




CITY OF SIERRA MADRE  
MEMORANDUM

TO: COMMUNITY MEMBERS

FROM: TAMARA S. GATES, CITY MANAGER 

DATE: APRIL 24, 2003

SUBJECT: FY 2003-2005 BUDGET

---

Attached is a copy of the FY 2003-2005 budget message. This document provides a financial overview of the City's operating budget for the next two years, as well as the Capital Improvement Program budget. In addition, the budget message describes the goals/projects and any changes in services that are being recommended to the City Council for approval.

The detailed budget book is available for review at the City Hall public counter and at the Library. The schedule below lists the dates and times that the City Council will be discussing the budget proposal. The public is encouraged attend and participate in the discussion.

Date	Time	Type of Meeting	Location
May 1 & 2	1:30 p.m.	Special City Council Meeting	Council Chamber
June 9	6: 30 p.m.	Public Hearing City Council Mtg.	Council Chamber

If you have any questions, please contact me at 355-7135. I would be happy to discuss this budget proposal with you.

Attachment

**CITY OF SIERRA MADRE  
MEMORANDUM**

TO: CITY COUNCIL

FROM: TAMARA S. GATES, CITY MANAGER

DATE: MAY 1, 2003

SUBJECT: FISCAL YEAR 2003-2005 BUDGET MESSAGE

---

**INTRODUCTION**

One of the most important roles and responsibilities of a City Council is approving the work plans and projects through the adoption of the operating and capital improvement budgets. It is my pleasure to present the City Council with the budget for fiscal year 2003-2005 and the Capital Improvement Program (CIP) for fiscal year 2003-2008. It is important to note that this is the first two-year budget in Sierra Madre's history. Adopting a two year budget provides the City with an opportunity to look at the work plans and prioritize projects on a long term basis. Throughout this two-year budget cycle staff will provide the City Council with updates on the budget every six months.

The fiscal year 2003-2005 budget is balanced. However, the State of California is in a fiscal crisis. The proposed budget solutions being considered, at the State level, include taking funding from local governments. Thus, this budget assumes a reduction in staffing levels, department operating budgets, and services. All of the programs the City currently offers are funded; however, some are funded at reduced levels of service. The good news is that we will be able to complete a number of important projects with grant funds and other revenue from outside agencies. All of these projects will continue to enhance the quality of life in Sierra Madre.

This was a difficult budget to put together. Even though our work force has been reduced, I have the utmost confidence that the outstanding employees and volunteers that we have are well prepared to tackle the challenges and projects ahead. We have an excellent team who will be able to accomplish these goals.

**REVENUES**

The Governor's proposed budget in January 2003 included taking away a significant amount of revenue from local governments. As I write this budget message, the State budget has not been adopted and it does not appear that this issue will be resolved before the City is required to adopt a balanced budget on June 30.

The City of Sierra Madre could lose as much as \$620,000 in General Fund revenue if the Governor's budget proposal is adopted. It is likely that the revenue loss will be less. Therefore, the fiscal year 2003-2005 budget assumes the State will take \$300,000 from the General Fund each year.

Overall this reduces the projected revenue by 6% from fiscal year 2002-2003. If the State adopts a budget that includes taking away more than \$300,000 from Sierra Madre, staff will bring a revised budget to the City Council as soon as possible for consideration. We will also continue to seek outside funding for projects whenever possible.

A thorough analysis has been done on the current fees charged for services. A number of fees, particularly fees charged by Development Services and Community Services, do not cover the cost of providing such services. This budget includes fee increases in a majority of programs. A complete list of the fees and the proposed increases are listed in Appendix E of the budget book.

### EXPENDITURES

In 2002, staff was informed that the City must pay over \$300,000 in fiscal year 2003-2004 and over \$600,000 in 2004-2005 to the Public Employees Retirement System (PERS) for retirement benefits. The City is currently paying less than \$100,000 for CalPERS Retirement benefits annually. This sharp increase relates to the poor stock market performance over the past several years. When the market was out-performing the actuarial rate of return (7.75%), the City enjoyed reduced retirement contribution rates and opportunities to increase retirement benefits without increasing costs. With the current flat market, the City is being required to contribute amounts to make-up the shortfall between actuarial rate of return and the actual rate of return earned by CalPERS. Additionally, the surplus that was available to offset contributions has been exhausted. Thus, the City must also fund the normal retirement contributions.

The budget details an expenditure plan for all City operations, Community Redevelopment Agency, enterprise, capital improvements, and grant funds totaling \$23.4 million (excluding internal service fund disbursements) in 43 funds for 2003-2004 and \$14.6 million for 2004-2005. The General Fund operating budget is balanced at approximately \$4.6 million for fiscal year 2003-2004 and \$4.8 million for fiscal year 2004-2005.

