

CITY OF REDONDO BEACH

ADOPTED BUDGET
Fiscal Year 2015-2016





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CITY OF REDONDO BEACH

MAYOR AND CITY COUNCIL



Steve Aspel
Mayor



Jeff Ginsburg
Councilmember
District 1



Bill Brand
Councilmember
District 2



Christian Horvath
Councilmember
District 3



Stephen Sammarco
Councilmember
District 4



Laura Emdee
Councilmember
District 5

CITY OFFICIALS

Joseph Hoefgen
City Manager

Michael Witzansky
Assistant City Manager



Michael Webb
City Attorney



Eleanor Manzano
City Clerk



Steven Diels
City Treasurer

Dan Smith
Interim Community Services Director

Robert Metzger
Fire Chief

Stephen Proud
Waterfront and Economic Development Director

Chris Benson
Information Technology Director

Craig Koehler
Finance Director

Aaron Jones
Community Development Director

John Neu
Interim Chief of Police

Susan Anderson
Library Director

Tim Shea
Interim Public Works Director

Diane Strickfaden
Human Resources Director



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**CITY OF REDONDO BEACH
ADOPTED BUDGET
FISCAL YEAR 2015-2016**

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Office of the City Manager

415 Diamond Street
Redondo Beach, CA 90277-0270
www.redondo.org

tel 310 372 1171
fax 310 379 9268

May 14, 2015

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 2015-16 Operating Budget and Capital Improvement Program. The Proposed FY 2015-16 Budget is balanced, and has been developed pursuant to the City Council's adopted financial principles.

The combined Proposed Operating and Capital Budgets total \$106.9 million, with projected revenues of \$106.9 million. Consistent with prior year practices, revenues received in prior years will be used to fund some capital improvement appropriations in FY 2015-16. Of the total Proposed Budget, \$98.7 million, or 92.3%, will be used to fund the operations of the City, while \$8.2 million, or 7.7%, will go towards capital improvements.

Each year, the annual budget process requires the balancing of competing priorities and objectives with the overall goal of addressing our residents' most critical service needs. While there is good news in that the local economy is showing continuing signs of improvement – with incremental increases in property tax and sales tax revenue, a significant portion of this revenue growth is offset by new expenditure obligations and the increasing cost of doing business. Our goal has been to prepare a comprehensive and balanced financial plan for services, programs, and capital projects that continues the high levels of performance expected by the community.

Themes for FY 2015-16 and Beyond

In working with the City Departments and taking into account activities and programs recommended for implementation, there are three clear themes that emerged during preparation of the Proposed FY 2015-16 Redondo Beach Budget. These themes are (1) **Financial and Operational Transparency**, (2) **Rebuilding the Organization**, and (3) **Proactive Oversight** and are described below.

Financial and Operational Transparency – In its most simple form, transparency in government refers to the extent and ease with which residents can access information and provide feedback on City operations and its finances. Increases in transparency should yield greater public understanding of the City's budget and service levels and ensure a greater degree of accountability. As we look ahead to FY 2015-16, there are a number of meaningful ways we will promote the overall objective of transparency in Redondo Beach.

New Performance Measures – In the proposed FY 2015-16 Budget, specific performance measures have been incorporated to show key work measures with year to year comparisons. These performance measures convey varied service statistics ranging from how frequently City parks are watered, to the number of special events held each year, to the number of building permits issued.

Highlighting key performance measures should help increase the public's understanding of the expected level of service in each of the City's municipal departments.

Launch of OpenGov – This summer, the City will launch the “OpenGov” financial transparency program following adoption of the FY 2015-16 budget. Through the use of OpenGov, members of the public will be able to review the City's budget with greater ease. OpenGov delivers the most powerful financial transparency and management reporting platform yet created for governments.

Implementation of Body Cameras – The Redondo Beach Police Department is continuing its use of Body Cameras as an added measure of protection both for members of the department as well as the public. The use of Body Cameras further promotes transparency in our operations.

Webcasting of Commission Meetings – While the City currently televises all Commission meetings and both televises and webcasts City Council meetings, in FY 2015-16, we will begin webcasting all Commission meetings as an added measure of transparency.

Rebuilding the Organization – During the height of the recession, it was necessary to downsize the organization and to freeze recruitments for many vacant positions. Based on the improving economy, we are now able to take action to reinstate downgraded positions, fill vacant positions, and implement programs that have been delayed due to the lack of funds or personnel. In many respects, we are an organization in rebuilding mode which is shown in the following examples:

Reinstating/Filling Positions – There are Decision Packages included in the Proposed FY 2015-16 Budget to reinstate two positions in the Community Development Department that were impacted by budget actions during the recession. These reinstatements, combined with the pending appointment of two key Department Director positions (Human Resources Director and Waterfront and Economic Development Director), the ongoing and improved recruitment of police officers, and the filling of a variety of vacant positions citywide, illustrate our rebuilding.

