected by our community.

Special thanks is due to the Department Head team and to the key staff who helped formulate the Proposed FY 2014-15 Budget including Assistant City Manager Peter Grant, Finance Director Craig Koehler, Assistant Financial Services Director Rickey Manbahal, Budget, Revenue and Payroll Manager Marni Ruhland, and Administrative Analyst Jeff Payne. Additional thanks are also due to City Treasurer Steve Diels, City Clerk Eleanor Manzano, and to City Attorney Michael Webb for their valued counsel and assistance in the budget process.

The City of Redondo Beach is well-positioned to maintain an excellent quality of life for our residents and, with continuation of the current revitalization efforts, will create a strong economic base for years to come.

Sincerely,

A handwritten signature in black ink that reads "Joseph M. Hoefgen". The signature is written in a cursive style with a large initial 'J' and a long horizontal stroke at the end.

Joseph M. Hoefgen
City Manager

**City Manager Recommended
FY 2014-15 Decision Packages for City Council Approval**

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

Decision Package #1. Wastewater Bond Savings. Refinancing the City's outstanding Wastewater Bonds has resulted in reduced principal and interest payments over the life of the bonds. Recommended is an ongoing \$114,800 appropriation reduction to the Wastewater Fund.

Decision Package #2. Transfer from CalPERS Reserve Fund. The City Council has established a reserve fund to help the City absorb its rapidly increasing employee pension costs. The increase from FY 2013-14 to FY 2014-15 is \$694,215, and accordingly, proposed is a transfer of that amount from the CalPERS Reserve Fund to the General Fund. The balance remaining in the CalPERS Reserve Fund after this transfer is \$2,414,594. The CalPERS Reserve Fund is intended to absorb only the year-over-year increase in pension costs and it has been the City Council's practice to, when possible, at least replenish the reserve as part of the year-end financial reconciliation. Recommended is a one-time \$694,215 transfer from the CalPERS Reserve Fund to the General Fund.

Decision Package #3. Transfer from the New Police Facility Capital Improvement Project to a Revenue Loss Reserve. The City Council has expressed a desire to assess community support for a new Police station and updated Fire stations prior to incurring pre-development costs. It is proposed to transfer moneys not needed to assess community support to a new reserve account that would help off-set the imminent loss of sales tax from Nordstrom's departure from the South Bay Galleria and the anticipated loss of transient occupancy and sales taxes during revitalization of the waterfront. This reserve is intended to be deployed in years when sales tax or transient occupancy tax revenue falls from one fiscal year to the next. Recommended is a transfer of \$900,000 from the Capital Projects Fund to a newly created Revenue Loss Reserve.

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

Decision Package #4. Public Library DVD Rental Charge. The City's Public Library currently circulates approximately 150,000 DVDs annually but does not charge patrons for the rental. Although the number of DVDs circulated would most likely decrease, the proposed \$1 DVD rental charge is expected to generate General Fund revenue of \$75,000. Recommended is direction to hold a public hearing on June 17, 2014 for consideration of the DVD rental charge.

Decision Package #5. Special Event Application Fee Increase. The special event application fee is currently \$40 and has not been updated for 15 years. This fee no longer fully recovers City expenses for processing the application. Proposed is an increase of the special event application fee for non-profit organizations to \$100 and for-profit organizations to \$150. This action is expected to generate General Fund revenue of \$2,000. Recommended is direction to hold a public hearing on June 17, 2014 for consideration of the special event application fee increase.

Decision Packages that would be needed to comply with County-State-Federal mandates or fund unavoidable costs to maintain basic services:

Decision Package #6. Refuse Collection and Recycling Program Rate Adjustment. Set for City Council consideration June 10, 2014, by separate action from the budget, are proposed refuse collection and recycling program rate adjustments which would increase ongoing revenues and expenditures. Recommended is an ongoing revenue estimate increase of \$189,437 and an offsetting ongoing appropriation of \$189,437 to the Solid Waste Fund.

Decision Package #7. Beach Cities Transit CNG Fuel. Additional funding is necessary for increased CNG fuel costs used in Beach Cities Transit vehicles. Recommended is an ongoing appropriation of \$122,000 to the Transit Fund.

Decision Package #8. Transit Operations Contract Adjustments. Increased funding is needed for the transit operations contract for Lines 102 and 109 and the WAVE dial-a-ride service. Additional service hours were added to the contract in 2012, and contract adjustments, which will not impact the cost of ridership, are anticipated with the new January 2015 contract. Recommended is a \$251,200 ongoing appropriation to the Transit Fund.