### RESERVES & CONTINGENCIES

The City Council's goal is to have at least 50% of the General Fund expenditures held in a reserve account. By June 30, 2003, we expect to have a cash reserve of \$2.6 million, an amount equal to 54% of our fiscal year 2002-2003 General Fund expenditures. Because of the budget crisis, the reserve level is not projected to increase over the next two fiscal years, but is expected to remain static.

The 2003-2005 budget includes setting aside \$25,000 from reserves for contingencies. These funds will be available to fund emergency expenditures, or important programs or services that are not provided for in this budget. If unused at year-end, the contingency reserve will return to available fund balance each year.

## MAJOR WORK PLANS & PROJECTS

The following highlights major work plan items/projects that are included in the fiscal year 2003-2005 budget.

- **Street Resurfacing**

The only significant General Fund capital project proposed in each year of this two year budget is the Street Resurfacing Program. By the end of this budget cycle, we will have completed the fourth year of this five-year program.

By the end of the fifth year, we will have resurfaced 95% of the streets in Sierra Madre. The Capital Improvement Program includes approximately \$675,000 for this project in each fiscal year. The financial commitment from the General Fund is approximately \$483,000 the first year and \$480,000 the second year. The additional funds come from various county, state, and federal funding sources.

- **Youth Activity Center**

During the 1998 Youth Master Plan process, the Youth Master Plan Steering Committee stated that a Youth Activity Center (YAC) or a "place to be" was among the highest need identified by 12-18 year old youths. The City created a YAC to provide an opportunity for Junior High School and High School Students to have an opportunity to talk to other young adults about issues affecting their lives, provide counseling services, and social activities.

In fiscal year 2002-2003, the City Council approved moving the YAC to the Recreation Center and adding a second story to this facility. The new facility will include Teen Chat, counseling, homework assistance, computers, music, video games, drop-in programs, sports, gardening, arts & crafts, poetry workshops, job training, volunteer opportunities, dances, movie nights, service club meetings, youth employment, youth employment referral program and special events.

It is estimated that the cost to construct and furnish the new YAC will be approximately \$1 million. Several outside funding sources are being pursued to fund the new YAC. The 2004-2005 budget assumes the YAC will be operating out of the Recreation Center.

- **Library**

The grant application for the construction of a new Library has been submitted to the State. The approved design includes building a new Library in place of the existing facility. The new Library will be 23,263 square feet (14,500 square feet larger than the existing Library). The new facility will include a community room that can be divided into two smaller meeting rooms, Sierra Madre Historical Archives room, Computer Training Lab with 12 computers. The estimated cost to construct and furnish a new Library is approximately \$8 million. In addition to the grant, additional funding options for the projects are being reviewed. The cost of the project includes the value of land to be committed to the project by the City and architectural design costs.

- **Youth Master Plan**

The Youth Master Plan is a guide to assist community leaders in creating a supportive environment for Sierra Madre's young people. In the year 2000, a report card was completed on the plan, which evaluated the first two years of programs and services. This report card established a benchmark for future services and programs.

In order to ensure that the goals of the Youth Master Plan are being achieved, periodic reviews of this plan are needed. In fiscal year 2003-2004 the Youth Master Plan will be updated. A sub-committee of the Community Services Commission has been working on this project and will complete their efforts in the 1<sup>st</sup> year of the two-year budget. The update of the Youth Master Plan includes re-surveying community youth between 6<sup>th</sup> and 12<sup>th</sup> grade to analyze the progress the City has made since the original survey in 1998. In addition, they will continue to look at the pre-school programs and services as well as continue collaborative efforts between Sierra Madre and other agencies such as the Pasadena Unified School District (PUSD). Approximately \$4,000 has been budgeted to complete this project including the survey by the National Search Institute. Once the plan has been completed the Commission will forward it to the City Council for review and approval.

- **Mira Monte Reservoir**

Geological testing has shown that there is an active earthquake fault, the Sierra Madre fault, near the Mira Monte pump house and reservoir requiring relocation of these facilities. In fiscal year 2004-2005 the design of Mira Monte Reservoir and Pump Station will be completed. The project consists of removing the steel tank at the east Mira Monte Reservoir and constructing a single concrete reservoir, with the capacity for both east and west Mira Monte combined. The booster pump facility will also be relocated to this site.

The fiscal year 2004-2005 CIP budget includes \$405,000 in the Water Enterprise Fund to design this project. Additional costs budgeted include the construction of the project in future years. A portion of these funds were obtained from a federal grant.