Update of Web Page – In FY 2015-16, the Information Technology Department will guide the City Departments through a comprehensive update of our City web page and will assume the role of City webmaster. This will be a significant undertaking and far beyond a mere “refresh” of the current web page. This project has been desired for some time, but has not been possible due to financial and staffing limitations. The recent hiring of a new Information Technology Analyst has provided the supplemental staffing needed to implement and maintain a contemporary web page.

Police Department Assessment – Our Interim Police Chief is undertaking a comprehensive review of the operations of the Police Department in advance of the recruitment for an individual to fill the position on a permanent basis.

This assessment will be an interactive process with opportunities for input from both departmental personnel and stakeholders in the community.

Proactive Oversight – One of the hallmarks of a high performing organization is that it is proactive, rather than reactive, in addressing issues. There are a number of instances where proactivity is evidenced in the Proposed FY 2015-16 Budget:

Performance Audits – In addition to audits of our financial statements coordinated by the Finance Department, the Proposed Budget recommends allocating carry over funds for a firm to (1) review and update existing administrative policies and financial controls and (2) initiate an ongoing “performance audit” of both revenues and expenditures in operating departments. This work will be coordinated by a variety of officials including the City Treasurer (revenue audits), the Financial Services Director and the City Clerk (expenditure audits) and serve as an added proactive measure in safeguarding City finances. A budget response report will be provided to the City Council on June 2nd with more information on the amount of funds proposed for carryover and the auditing scope of work.

Increased 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 \$2.7 million in new, ongoing costs. PERS has advised the City that over the next four years, the pension cost increase will be approximately \$3.4 million. For FY 2015-16, the City has been notified by PERS that rates will increase by 2.0% for miscellaneous employees and 4.7% for public safety employees, or the equivalent of \$1,179,945 in new, ongoing costs. This follows a \$694,215 increase implemented in FY 2014-15.

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 \$3,913,747. The Proposed Budget includes a Decision Package to allocate \$800,000, an amount that represents 67.8% of the rate increase from FY 2014-15 to FY 2015-16, from the PERS Reserve as a contribution towards the City’s employee pension obligations. While use of the PERS Reserve Fund is needed to help balance the FY 2015-16 Budget, it should be noted that all of the FY 2014-15 increase and a portion of the FY 2015-16 increase have been absorbed in the operating budget and are now funded by ongoing revenues. Similar to action taken during the FY 2014-15 year-end review, consideration will be given at the close of FY 2015-16 to replenish the PERS Reserve from year end fund balance.

Intervener Efforts – Based the recent policy direction by the City Council to continue to serve as an Intervener pursuant to AES Southland’s effort to seek approval of a new Power Plant, the Proposed FY 2015-16 Budget includes a Decision Package allocating an additional \$210,000 for the cost of work in this regard.

Budget Overview

The Proposed Budget represents an ongoing commitment to prudent and deliberate financial management, as departments continue to operate with 62 fewer full time positions compared to pre-recessionary levels. Despite the fact there is insufficient funding in the near term to restore these positions and that financial challenges remain, the City Council's recent economic development successes and a continuing commitment to Waterfront Revitalization put the City in position to improve the financial picture 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 a result of two primary factors: (1) a slightly improving local economy and (2) past actions by the City Council to enhance revenues. Overall, General Fund revenues are projected to increase by 4.3% in FY 2015-16 compared to FY 2014-15 and reach \$78.6 million in the coming year.

The Proposed Budget takes into account a number of internal and external factors which will have significant impact on the City's finances in FY 2015-16 and in years to come including increasing employee pension costs and expanding workers compensation requirements. 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 \$106.9 million in overall revenue, it is the General Fund which again will experience the most financial pressure to remain in balance.

General Fund Revenues

General Fund revenues are projected to increase by \$3,230,400 or the equivalent of 4.3% for FY 2015-16. The below table shows the primary revenue sources along with the percent change compared to the FY 2014-15 midyear report.

| | <u>2014/15 Midyear General Fund Rev</u> | <u>2015/16 Proposed General Fund Rev</u> | <u>Percentage Change</u> |
|--------------------------------|---|--|------------------------------|
| Property Tax | 21,425,000 | 22,200,000 | 3.6% |
| Sales Tax | 10,892,000 | 11,950,000 | 9.7% |
| Utility Users Tax | 7,225,000 | 7,225,000 | 0.0% |
| Property Tax in Lieu of VLF | 6,136,000 | 6,385,000 | 4.1% |
| Transient Occupancy Tax | 4,300,000 | 4,700,000 | 9.3% |
| Franchise Fees | 1,796,000 | 1,946,000 | 8.4% |
| Property Transfer Tax | 2,000,000 | 2,000,000 | 0.0% |
| Parking Citations | 1,260,400 | 1,500,000 | 19.0% |
| Parking Meter Fees | 1,634,880 | 1,685,000 | 3.1% |
| Business License Tax | 1,100,000 | 1,150,000 | 4.5% |
| Other | <u>10,017,949</u> | <u>10,276,629</u> | 2.6% |
| Total Rev from Outside Sources | 67,787,229 | 71,017,629 | 4.8% |
| Overhead Charges | <u>7,588,928</u> | <u>7,588,928</u> | 0.0% |
| Total Revenue | 75,376,157 | 78,606,557 | 4.3% |