Decision Package #9. Fair Housing Services Contract. Section 8 participants routinely use fair housing services and attend the annual fair housing tenant and landlord workshop. Proposed is the use of the Section 8 Administrative Reserve fund balance to pay for a portion of the City's FY 2014-15 fair housing services contract. Recommended is a one-time appropriation of \$19,000 to the Housing Authority Fund.

Decision Package #10. Section 8 Housing Assistance Payment Funding Adjustment. To reflect FY 2014-15 Housing and Urban Development (HUD) Section 8 funding levels, proposed is an adjustment to the budgeted Housing Assistance Program (HAP) estimated revenues and appropriations. The Housing Authority will be able to support the maximum number of families (540) through the Section 8 HAP at the proposed levels. Recommended is a \$313,431 ongoing reduction to estimated revenues and appropriations to the Housing Authority Fund.

Decision Package #11. Community Development Block Grant (CDBG) Funding Adjustment. To reflect the FY 2014-15 HUD 4.6% funding reduction, proposed is an adjustment to the CDBG estimated revenues and appropriations. The City's housing improvement program, public service agency funding program, and capital improvement program for low and moderate income persons will be impacted by the reduction, as will CDBG administration. Recommended is a \$13,318 ongoing reduction to estimated revenues and appropriation to the CDBG Fund.

Decision Package #12. Chamber of Commerce and Visitors' Bureau Transient Occupancy Tax (TOT) Allocation. A new contract with the Chamber of Commerce and Visitors' Bureau is under negotiation and will soon be presented to the City Council. It is anticipated that the Visitors' Bureau will continue to receive 10% of the City's TOT revenue to enhance marketing activities related to the City. The contracted allocation for FY 2014-15 would be \$450,000, based on a TOT revenue estimate of \$4,500,000. An additional appropriation is needed for full funding of the FY 2014-15 payment. Recommended is an ongoing \$140,000 appropriation to the General Fund.

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

Decision Package #13. Multiprotocol Label Switching (MPLS) Annual Fees. The Mobile Data Computers (MDCs) in the Police and Fire Department vehicles require secure and dedicated MPLS data circuits to provide sensitive information to public safety personnel in the field. Funding is required for the annual MPLS fees which have increased and were previously paid from the Emergency Communications Replacement Fund. Recommended is an ongoing appropriation of \$18,360 to the General Fund and an ongoing reduced appropriation of \$3,949 to the Emergency Communications Fund.

Decision Package #14. Point-to-Point Microwave Link Maintenance Agreement. Additional funding is needed for the increased maintenance agreement cost for the point-to-point microwave link from 801 N. Prospect Ave. to 401 Diamond St. The link provides reliable high performance wireless transportation of data, voice and video for the Police, Fire and Public Works Departments. Recommended is an ongoing \$1,200 appropriation to the Emergency Communications Fund.

Decision Package #15. Advanced Authentication for Police Department Unsecured Computers. The Federal Bureau of Investigation (FBI) has mandated all public safety agencies implement advanced authentication for all unsecured computers by September 30, 2014. This directive is to prevent unauthorized access to extremely sensitive information provided by the Criminal Justice Information System (CJIS). Funding is required to add another level of encryption for the Police Mobile Data Computers (MDCs) and an authentication method such as biometrics, smart cards, or USBs for laptops and mobile phones. Recommended is a one-time \$55,000 appropriation to the General Fund.

Decision Package #16. EKG Heart Monitors. Three of six Fire Department EKG heart monitors have reached the end of their recommended service lives. Funding is required to purchase new monitors. Recommended is a one-time appropriation to the General Fund of \$105,000.

Decision Package #17. Firefighter Protective Clothing and Safety Equipment. National Fire Protection Association (NFPA) standards require firefighter protective clothing and safety equipment be placed out of service once it is ten years past its manufacture date. To comply, funding is required to replace the clothing and equipment as it expires. Recommended is an ongoing \$12,000 appropriation to the General Fund.

Decision Package #18. Electronic Patient Care Reporting. With the anticipated mandate that all fire departments within Los Angeles County participate in Electronic Patient Care reporting, funding is needed for the one-time startup costs and the annual hosting of data collected. Recommended is a \$30,000 one-time appropriation to the General Fund and a \$20,000 ongoing appropriation to the General Fund.

Decision Package #19. Fire Emergency Vehicle Driver Training. New Department of Motor Vehicle (DMV) regulations require emergency vehicle driver training for all fire apparatus drivers. Recommended is a one-time appropriation of \$9,600 to the General Fund.