- **Redevelopment**

- **Senior Housing**

Construction of the 46 unit Senior Housing Complex is expected to begin this month. Construction will take approximately 12 months. Completion of this project is expected in mid 2004.

- **East Montecito**

In fiscal year 2003-2004, staff will prepare the infrastructure needs assessment report and the Environmental Impact Report for the East Montecito Avenue/Artisan Mixed Use Planning Project. Upon completion of these two documents the final zoning document and exhibits will be prepared for approval by the Planning Commission and City Council. Funding for the environmental phase of this project was included in the fiscal year 2003-2004 budget.

➤ **Extension of the RDA**

The time limit to incur debt under the Redevelopment Project Area will expire in November 2004. State law allows for an extension of time through a lengthy process. The CRA must extend this timeframe or loose tax increment. The process requires the assistance of Redevelopment Attorneys and other professionals. The Agency has budgeted \$50,000 for this process.

➤ **Façade Improvement Program**

A Façade Improvement Program is scheduled to be developed and implemented in fiscal year 2003-2004. This program will target businesses along Sierra Madre Blvd. Potential elements of this program include a design guide and a loan program. Staff will bring a proposed program to the City Council in Summer 2003 for review and consideration. If approved, the amount allocated for the loans will then be incorporated into the budget. Funding for this program will come from the redevelopment agency.

➤ **Parking Study**

In FY 2002-2003, staff completed the data collection portion of the Parking Study in the downtown, Phase I. Phase II will be completed in FY 2003-2004, which includes retaining a parking consultant to review the parking data and recommend changes that will enhance parking in downtown Sierra Madre. Funding to complete this study is included in the redevelopment agency budget.

• **Grove Reservoir**

Grove Reservoir supplies water for approximately one-third of Sierra Madre's water customers. The 1996 Arcadia/Sierra Madre Corps of Engineers Water System Seismic Reliability Study recommended the replacement of this facility due to its age and condition. In the event of a significant earthquake, the existing reservoir is expected to suffer major damage and leakage. The City has requested federal funding for the replacement of the facility; to date Sierra Madre has received nearly \$1.5 million in federal funds for this project. The federal funding covers a maximum of 55% of the project cost; the remainder of the funding (\$1.25 million) shall be drawn from water enterprise reserves. This project will be completed in fiscal year 2003-2004.

• **East Raymond Basin Groundwater Storage Feasibility Study**

The 1996 Arcadia/Sierra Madre Corps of Engineers Water System Seismic Reliability Study identified a need for the two cities to increase groundwater supplies. Storage of water in underground aquifers such as the East Raymond Basin is inherently safer than storage in above-ground reservoirs, and the study has found that there may be ways of increasing the amount of water that the two cities may store in the Basin. The two cities have requested federal funding for a study that would identify ways in which groundwater recharge and storage could be increased; such a study would become the basis on which the cities could apply for modification of the existing adjudication under which our groundwater extraction rights are determined. The fiscal year 2003-2004 includes \$85,000 from the water fund for this project.



- **Transportation**

A significant work plan item in fiscal year 2003-2004 will be related to several transportation projects. The City Council recently adopted a new transportation program which includes, the dial-a-ride, Round-About, and Gold Line Shuttle program. However, transportation expenditures are exceeding revenues. During the first year of this budget, staff will be developing a program that meets the revenue that the City has available.

In addition, the City has been awarded \$300,000 from the Federal Government to construct a CNG Fueling Station at the City Yard. Designing this project and obtaining the required 20% local match (\$60,000) through other grants will be done during fiscal year 2003-2004.

- **Canyon Zone Designation**

A work plan item for the first year of the two year budget is to complete the Canyon Zone Designation process. The Residential Canyon Rezoning Advisory Board will continue it's work during fiscal year 2003-2004. The goal is to recommend a new zoning designation to the Planning Commission and City Council by the Fall 2003.

- **Swimming Pool**

This budget includes several changes in the hours of operation at the pool. In fiscal year 2002-2003, the General Fund subsidy for the pool was approximately \$150,000. Because of reduced resources, programs, such as the pool, were reviewed.

Currently, patrons have the opportunity to lap swim three times a day (early morning 3 days a week, and mid-day or evening 5 days a week, and once a day on Saturday and Sunday). Because of the reduction in available revenue, the fiscal year 2003-2005 budget includes funding for the following schedule.