All revenues have been conservatively 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 \$22,200,000 in FY 2015-16, constitute the largest single source of General Fund revenue for Redondo Beach and show a 3.6% gain compared to FY 2014-15 reflecting an incremental improvement in property values. The next largest source of General Fund revenue, sales tax, is projected to increase by 9.7% to \$11,950,000 in FY 2015-16. This is largely attributed to improving restaurant sales and the City’s expanding portion of the County’s online shopping pool.

Notably, Utility Users tax revenue is projected to remain flat, at \$7,225,000, while Transient Occupancy Tax is expected to grow by 9.3% to \$4,700,000. The growth in TOT is due to the re-opening of the Redondo Beach Hotel (formerly the Best Western Sunrise Inn) and the anticipated opening of the Shade Hotel. Together, these four revenue sources comprise 58.6% of the City’s General Fund revenue. A more detailed analysis of each of the revenue sources is provided in the revenue section of the Proposed Budget.

It is worthwhile to remember that there are a number of limitations on the City’s ability to increase revenues, including voter approved 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, 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)

In keeping with these limitations, the Proposed Budget includes Decision Packages for a limited number of fee increases. A Public Hearing and report describing proposed fee adjustments to achieve cost recovery is scheduled for June 16, 2015.

General Fund Expenditures

FY 2015-16 General Fund expenditures, prior to the consideration of recommended decision packages, total \$78,552,997. This represents a 3.9% decrease in expenditure levels compared to the midyear FY 2014-15 budget as reflected in the table below:

| | <u>2014/15 Midyear General Fund Exp</u> | <u>2015/16 Proposed General Fund Exp</u> | <u>Percentage Change</u> |
|-----------------------------------|---|--|------------------------------|
| Personnel | \$50,434,659 | \$50,772,512 | 0.7% |
| Maintenance and Operations | <u>10,368,323</u> | <u>7,017,626</u> | -32.3% |
| Subtotal | \$60,802,982 | \$57,790,138 | -4.9% |
| Internal Service Fund Allocations | 20,762,859 | 20,762,859 | 0.0% |
| Capital Outlay | <u>175,591</u> | -- | -100.0% |
| Total Expenditures | \$81,741,432 | \$78,552,997 | -3.9% |

The Proposed General Fund expenditures for FY 2015-16 are \$57,790,138, excluding internal service fund allocations and capital outlay. This represents a decrease of \$3.0 million, or 4.9%, when compared to the midyear budget for FY 2014-15. The primary reason for the decrease is attributed to the inclusion of the carryover appropriations in the FY 2014-15 midyear budget. Described below are the major assumptions used in projecting our “base” budget.

- Personnel costs will increase by 0.7% to \$50,772,512. A follow-up Budget Response Report will be provided on June 2 related to potential FY 2015-16 salary/benefit increases for employee groups whose contracts expire June 30, 2015. Additionally, we will have supplemental information to share on anticipated PERS increases for both safety and non-safety employees.
- 434 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 2014-15 midyear budget.
- Internal service fund allocations were adjusted with the FY 2014-15 midyear budget review and will not be adjusted again until the FY 2015-16 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 beginning fund balance, transfers in/out and Decision Packages is \$53,560. If all Decision Packages were adopted and beginning fund balance and transfers in/out were included, the remaining fund balance would be \$1,702,540.

Budget Development Process

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 2014-15. Adjustments were then made to departmental expenditure budgets in the Personnel category that reflect changes due to labor agreements, contractual obligations, and employee movements within authorized compensation schedules. Expenditures in the departmental Internal Service Fund expenditure category were kept at the FY 2014-15 midyear level to be adjusted again during the FY 2015-16 midyear budget review. The combination of all of the above changes set the anticipated departmental "base" budget for FY 2015-16.

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 2015-16 base budgets. We have many more departmental needs than we have funding available. The City is primarily a service organization with nearly 64.6% of its General Fund costs attributed to the personnel that provide services to the community.

The following criteria were used in the evaluation and ranking of Decision Packages with a higher priority given to resources needed for core municipal services in the police, fire, paramedic and public works areas.

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 our corporate value of “Fiscal Responsibility”, a total of 36 Decision Packages are recommended.

The total net amount of proposed appropriations for all Decision Packages is \$3.2 million with \$137,000 recommended for the General Fund. Decision Packages recommended by the City Manager are listed immediately following this message.