Decision Package #20. SafetyNet Mapping Software. SafetyNet mapping software will enable to decrease response times by dispatching the closest unit to an incident and provide first responders instant access to the incident location. Recommended is a one-time appropriation of \$43,379 to the General Fund and an ongoing appropriation of \$9,514 to the General Fund.

Decision Package #21. Storm Water Quality Monitoring. New National Pollutant Discharge Elimination System (NPDES) regulations implemented by the Regional Water Quality Control Board require municipalities to submit a Coordinated Integrated Monitoring Plan (CIMP) and begin in FY 2014-15 monitoring the quality of storm water throughout the City. Recommended is an ongoing \$96,000 appropriation to the General Fund for the required monitoring by a professional services firm.

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

Decision Package #22. Street Landscaping and Lighting Assessment District. The City's Street Landscaping and Lighting Assessment District was a self-funding mechanism to pay for municipal street lights, signals and median landscaping. Changes in State law placed heavy restrictions on the City Council modifying assessments to pay for District costs. The District is today is subsidized by \$873,500 from the General Fund. An additional appropriation is required in FY 2014-15 to cover higher costs for the Street Landscaping and Lighting District so as to prevent a reduction of service. Recommended is a one-time \$114,361 transfer from the General Fund to the Street Landscaping and Lighting Fund.

Decision Package #23. City Website Upgrade. The City website (www.redondo.org), in its current state, has been in operation since 2003 and is in need of a technology upgrade that will provide additional features and functionality, improved performance, security improvements, social media integration and ADA compliance. Recommended is a one-time appropriation of \$42,000 to the Information Technology Fund.

Decision Package #24. November 4, 2014 Special Election. Pursuant to the March 27, 2014 strategic planning objective, proposed is a special election in November 2014 (consolidated with the Statewide General Election) for a potential City Charter change modifying term limits and adjusting City Treasurer duties. The City is required to pay for the full costs of the election. Recommended is a one-time General Fund appropriation of \$124,500.

Decision Package #25. March 3, 2015 Election. Redondo Beach will conduct a General Municipal election in 2015 to elect two members of the City Council, two members of the Redondo Beach Unified School District, a City Clerk, and a City Treasurer. The City is required to pay for the full costs of the election. Recommended is a one-time General Fund appropriation of \$259,500.

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

Decision Package #26. Fire Department Constant Manning Overtime. An adjustment is needed to pay for overtime costs arising from contractually obligated constant manning within the Paramedic, Suppression and Harbor Patrol operations. Recommended is an ongoing appropriation of \$317,130 to the General Fund and an ongoing appropriation of \$62,900 to the Harbor Tidelands Fund.

Decision Package #27. Authorization for Two Firefighter/Paramedic Positions. Proposed is authorization for two Firefighter/Paramedic positions previously de-authorized in FY 2009-10. This will give the Fire Department the ability to meet Memorandum of Understanding (MOU) required staffing levels without the use of overtime. It should be noted that if the positions are not authorized, the constant manning overtime appropriation would need to be increased by an additional \$311,000. Recommended is approval of the personnel change and a \$270,000 ongoing appropriation to the General Fund.

Decision Package #28. Telestaff Cloud Offering. Proposed is an upgrade to the Fire Department's Telestaff workforce scheduling and reporting software to a cloud offering. The service will provide 24/7 access and support and will eliminate the need for server maintenance by City Information Technology staff. Recommended is a one-time General Fund appropriation of \$14,000 for initialization and setup and an ongoing General Fund appropriation of \$9,700 for maintenance.

Decision Package #29. Harbor Patrol Part-Time Staffing. Additional funding is needed to ensure part-time civilian staffing on weekends, holidays and leave time at the Harbor Patrol office. Recommended is an ongoing \$7,000 appropriation to the Harbor Tidelands Fund.

Decision Package #30. Defunding of Planning Technician Position. To meet current service demands and improve customer service, proposed is a Community Development Department reorganization by defunding of the Planning Technician position and reallocating budget resources to add a Planning Analyst position. Recommended is approval of the personnel change and an ongoing appropriation reduction of \$93,057 to the General Fund.

Decision Package #31. Authorization for Planning Analyst Position. To meet current service demands and improve customer service, proposed is the addition of a Planning Analyst position substantially funded by the defunding of the Planning Technician position. Recommended is approval of the personnel change and an ongoing General Fund appropriation of \$101,407.

