



## City of Sierra Madre Agenda Report

*John Buchanan, Mayor*  
*Josh Moran, Mayor Pro Tem*  
*MaryAnn MacGillivray, Councilmember*  
*Joseph Mosca, Councilmember*  
*Nancy Walsh, Councilmember*

*Nancy Shollenberger, City Clerk*  
*George Enyedi, City Treasurer*

TO: Honorable Mayor Buchanan and Members of the City Council

FROM: Elaine Aguilar, City Manager *EA*

INITIATED BY: Karin Schnaider, Administrative Services Director *KS*

DATE: May 24, 2011

**SUBJECT:** Follow up to City Council Discussion of FY 2011-13 Budget Proposal

At a Special Meeting held on May 4, 2011, the City Council reviewed the FY 2011-2013 biennial budget proposal. At the conclusion of the review, the City Council directed staff to return with further analysis of a few items:

1. Development Services of part-time interns
2. Development Services contract services
3. Fire department reduction of the training budget
4. Police department's reduction of overtime costs
5. Police department's loss of COPs grant funding and impacts to services

This staff report addresses the questions raised by the City Council. The staff report also provides staff recommended modifications to the May 4<sup>th</sup> budget proposal: (These modifications are explained further in this staff report.)

1. Replacement of a portion of the YAC budget to the General Fund, net affect \$15,000
2. Increase in transfers to Development Services, \$50,000 to \$75,000

Staff will be seeking the Council's direction regarding the proposed FY 2011-2013 biennial budget and seeking the Council's authorization to return to the June 14<sup>th</sup> Council meeting for the budget's formal adoption.

### **ANALYSIS**

It is important to note that staff's initial budget proposal was very lean in order to present a balanced budget. Staff also wanted to provide for a small "cushion" or surplus, for contingencies or for Council direction that may increase (or decrease) appropriations. The slight surplus was also recommended because the revenues and expenditures are estimates, and should a particular estimate be "off" by just a few percentage points, the

slight surplus could evaporate.

In some situations, the budget reductions may seem a little too severe, but the reductions were based upon "normal operations" plus a general "tightening of the belt" – meaning the budget did not include much funding for emergencies, disasters, or large unanticipated expenditures, it provides funding for normal, regular operations, but staff will need to remain conscientious in monitoring their budgets. If the budget accounted for all of the possible unforeseen emergencies, disasters, etc, it would have been necessary to reduce service levels more severely. If certain programs were reduced or eliminated in order to budget for currently unknown situations, and if those situations did not materialize, the eliminated programs would have been unnecessarily eliminated. The budget as proposed reflects staff's best estimate or assumption of what will happen in the future. Should there be a large emergency, disaster, or unforeseen expense, staff would return to the Council providing an estimate of the costs and a funding recommendation.

For example, there were questions pertaining to the \$100,000 reduction in overtime costs in the Police Department. The reduction was based upon past history – which reflected lower overtime costs. The current fiscal year's overtime costs were impacted by a number of long-term vacancies/absences, which have all been resolved. The Department is currently fully staffed, which will result in a reduction of overtime costs as compared to the current fiscal year, which saw overtime costs hit an all time high. The reduction in overtime costs will also be achieved by a change in the scheduling of staff, and the full contingent of part-time Officers. The reduction will require a close monitoring of overtime and a closer evaluation of whether the overtime is necessary. However, should there be a significant law enforcement related emergency, a natural disaster, a significant case, etc. the reduction may not be achieved. In which event, staff would return with a request for an appropriation of funds and a recommended funding source. To include the \$100,000 in overtime would essentially require a \$100,000 reduction in costs (programs, projects) somewhere else in the budget.

Below is a more thorough discussion of the questions from the May 4<sup>th</sup> meeting.

1. DEVELOPMENT SERVICES PART-TIME PAID INTERN POSITIONS

At the May 4<sup>th</sup> Council meeting, the Development Services Department proposed eliminating one part-time intern. (The Department would go from two part-time interns to one part-time intern.) The part-time interns handle the same duties, but two interns would provide additional hours of coverage. For example, each intern works approximately 20 hours per week. The interns assist the Department with providing public counter assistance, responding to inquiries, project and plan check tracking, and general office assistance, which in turn alleviates some of this workload from the full-time staff and allows them to focus on other assigned projects and priorities. As the

anticipated workload increases with project developments in the works, in addition to the focus of completing the General Plan Update, the part-time interns can help full-time staff with a variety of tasks.