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 2015-16, the total amount of this reserve is \$6,543,465. 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 implementation of the Business

Plan adopted by the Council in 2010 and the enterprise fund financials are reflecting its positive impact.

The projected Harbor Enterprise revenue for FY 2015-16 is \$10,753,830. This represents an increase of \$463,420, or 4.5%, over the midyear budget for FY 2014-15. The increase reflects a slightly improving economy and movement towards the waterfront revitalization.

The projected Harbor Enterprise expenditures for FY 2015-16 are \$10,560,149. This represents a decrease of \$6,161,498, or 36.8%, from the midyear budget for FY 2014-15. The primary reason for the decrease can be attributed to the inclusion of carryover capital improvement projects funded by the Harbor Enterprise.

Harbor revenues are projected to exceed expenditures by \$193,681 in FY 2015-16. The anticipated surplus will be added to the estimated beginning fund balance of \$9,468,690, and provide nearly double the enterprise's minimum reserve amount of \$5,163,038.

Successor Agency to the Dissolved Redevelopment Agency (Successor Agency)

The Redevelopment Agency was dissolved as of February 1, 2012 and succeeded by the 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 \$1,300,692 for FY 2015-16. In compliance with State policies and procedures, administrative expenses are limited to \$250,000 and the remainder of the revenue of \$1,050,692 will be distributed by the State from the Property Tax Trust Fund to pay debt.

Mini-Financial Statements

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 | Harbor Parking Structures |
| Transit | Farmers' Market |
| Vehicle Replacement | Successor Agency |
| Street Landscaping and Lighting | Housing Successor Agency |
| Community Development Block Grant | Community Financing Authority |
| | Public Financing Authority |

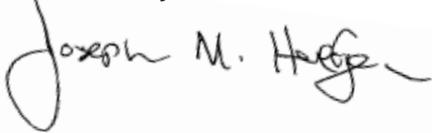
Conclusion

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 needed 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 also maintaining the high levels of service expected by our community.

Special thanks is due to the Department Head team and to the key staff who helped formulate the Proposed FY 2015-16 Budget including Assistant City Manager Mike Witzansky, Finance Director Craig Koehler, Assistant Financial Services Director Marni Ruhland, Payroll and Finance Manager Lori Yamasaka 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 the continuation of revitalization efforts in the waterfront and other areas of the City, 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 2015-16 Decision Packages for City Council Approval**

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

Decision Package #1. Transfer from CalPERS Reserve Fund. The City Council has established a reserve fund to help the City absorb its rapidly increasing employee pension costs. To partially offset the cost increase from FY 2014-15 to FY 2015-16 of \$1,179,945, proposed is a transfer of \$800,000 from the CalPERS Reserve Fund to the General Fund. The balance remaining in the CalPERS Reserve Fund after this transfer is \$3,113,747. 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 \$800,000 transfer from the CalPERS Reserve Fund to the General Fund.

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

Decision Package #2. Solar System Services Fee. The Building Services Division of the Community Development Department will be required, as of July 1, 2015, to provide over-the-counter and electronic plan check and permit issuance for solar panel installation. To offset the costs of plan check staff being available during all counter hours to comply with this mandate, proposed is a new fee which would generate General Fund revenue of \$56,000. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of the solar system services fee.

Decision Package #3. Community Development Department Fee Increases. The Community Development Department last increased fees in 2009. Since that time, there has been a steady 1% rise in the building industry construction costs. Additionally, the Community Development Department costs for providing services has increased. Therefore, proposed is a 6% increase of all Community Development Department fees which would generate General Fund revenue of \$39,500. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of these Community Development Department fee increases.

Decision Package #4. Expedited Real Estate Report Fee. The Building Services Division of the Community Development Department has received customer requests for creation of Residential Real Estate Reports within a shorter time frame. Proposed is a new fee to cover the costs of providing overnight service. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of the expedited Real Estate Report fee.

Decision Package #5. RBPAC Rental and Equipment Fee Increases. Rental fees charged for use of the RBPAC were last updated in 2012 for both for-profit and non-profit entities. In order to maintain the current level of RBPAC fee revenue against rising external costs for materials, specialized labor, and maintenance and rising internal costs for employee salaries and benefits, an increase of the rental and equipment rates is proposed. It is anticipated General Fund revenue of \$25,700 will be generated from the fee increases. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of the rental and equipment fee increases.

Decision Package #6. Public Library Facility Use Fees. An increase in the hourly use fee is proposed for the rental of the Public Library meeting rooms and conference room. A new fee is proposed for rental of the soundproof room. Additionally, an increase in the proctoring fee will place Redondo Beach in line with fees charged in neighboring communities. It is anticipated additional General Fund revenue of \$3,000 would be generated with the fee adjustments. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of the Public Library facility use fee adjustments.