Decision Package #32. Community Development Part-Time Administrative Staffing. The Planning Services Division of the Community Development Department requires additional staff resources to handle increased caseloads. The defunding of the Planning Technician position will create a gap in frontline customer service support. Additional part-time administrative staffing will ensure customer service levels remain consistent. Recommended is an ongoing \$30,000 appropriation to the General Fund.

Decision Package #33. Additional Contract Building Inspection Services. The addition of a second qualified contract building inspector for at least two days per week will better enable the Community Development Department to meet current service demands, reduce overtime and improve customer service. Recommended is an ongoing appropriation of \$90,000 to the General Fund.

Decision Package #34. Public Library Part-Time Staffing. To provide additional programming and outreach to the community and to meet the community's materials collection needs, proposed is additional part-time staffing at the Public Library. Recommended is an ongoing appropriation of \$18,000 to the General Fund.

Decision Package #35. Authorization for Full-Time Deputy City Treasurer Analyst Position. The City Charter calls for the City to maintain a Deputy City Treasurer position. It is included in the FY 2013-14 Budget as a part-time position (budgeted at \$45,000) and is currently vacant. The City Treasurer is recommending his Office be right-sized and implement best practices, including the reduction of the elected City Treasurer's salary, to be instituted in FY 2014-15. Combined with the City Treasurer's recommendation to reduce his salary, the full-time Deputy City Treasurer Analyst will provide superior service to the community and organization. The changes the City Treasurer is recommending will save \$145,000 upon final implementation in FY 2015-16 compared to expenditure levels in FY 2012-13. Recommended is approval of the personnel change and an ongoing appropriation of \$96,000 to the General Fund.

Decision Package #36. Authorization for Information Technology Analyst Position. To better meet the current Information Technology Department workload, increase customer service levels, enable the maintenance, support and project management of the City's website redesign project, and provide ongoing website and MUNIS financial system support, proposed is authorization for an Administrative Analyst position. Recommended is approval of the personnel change and an ongoing appropriation to the Information Technology Fund of \$111,115.

Decision Package #37. Information Technology Contracted Professional Staffing. Contracted professional staff assist and support the implementation and maintenance of various Information Technology Department projects/systems and provide additional skill sets not available with current staffing. This includes temporary technical project based staffing, Citrix, VMWare and network maintenance professional services as well as support for the City's Microsoft email, file and print and utility server infrastructure. Recommended is a \$30,000 one-time appropriation to the Information Technology Fund.

Decision Package #38. Authorization for Administrative Specialist Position. Proposed is the authorization for an Administrative Specialist position in the City Clerk's Office. The full cost of the position (\$77,850) will be funded through an equivalent reduction in part-time staffing. This would provide continuity, consistency, and a reliable schedule and would improve the department's efficiency and effectiveness. Recommended is approval of the personnel change.

Decision Package #39. Workers' Compensation Program Review. Proposed is a review of the workers' compensation program to determine best practices for managing risk. Recommended is a one-time appropriation of \$12,000 to the Self-Insurance Program Fund.

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

Decision Package #40. Riviera Village Street Parking Meter Replacement. The City's parking meters are approaching the end of their useful life. As the first phase of a plan to replace them, proposed is the purchase of 360 new single-space electronic meters for the Riviera Village streets. The new meters will provide visitors with coin, credit card and wireless payment options. Recommended is a one-time \$256,528 transfer from the General Fund to the Capital Projects Fund and inclusion of the project in the Capital Improvement Program. Also recommended is an ongoing reduced General Fund revenue estimate of \$15,120 for the meters' annual connectivity service.

Decision Package #41. Parks Division Maintenance Supplies. As part of the FY 2013-14 budget approval, the City Council eliminated \$18,000 in the Parks Division's regular maintenance and operations budget to pay for a new flag pole at the Harbor Patrol facility. The restoration of \$18,000 in the Parks Division annual operating budget will maintain basic service levels. Recommended is an ongoing appropriation to the General Fund of \$18,000.

Decision Package #42. Confirmation of Signature Special Events. The six recommended signature events with waiver of City hard and soft costs are 4th of July 2014 Event; Super Bowl 10K Run/Walk; Lobster Festival; Spring Fest; Riviera Village Summer Festival; and Riviera Village Holiday Stroll. Two additional recommended events, each with a waiver of total costs not to exceed \$600 are: King Harbor Sea Fair and King Harbor Boat Parade. These are the same events the City Council approved for FY 2013-14. This represents \$32,200 in costs to the General Fund, \$16,800 in costs to the Harbor Uplands Fund, and \$4,200 to the Harbor Tidelands Fund. Recommended is the ongoing budgeting of hard and soft costs for only these special events.