Both paid intern positions in the Department are currently vacant. Because part-time interns are seeking full-time work, the individuals generally work for the City for 6 months to a year. Over the past year, even though two paid interns were budgeted, there were only a few months when both positions were filled.

Recruitment will soon begin for one paid intern, with the goal of hiring an individual with some GIS (Geographic Information System) experience. These skills are a significant asset to the Department and for the General Plan Update. It should be noted that the Department currently has one volunteer Intern, an undergraduate student, whose first day was May 18<sup>th</sup>. (The paid internships are generally provided to graduate students, or applicants with more experience.) Staff will continue to seek volunteer interns to supplement staffing.

The proposed budget includes funding for one part-time paid intern but the second part-time paid intern is currently unbudgeted. If the position was added back into the budget, the cost is \$25,000.

## 2. DEVELOPMENT SERVICES CONTRACT SERVICES

At the May 4<sup>th</sup> meeting, Development Services proposed eliminating the contract services line item, by eliminating the previous \$25,000 appropriation. These funds were contingency funds to cover extended staff absences, to supplement staff services, or to provide funding for a special study that might be necessary. This item has been budgeted each of the last four fiscal years, but has historically not been utilized. The department, as much as possible, has processed project applications and plan checks with current staff. However, if the workload increases for current staff, it will impact the time it takes to process project applications.

The Department wants to emphasize that should an applicant desire an expedited turn-around time for processing their application, the Department can offer the contract planner services as a cost recovery option, meaning the applicant would pay for the cost of the contract services. For example, the Department would take a deposit for the estimated cost of the contract planner plus an administration fee, and then the actual processing of the application would be recovered from the deposit. These "contract costs" are neutral to the Department's budget, because the applicant is paying the full cost recovery for the contact planning services. Because staff anticipates that some applicants may want to pay for expedited processing, in the near future staff will initiate

a request for proposals, or seek resumes so that individuals or consulting firms are standing-by.

It should also be noted that the proposed budget includes the continuation of the temporary full-time Planner position for the full two years of the biennial budget.

Lastly, should the Council desire, funds may be re-appropriated to provide for some amount of Contract Services/Contract Planner services.

### 3. FIRE DEPARTMENT TRAINING REDUCTIONS

The Fire Department had proposed a \$7,000 budget reduction in training expenses. To achieve this reduction, the Department would suspend the use of the Northtree Burn Trailer. Although this is an important training tool, the department can use other facilities at a lower cost. For example, the Los Angeles County Fire Department will allow the department to use their Del Val facility for hot drills. The only drawback is that Del Val is located on Highway 126, past Santa Clarita, about one hour travel time. Training that far away would mean that not all Firefighters would be able to participate, as some would have to remain in town to cover shifts and respond to emergencies, while other Firefighters may not be able to take time off work, and consequently, not all Firefighters would receive the same quality of training.

However, should the Council desire, the \$7,000 in funds could be returned to the Training budget.

### 4. POLICE DEPARTMENT'S PLAN FOR REDUCING OVERTIME COSTS

It will be challenging for the Police Department to reduce the amount appropriated for overtime by \$100,000. A partial explanation of the approach to reducing overtime was described on page 2 of this report.

Essentially, staff believes the reduction in overtime will be achievable, if there are no major incidents, emergencies, or extended absences. To help provide for the required minimal coverage, a significant amount of funding has been appropriated for part-time personnel. Part-time personnel provide for scheduling flexibility. Additionally, the Department is moving towards a schedule that best utilizes the part-time lieutenants, full time staffing, and part-time staffing. In addition, the department will continue to use reserve officers and other volunteers whenever possible.

There are a few areas of concern, and potential impacts, such as coverage for special events, major investigations, and long personnel absences. For example, should another large investigation such as *EVG Gas Station* occur, it may be necessary to request additional appropriations for increased overtime. A second area of concern would be extended vacancies and the need to maintain the schedule to meet minimum staffing needs. At this time, staff is not aware of any extended position vacancies, but

vacancies can occur without advanced notice. Lastly, there is concern regarding the impact on staffing for special events, such as the 4th of July Parade, the Wistaria Festival, Mount Wilson Trail Race, and Halloween, etc. Staff is committed to using as many volunteers (there are approximately 8 traffic control volunteers graduating in the near future) and Reserve Officers as possible. Similar to the other items discussed, staff will closely monitor overtime and will report back to the Council, should modifications be needed.

In summary, staff will closely monitor overtime, and in the event it appears that overtime may exceed the current appropriation, staff may be need to return at mid-year for discussion of budget solutions.