- President's Day – Memorial Day: Lap Swim Hours 11:00 a.m. – 1:00 p.m.  
(Monday through Friday)
- Memorial Day – Labor Day: Lap Swim Hours – 3 times a day (Mon. – Fri.)  
Once a day (Sat. & Sun.)
- Labor Day – Mid November: Lap Swim Hours 11:00 a.m. – 1:00 p.m.  
(Monday through Friday)

In addition, this budget includes closing the pool from mid-November to President's Day in February. The cost savings to the General Fund to close the swimming pool in the winter months is \$15,000.

- **Emergency Preparedness**

Throughout the next two years staff will focus on enhanced training for emergency preparedness. The revised SEMS Emergency Preparedness Plan has been completed in draft form and will be brought to the City Council in the next several months for review and approval. In addition, the Police Department staff will coordinate training exercises for emergency operations personnel.

- **Library Technology Enhancement Grant**

The fiscal year 2003-2004 budget will be the last year that the Library Technology Enhancement Grant will be available. The \$1.3 million grant was awarded to the City in December 2000 to promote lifelong learning and community involvement by increasing the access to information, enhancing literacy, and increasing computer competency. Through this grant the City has been able to implement a Library Automation System, redesign the Library's website, design the City's website, and streamline citizen access to information, and establish a modular computer lab. There is a reduction in the Library's budget in the second year of this two year budget because of the end of the grant.

- **Police – Traffic Safety**

During this two year budget, the Police Department will continue to ensure that Sierra Madre is a safe community to live and work in. Enhanced officer training will continue. In addition, the Department will focus on ensuring traffic safety by conducting a variety of traffic enforcement and education programs.

- **Fire – Training/Equipment**

A continued goal of the Fire Department in this budget is to enhance the skills of the members of the department through enhanced training programs.

Also, included in the goals of the Fire Department is the replacement of the 1978 American La France Arial Ladder Truck. The estimated cost to purchase a new truck is \$495,000. The City does not have the funds available to purchase or lease this vehicle at this time. Staff is actively seeking grant opportunities to purchase this piece of equipment.

- **Web Site Enhancements**

The City of Sierra Madre web site is scheduled to be on line July 1, 2003. Throughout the next two years we will continue to make improvements to this web site, such as obtaining permits, paying water bills, and registering for classes on line.



## ORGANIZATIONAL CHANGES

### **Public Works**

The recent retirement of the Public Works Department Supervisor provided an opportunity to analyze the organizational structure of the department. This budget includes a Public Work Department reorganization to make better use of existing staff and to provide more focused supervision of the Parks and Street/Sewer Divisions.

This reorganization includes eliminating the Public Works Supervisor position and replacing it with a new Street/Sewer Foreman position and upgrading the Maintenance Leadworker position upgraded to a Parks Foreman position.

The budget also includes reclassifying the Water Superintendent position to Deputy Director of Public Works. This position will be responsible for Public Works field operations, with individual water, street/sewer, and parks divisions under the direct supervision of their respective foreman. All foreman will be field supervisors which take an active role in field work in addition to providing supervision. The cost of this change is absorbed through the position reclassifications.

### **Recreation**

The primary functions of the Parks and Recreation Department include: Sierra Madre pool, YAC, Recreation After-School/Vacation Camp Programs, special interest classes, senior programs, special events, transportation programs, filming, and general recreation programs. In order to more accurately reflect the type of services this department provides, the Parks and Recreation Commission recommended that the name of the Commission and the Department be changed to *Community Services*. This budget includes making that change effective July 1, 2003. This change will not result in any financial impact to the City.

### **Administrative Services**

The fiscal year 2003-2004 budget includes the elimination of the full-time Financial Analyst/Information Technology position in the Administrative Services Department. The Financial Analyst duties of this position will be reassigned to other members of the Administrative Service Department. The Information Technology responsibilities will be contracted out to an outside vendor. The elimination of this position resulted in a \$25,000 savings to the General Fund.

### **Police Department**

The fiscal year 2004-2005 budget includes the elimination of the Administrative Clerk position in the Police Department. The elimination of this position resulted in a \$50,000 savings to the General Fund.

## REDEVELOPMENT AGENCY

The fiscal year 2003-2005 budget for the Community Redevelopment Agency includes an increase in tax increment of 2.8% in FY 2003-2004 and 3% in FY 2004-2005. This is due to increasing real estate values.

All of the projects related to the Redevelopment Agency have been discussed in the Major Work Plans and Projects section of this report.

## CONCLUSION

The next few years will be difficult. We are fortunate to have outside funding sources and grants that provide us with the opportunity to complete a number of important projects as well as a healthy reserve for emergency situations. With everyone's help we will be able to get through these difficult times and continue to improve the quality of life in Sierra Madre.

Respectfully Submitted,



Tamara S. Gates  
City Manager