Decision Package #7. Fire Department Fee Increases. The majority of the Fire Department fees have not been increased fees since 2007. Since that time, salary and benefit costs for providing services has increased. Therefore, proposed is an increase to those Fire Department fees that are based on the hourly rate of the employees performing the service. General Fund revenue of \$10,000 is anticipated from these fee increases. Recommended is direction to hold a public hearing on June 16, 2015 for consideration of the Fire Department fee increases.

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

Decision Package #8. 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 2015-16 to cover higher costs for the Street Landscaping and Lighting District so as to prevent a reduction of service. Recommended is a one-time \$180,736 transfer from the General Fund to the Street Landscaping and Lighting Fund.

Decision Package #9. Fire Department Constant Manning Overtime. In light of FY 2013-14 and FY 2014-15 salary increases for sworn fire personnel, an adjustment is needed to fully fund overtime costs arising from contractually obligated constant manning within the Paramedic, Suppression and Harbor Patrol operations. Recommended is an ongoing General Fund appropriation of \$60,000 and an ongoing Harbor Tidelands appropriation of \$8,000.

Decision Package #10. Community Development Block Grant (CDBG) Funding Adjustment. To reflect the FY 2015-16 HUD 3% 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 \$8,342 ongoing reduction to estimated revenues and appropriation to the CDBG Fund.

Decision Package #11. Property, Liability and Workers' Compensation Insurance Premiums. An increased appropriation is needed to fully fund the property, liability and workers' compensation insurance purchased by the Independent Cities Risk Management Agency (ICRMA) on the City's behalf, including coverage for recent lease acquisitions in the waterfront. Recommended is an ongoing \$300,000 appropriation to the Self-Insurance Program Fund. A comparable one-time adjustment was made as part of the FY 2014-15 midyear review.

Decision Package #12. Workers' Compensation Claims. An appropriation is needed to pay for increased workers' compensation costs due to rising medical care expenses and the expanding number and type of presumptive injuries, under State law, sustained by safety personnel. Recommended is an ongoing \$650,000 appropriation to the Self-Insurance Program Fund. A comparable one-time adjustment was made as part of the FY 2014-15 midyear review.

Decision Package #13. Medical Insurance Rebate. The Affordable Care Act required the City's previous medical insurance provider, Blue Shield, to provide a one-time rebate to the City based on the company's profits and losses. The City received a rebate of \$48,261. An appropriation of this amount is needed for an equitable reimbursement to employees and retirees insured by Blue Shield during the 2012 policy year. Recommended is a \$48,261 one-time appropriation to the General Fund.

Decision Package #14. Refuse Collection and Recycling Program Rate Adjustment. Scheduled for City Council consideration May 19, 2015, 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 \$197,553 and an offsetting ongoing appropriation of \$197,553 to the Solid Waste Fund.

Decision Package #15. Attorney Fees. Additional funding is necessary for increased costs of specialized contract attorney fees. In years past, a budget adjustment of this magnitude was completed at midyear. This supplemental funding should reduce or eliminate future midyear adjustments to this account. Recommended is an ongoing appropriation of \$272,000 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. Ballistic Helmets. A recent equipment audit revealed that multiple styles of helmets are currently used in the Police Department. They offer outdated technology and limited ballistic protection. An appropriation is needed to provide all sworn Police Department members with a duty helmet that offers a high level of ballistic protection and a removable face shield for specialized operations. Recommended is a one-time appropriation of \$49,060 to the General Fund.

Decision Package #17. Emergency Vehicle Operation Course (EVOC). The EVOC is a driver training program that teaches sworn fire personnel how to maneuver emergency vehicles on an off-road course. An appropriation is needed to fund training for all paramedics, engineers, and firefighters. Recommended is a one-time appropriation of \$8,060 to the General Fund.

Decision Package #18. Fire Hose Replacement and Fire Department Supplies. An appropriation is necessary for the replacement of fire hose that has reached the end of its recommended service life or has failed the testing process. An additional appropriation is needed for cost increases in Fire Department station maintenance, small tools, and safety equipment. Recommended is a one-time General Fund appropriation of \$61,300 and an ongoing General Fund appropriation of \$5,000.

Decision Package #19. Fire Boat Hydrohoist. The current fire boat hydrohoist does not meet the requirements to handle the weight of the Fire Department's fire boat. Recommended is a one-time appropriation of \$11,100 to the Harbor Tidelands Fund.

Decision Package #20. Hydraulic Rescue Tools. The Fire Department utilizes hydraulic rescue tools (jaws of life) to free trapped victims. Currently, one set of tools is 27 years old and replacement parts are no longer available. An appropriation is needed for its replacement. Recommended is a one-time appropriation of \$32,400 to the General Fund.