Decision Package #43. 4th of July Fireworks Event Funding. The City's annual 4th of July Fireworks Event provides a safe, family oriented activity. The City Council has approved a one-year agreement for the event with a not-to-exceed \$5,000 payment to Pete Moffet Productions. Additionally, the agreement calls for the City to provide necessary staffing for the event at an approximate cost of \$16,000, which is included in the signature special event decision package. Recommended is a one-time appropriation of \$5,000 to the Harbor Tidelands Fund.

Decision Package #44. Public Library Materials and Digital Resources. Additional funding will assist with price increases and increased demand for library materials and would facilitate the introduction of new and expanded digital library resources as recommended in the Library Assessment and Futures Report. Recommended is a \$30,000 one-time appropriation to the General Fund as a partial restoration of a prior year reduction in the library materials budget.

Decision Package #45. Information Technology Equipment Replacement. The current software equipment and hardware components of the City's network infrastructure have reached their end-of-life or can no longer meet increased demands and provide service levels needed by City staff. Recommended is a one-time appropriation to the Information Technology Fund of \$220,471.

Decision Package #46. Vehicle Replacement Purchases. The City schedules and funds vehicle replacements as part of the *Vehicle and Heavy Equipment Replacement Program*. An appropriation is necessary for the scheduled replacement of 35 vehicles used by City employees to carryout their work assignments. Recommended is a one-time appropriation to the Vehicle Replacement Fund of \$1,427,871.

Decision Package #47. Quarterly Food Truck Event Pilot Program. The Redondo Beach Performing Arts Center is available to hold quarterly food truck events in the Aviation parking lot as a FY 2014-15 pilot program. It is anticipated that this program will generate \$10,000 of General Fund revenue. Recommended is approval for the quarterly food truck event pilot program and an increased General Fund revenue estimate of \$10,000.



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July 1, 2014

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

Subject: Council Actions Amending the Proposed FY14-15 Budget



Prior to formal adoption of the FY14-15 Budget, reallocation adjustments were needed to several funds described below and reflected in Attachment A.

<i>Civic Center Safety and Workplace Health Improvement Partial Defunding</i>	<i>A \$100,000 decreased appropriation will help fund additional capital improvement projects</i>
<i>AES Intervener Engagement Process</i>	<i>A \$200,000 appropriation will fund continuing work as an intervener on the AES repowering application</i>
<i>North Redondo Beach Bikeway Irrigation</i>	<i>An additional \$145,000 appropriation will fund the replacement of irrigation equipment along the North Redondo Beach Bikeway</i>
<i>Herondo Right-of-Way and Grant Ave/Inglewood Ave Landscaping</i>	<i>A \$100,000 appropriation will fund landscaping improvements in the Edison Right-of-Way along Herondo St and at the intersection of Grant Ave and Inglewood Ave</i>
<i>Residential Street Rehabilitation</i>	<i>An additional \$500,000 appropriation will fund the resurfacing and repair of residential</i>
<i>Increased Planning Fees</i>	<i>A \$32,000 increased revenue estimate will update planning fees to reflect increased costs</i>
<i>Economic Development Summit Conference Defunding</i>	<i>A \$69,941 decreased appropriation will defund the Redondo Beach Economic Development Summit Conference</i>
<i>Training/Meetings/Conferences Reduction</i>	<i>A \$54,641 decreased appropriation will reduce funding for training, meetings, and conferences in all departments' budgets</i>
<i>Electronic Quarterly City Newsletter</i>	<i>A \$50,907 reduced appropriation will change the hard copy quarterly City newsletter to an electronic-only version</i>
<i>Discontinued Membership and Participation</i>	<i>A \$36,800 reduced appropriation will discontinue the City's membership and participation in the National League of Cities and the U.S. Conference of Mayors</i>
<i>Joint Terrorism Task Force Police Officer Deauthorization</i>	<i>A \$174,933 reduced appropriation will deauthorize the vacant Police Officer position assigned to the Joint Terrorism Task Force</i>

Senior Management Analyst Deauthorization *A \$125,776 reduced appropriation will deauthorize the vacant Senior Management Analyst position in the City Manager's Department*

Police Officer Deauthorization *A \$280,000 reduced appropriation will deauthorize two vacant Police Officer positions*

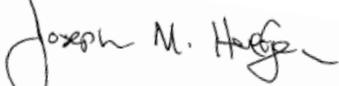
City Treasurer Salary Reduction *A \$31,595 reduced appropriation will reduce the salary of the City Treasurer pursuant to*

Employee Compensation Restoration *A \$792,595 appropriation will create ongoing funding for employee compensation restoration*

Yacht Clubs' Cannon Fee Waiver *A \$500 reduced revenue estimate will provide the yacht clubs with a cannon fee waiver*

The adjusted costs reflected in Attachment A were approved by the City Council at its June 17, 2014 meeting. In addition to the items above, all recommended Decision Packages except #3, #4, #5, and #37 were adopted.

Respectfully Submitted,



Joseph M. Hoefgen
City Manager

ATTACHMENT A

SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

	Civic Center Safety and Workplace Improvement Defunding	AES Intervener Engagement Process	North Redondo Beach Bikeway Irrigation	Herondo ROW and Grant / Inglewood Landscaping	Residential Street Rehabilitation	Increased Planning Fees	Economic Development Summit Conference Defunding	Training / Meetings / Conferences Reduction	Electronic Quarterly City Newsletter
<i>Revenues</i>									
General Fund	-	-	-	-	-	32,000	-	-	-
Harbor Tidelands	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	32,000	-	-	-
<i>Expenditures</i>									
General Fund	-	200,000	-	-	-	-	(69,941)	(41,250)	(50,907)
State Gas Tax	-	-	-	-	-	-	-	(163)	-
Street Landscaping & Lighting	-	-	-	-	-	-	-	(97)	-
Air Quality Improvement	-	-	-	-	-	-	-	(50)	-
Housing Authority	-	-	-	-	-	-	-	(332)	-
Narcotic Forfeiture and Seizure	-	-	-	-	-	-	-	(6,191)	-
Capital Projects	(100,000)	-	145,000	100,000	500,000	-	-	-	-
Harbor Tidelands	-	-	-	-	-	-	-	(1,674)	-
Harbor Uplands	-	-	-	-	-	-	-	(1,039)	-
Solid Waste	-	-	-	-	-	-	-	(360)	-
Wastewater	-	-	-	-	-	-	-	(485)	-
Transit	-	-	-	-	-	-	-	(1,454)	-
Vehicle Replacement	-	-	-	-	-	-	-	(195)	-
Building Occupancy	-	-	-	-	-	-	-	(345)	-
Information Technology	-	-	-	-	-	-	-	(850)	-
Emergency Communications	-	-	-	-	-	-	-	(156)	-
Total Expenditures	(100,000)	200,000	145,000	100,000	500,000	-	(69,941)	(54,641)	(50,907)

ATTACHMENT A
SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

	Discontinued Membership and Participation	JTTF Police Officer Deauthorization	Senior Management Analyst Deauthorization	Police Officer Deauthorization	City Treasurer Salary Reduction	Employee Compensation Restoration	Yacht Clubs' Cannon Fee Waiver	Totals
<i><u>Revenues</u></i>								
General Fund	-	-	-	-	-	-	-	32,000
Harbor Tidelands	-	-	-	-	-	-	(500)	(500)
Total Revenues	-	-	-	-	-	-	(500)	31,500
<i><u>Expenditures</u></i>								
General Fund	(36,800)	(174,933)	(125,776)	(280,000)	(31,595)	792,595	-	181,393
State Gas Tax	-	-	-	-	-	-	-	(163)
Street Landscaping & Lighting	-	-	-	-	-	-	-	(97)
Air Quality Improvement	-	-	-	-	-	-	-	(50)
Housing Authority	-	-	-	-	-	-	-	(332)
Narcotic Forfeiture and Seizure	-	-	-	-	-	-	-	(6,191)
Capital Projects	-	-	-	-	-	-	-	645,000
Harbor Tidelands	-	-	-	-	-	-	-	(1,674)
Harbor Uplands	-	-	-	-	-	-	-	(1,039)
Solid Waste	-	-	-	-	-	-	-	(360)
Wastewater	-	-	-	-	-	-	-	(485)
Transit	-	-	-	-	-	-	-	(1,454)
Vehicle Replacement	-	-	-	-	-	-	-	(195)
Building Occupancy	-	-	-	-	-	-	-	(345)
Information Technology	-	-	-	-	-	-	-	(850)
Emergency Communications	-	-	-	-	-	-	-	(156)
Total Expenditures	(36,800)	(174,933)	(125,776)	(280,000)	(31,595)	792,595	-	813,002



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