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

Decision Package #21. Continued Intervener Participation Related to the AES Power Plant Application. Funding is required for continued retention of experts to advise the City and provide pertinent information to the California Energy Commission, the Public Utilities Commission, the Air Quality Management District, and other agencies pertinent to AES Southland's efforts to seek approval of a new power plant. To date, \$596,755 has been expended on the City's intervener participation. Recommended is a one-time \$210,000 appropriation to the General Fund.

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

Decision Package #22. Information Technology Equipment Replacement. An appropriation is needed for the software, equipment and hardware components of the City's network infrastructure that 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 \$246,533.

Decision Package #23. 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 24 vehicles used by City employees to carry out their work assignments. Recommended is a one-time appropriation to the Vehicle Replacement Fund of \$1,045,000.

Decision Package #24. Redondo Beach Performing Arts Center (RBPAC) Increased Part-Time Hours. Increased bookings at the RBPAC require specially trained and experience part-time personnel to support its events and provide efficient and safe venue operations. Increasing the number of hours worked by three current part-time employees will allow the workload to be adequately distributed among the workforce. Recommended is an ongoing appropriation of \$24,200 offset by corresponding revenue of \$24,200 to the General Fund.

Decision Package #25. Fuel Management System Upgrade. Requested is an appropriation for the purchase of a software/hardware upgrade for the City's fuel management system. Recommended is a one-time appropriation to the Vehicle Replacement Fund of \$40,000.

Decision Package #26. Financial Services Department Part-Time Staffing. The Financial Services Department is in need of part-time staffing assistance for the business licensing and cashiering functions. The business licensing assistance will provide production and workflow efficiencies, allowing full-time staff to focus on developing system enhancements. The cashiering assistance will ensure timely receipting of revenues received and will provide coverage for employee leave time without impacting other departmental functions. Recommended is an ongoing \$20,000 appropriation to the General Fund.

Decision Package #27. Non-Audit Professional Accounting Services. An appropriation is needed for non-audit professional accounting services. The services provided will include year-end closing assistance with audit schedule preparation, as well as identification and implementation of process improvements. Recommended is an ongoing appropriation of \$20,000 to the General Fund.

Decision Package #28. Lexipol Fire Policy Manual. Lexipol will enable the Fire Department to review and update its current Rules and Regulations by providing a digital model fire policy manual along with updates and certifiable daily training against policy. The manual will be State specific based on Federal and State statutes, case law and fire best practices. The first year cost is \$7,050 with annual renewals of \$5,550. Recommended is a one-time General Fund appropriation of \$1,500 and an ongoing General Fund appropriation of \$5,550.

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

Decision Package #29. Reinstatement of Associate Planner to Senior Planner. The Planning Services Division of the Community Development Department has realized a substantially increased workload since staffing reductions occurred during the economic downturn. Reinstatement of the Associate Planner position to the Senior Planner level will fill the need created by the increasing number of large scale development projects requiring highly skilled expertise. Recommended is an ongoing General Fund appropriation of \$6,500.

Decision Package #30. Reinstatement of Assistant Planner to Associate Planner. The Planning Services Division of the Community Development Department has realized a substantially increased workload since staffing reductions occurred during the economic downturn. Reinstatement of the Assistant Planner position to the Associate Planner level will fill the need created by the increasing number of development projects requiring expertise beyond an entry level position. Recommended is an ongoing General Fund appropriation of \$16,500.

Decision Package #31. Waterfront and Economic Development Department Senior Management Analyst Position. An appropriation is needed to fund the cost of a Senior Management Analyst position to assist with economic development efforts throughout the City and to support waterfront projects as necessary. Recommended is an ongoing appropriation of \$44,100 to the General Fund, an ongoing appropriation of \$44,100 to the Harbor Tidelands Fund, and an ongoing appropriation of \$44,100 to the Harbor Uplands Fund.

Decision Package #32. Afterschool Playground Program Staffing, Materials and Supplies. Enrollment in the City's Afterschool Playground Program at eight elementary school locations has increased significantly. Additional staffing, materials and supplies are needed to maintain the safe and efficient operation of the program. Recommended is an ongoing appropriation of \$82,800 offset by additional ongoing revenue in the same amount to the General Fund.

Decision Package #33. 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. Recommended is a \$30,000 one-time appropriation to the General Fund as partial restoration of a prior year reduction in the library materials budget. An identical one-time budget adjustment was made in FY 2014-15.

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 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 2014-15. This represents \$31,000 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 #35. 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 \$10,000 payment to Pete Moffet Productions. Additionally, the agreement calls for the City to provide necessary staffing for the event at an approximate cost of \$21,000, which is included in the signature special event decision package. Recommended is a one-time appropriation of \$5,000 to the Harbor Tidelands Fund and a one-time appropriation of \$5,000 to the Harbor Uplands Fund.



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Office of the City Manager

415 Diamond Street
Redondo Beach, CA 90277-0270
www.redondo.org

tel 310 372 1171
fax 310 379 9268

July 1, 2015

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

Subject: Council Actions Amending the Proposed FY15-16 Budget

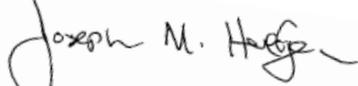
Prior to formal adoption of the FY15-16 Budget, reallocation adjustments were needed to several funds described below and reflected in Attachment A.

| | |
|---|--|
| <i>Veterans' Park Senior Parking Permit Fee</i> | <i>A \$3,800 increase in revenue from a Veterans' Park senior parking permit fee will allow seniors easier access to Veterans' Park services.</i> |
| <i>Special Event Fee Waviars</i> | <i>A \$3,000 revenue reduction will provide fee waivers for the King Harbor Sea Fair and the King Harbor Boat Parade special events as well as yacht club cannon firing permits.</i> |
| <i>Camino Real Sewer Main Line</i> | <i>A \$204,000 appropriation will fund the Camino Real sewer main line installation.</i> |
| <i>Esplanade Dog Walking Path and Drinking Fountain</i> | <i>A \$20,000 appropriation will fund the Esplanade dog walking path and drinking fountain installation.</i> |
| <i>LA County Pedestrian Path Widening</i> | <i>A \$50,000 appropriation will fund widening of the LA County pedestrian path.</i> |
| <i>Capital Improvement Projects</i> | <i>A \$298,000 appropriation will fund the Anderson Park Improvement, the Manhattan Beach Boulevard Class 3 Bike Path Study, and the Median Improvements capital improvement projects.</i> |
| <i>Riviera Village Way Finding</i> | <i>A \$21,440 appropriation will fund the Riviera Village way finding signage along the Esplanade.</i> |
| <i>Traffic Intersection Improvement Study</i> | <i>A \$40,000 appropriation will fund a traffic intersection improvement study.</i> |
| <i>Internal Performance Audit</i> | <i>A \$112,000 appropriation will fund contracted internal auditing services.</i> |
| <i>Sidewalk Cleaning</i> | <i>A \$130,000 appropriation will fund sidewalk cleaning on Artesia Boulevard and along the Esplanade.</i> |

| | |
|--|---|
| <i>Phase I of the AES Site Rezoning and Land Use Plan Amendments</i> | <i>A \$157,500 appropriation will fund Phase I (consensus building and broad zoning) of the AES site rezoning and land use plan amendments.</i> |
| <i>Employee Wage Adjustments</i> | <i>A \$1,200,000 appropriation will fund cost of living (wage) adjustments for employees.</i> |
| <i>Restoration of Police Officer Position</i> | <i>A \$141,000 appropriation will fund the restoration of a Police Officer position deauthorized and defunded in the FY 2014-15 budget adoption.</i> |
| <i>CalPERS Reserve Replenishment</i> | <i>A \$513,560 transfer from the General Fund to the CalPERS Reserve Fund will reduce use of the CalPERS Reserve for employee pension cost increases.</i> |

The adjusted costs reflected in Attachment A were approved by the City Council at its June 16, 2015 meeting. In addition to the items above, all recommended Decision Packages were adopted.

Respectfully Submitted,



Joseph M. Hoefgen
City Manager



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ATTACHMENT A
SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

| | Veterans' Park Senior Parking Permit Fee | Special Event Fee Waivers | Camino Real Sewer Main Line | Esplanade Dog Walking Path and Drinking Fountain | LA County Pedestrian Path Widening | Capital Improvement Projects | Riviera Village Way Finding | Traffic Intersection Improvement Study |
|--|--|------------------------------|--------------------------------|--|--|------------------------------------|--------------------------------|---|
| <u>Revenues and Transfers In</u> | | | | | | | | |
| General Fund | 3,800 | (3,000) | - | - | - | - | - | - |
| State Gas Tax | | | | | | | | |
| Street Landscaping & Lighting | | | | | | | | |
| Air Quality Improvement | | | | | | | | |
| Intergovernmental Grants | | | | | | | | |
| Housing Authority | | | | | | | | |
| CalPERS Reserve | | | | | | | | |
| Capital Projects | | | | 20,000 | 50,000 | 298,000 | | |
| Harbor Tidelands | | | | | | | | |
| Harbor Uplands | | | | | | | | |
| Solid Waste | | | | | | | | |
| Wastewater | | | | | | | | |
| Transit | | | | | | | | |
| Self-Insurance Program | | | | | | | | |
| Vehicle Replacement | | | | | | | | |
| Building Occupancy | | | | | | | | |
| Information Technology | | | | | | | | |
| Emergency Communications | | | | | | | | |
| Total Revenues | 3,800 | (3,000) | - | 20,000 | 50,000 | 298,000 | - | - |
| <u>Expenditures and Transfers Out</u> | | | | | | | | |
| General Fund | - | - | - | 20,000 | 50,000 | 298,000 | 21,440 | 40,000 |
| State Gas Tax | - | - | - | - | - | - | - | - |
| Street Landscaping & Lighting | - | - | - | - | - | - | - | - |
| Air Quality Improvement | - | - | - | - | - | - | - | - |
| Intergovernmental Grants | - | - | - | - | - | - | - | - |
| Housing Authority | - | - | - | - | - | - | - | - |
| Capital Projects | - | - | - | 20,000 | 50,000 | 298,000 | - | - |
| Harbor Tidelands | - | - | - | - | - | - | - | - |
| Harbor Uplands | - | - | - | - | - | - | - | - |
| Solid Waste | - | - | - | - | - | - | - | - |
| Wastewater | - | - | 204,000 | - | - | - | - | - |
| Transit | - | - | - | - | - | - | - | - |
| Self-Insurance Program | - | - | - | - | - | - | - | - |
| Vehicle Replacement | - | - | - | - | - | - | - | - |
| Building Occupancy | - | - | - | - | - | - | - | - |
| Information Technology | - | - | - | - | - | - | - | - |
| Emergency Communications | - | - | - | - | - | - | - | - |
| Total Expenditures | - | - | 204,000 | 40,000 | 100,000 | 596,000 | 21,440 | 40,000 |

ATTACHMENT A

SUMMARY OF BUDGET AMENDMENTS
BY CATEGORY / BY FUND

| | Internal Performance Audit | Sidewalk Cleaning | Phase I of the AES Rezoning and Land Use Plan | | Employee Wage Adjustments | Authorization For An Additional Sworn Police Officer | CalPERS Reserve Replenishment | Total |
|--|-------------------------------|-------------------|---|----------|------------------------------|--|----------------------------------|------------------|
| | | | Amendments | | | | | |
| <u>Revenues and Transfers In</u> | | | | | | | | |
| General Fund | - | - | - | - | - | - | - | 800 |
| State Gas Tax | | | | | 21,328 | | | 21,328 |
| Street Landscaping & Lighting | | | | | 27,404 | | | 27,404 |
| Air Quality Improvement | | | | | 597 | | | 597 |
| Intergovernmental Grants | | | | | 1,920 | | | 1,920 |
| Housing Authority | | | | | 8,428 | | | 8,428 |
| CalPERS Reserve | | | | | | | 513,560 | 513,560 |
| Capital Projects | | | | | 3,978 | | | 371,978 |
| Harbor Tidelands | | | | | 71,034 | | | 71,034 |
| Harbor Uplands | | | | | 26,063 | | | 26,063 |
| Solid Waste | | 130,000 | | | 18,040 | | | 148,040 |
| Wastewater | | | | | 31,729 | | | 31,729 |
| Transit | | | | | 13,626 | | | 13,626 |
| Self-Insurance Program | | | | | 5,329 | | | 5,329 |
| Vehicle Replacement | | | | | 13,192 | | | 13,192 |
| Building Occupancy | | | | | 28,393 | | | 28,393 |
| Information Technology | | | | | 25,024 | | | 25,024 |
| Emergency Communications | | | | | 45,053 | | | 45,053 |
| Total Revenues | - | 130,000 | - | - | 341,138 | - | 513,560 | 1,353,498 |
| <u>Expenditures and Transfers Out</u> | | | | | | | | |
| General Fund | 112,000 | 130,000 | 157,500 | | 1,200,000 | 141,000 | 513,560 | 2,683,500 |
| State Gas Tax | - | - | - | | 21,328 | - | - | 21,328 |
| Street Landscaping & Lighting | - | - | - | | 27,404 | - | - | 27,404 |
| Air Quality Improvement | - | - | - | | 597 | - | - | 597 |
| Intergovernmental Grants | - | - | - | | 1,920 | - | - | 1,920 |
| Housing Authority | - | - | - | | 8,428 | - | - | 8,428 |
| Capital Projects | - | - | - | | 3,978 | - | - | 371,978 |
| Harbor Tidelands | - | - | - | | 71,034 | - | - | 71,034 |
| Harbor Uplands | - | - | - | | 26,063 | - | - | 26,063 |
| Solid Waste | - | 130,000 | - | | 18,040 | - | - | 148,040 |
| Wastewater | - | - | - | | 31,729 | - | - | 235,729 |
| Transit | - | - | - | | 13,626 | - | - | 13,626 |
| Self-Insurance Program | - | - | - | | 5,329 | - | - | 5,329 |
| Vehicle Replacement | - | - | - | | 13,192 | - | - | 13,192 |
| Building Occupancy | - | - | - | | 28,393 | - | - | 28,393 |
| Information Technology | - | - | - | | 25,024 | - | - | 25,024 |
| Emergency Communications | - | - | - | | 45,053 | - | - | 45,053 |
| Total Expenditures | 112,000 | 260,000 | 157,500 | | 1,541,138 | 141,000 | 513,560 | 3,726,638 |



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