However, should the Council desire, some level of funding could be returned to the overtime budget.

5. POLICE DEPARTMENT'S LOSS OF COPS GRANT FUNDING AND IMPACTS TO SERVICES

The Governor's "May Revise" has made funding of the COPS contingent upon the extension of VLF Fees. If the funding is eliminated, as currently assumed, it will result in the loss of additional safety equipment and supplies for the Police department, but more importantly will eliminate the funding for Police Helicopter Services, provided by Foothill Air Support Team (FAST). The FAST program provides for immediate response to emergencies such as crimes in progress, lost children, stranded hikers, pursuits, etc. The program also provides for "patrol" services from the air on Friday and Saturday nights. The FAST Program is one of those essential tools for officer and community safety. The cost for these services is relatively low compared to other cities, at \$9,500 at year. Due to the uncertainty in the continuation of COPS funding, it is recommended that the FAST program be budgeted in the General Fund.

As an alternative, the Council may direct that the City's participation in the FAST program be eliminated, and the City would withdraw from the program.

Staff is recommending that the \$9,500 be added to the proposed budget.

Other Adjustments to Proposed Budget

1. REPLACEMENT OF YAC BUDGET TO THE GENERAL FUND, NET AFFECT \$15,000

One of the Community and Personnel Services Department's proposed budget reductions recommended contracting out the Youth Activity Center (YAC) services to the YMCA. Staff had initially hoped that a contract could be worked-out by July 1<sup>st</sup>, however, it will take a bit more time. For this reason, it is recommended that funding be placed in the budget to cover the summer months. Putting the program back into the budget for the summer months will result in a net increase of approximately \$15,000 in

General fund expenditures.

As an alternative, the Council could direct that the funding not be placed in the budget, but that the YAC be operated on an un-programmed, "drop-in" basis. This means that a current, full-time staff member would be present in the YAC just to supervise the facility, but the youth would not have any programmed activities.

Staff is recommending that the \$15,000 be added to the proposed budget to restore part-time staff costs for the YAC during the summer.

2. INCREASE IN TRANSFERS TO DEVELOPMENT SERVICES, \$50,000 IN BOTH FISCAL YEARS

Over the past two weeks, since the May 4<sup>th</sup> meeting, staff has re-verified the budget numbers, and it was noted that two one-time appropriations were accidentally left out of the budget. The staff presentation indicated that funds were included in the Development Services Budget for a new Development Impact Fee Study and for a new Housing Element, but the funds were not included. In Fiscal Year 2011-2012, the Department will need \$50,000 for a new Development Impact Fees Study, and in Fiscal Year 2012-2013, the Department will need \$50,000 for the City's Housing element. Both of these amounts will increase the General Fund Subsidy to the Department.

Staff is recommending that these items be added to the proposed budget.

**CONCLUSION**

The May 4, 2011 proposed budget, for Fiscal Year 2011-2012, had an estimated surplus of \$180,000. Staff is seeking the City Council's direction regarding the items presented in this staff report. Staff has recommended the re-appropriation of funds for the YAC programming in the amount of \$15,000; an increase to the General Fund subsidies to Development Services in the amount of \$50,000; and an increase in General Fund appropriation of \$9,500 for the FAST program. This would revise the estimated surplus for FY 2011-2012 to approximately \$105,500.

See next page

### **ALTERNATIVES**

As an alternative the City Council may wish to consider re-appropriating any of the following, or any item presented at the May 4<sup>th</sup> budget meeting:

#### **Estimated Increase/(Decrease) to General Fund reserves at June 30, 2012**

May 4, 2011 Proposed Surplus FY 2011-2012	\$	180,000
Recommend Adjustments:		
1. Replacement of YAC budget to the General Fund	\$	(15,000)
2. Increase in transfers to Development Services	\$	(50,000)
3. FAST Program	\$	( 9,500)
<b>Modified Proposed Surplus FY 2011-2012</b>	<b>\$</b>	<b>105,500</b>
Alternative Adjustments:		
1. Development Services of part-time interns	\$	(25,000)
2. Development Services contract planner	\$	(25,000)
3. Fire department reduction of the training budget	\$	( 7,000)
4. Police department's reduction of overtime costs	\$	(100,000)
<b>Alternative Proposed Deficit FY 2011-2012</b>	<b>\$</b>	<b>(51,500)</b>

### **PUBLIC NOTICE POLICY**

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter and the Sierra Madre Public Library.

### **STAFF RECOMMENDATION**

Staff is recommending the City Council discuss, receive public comment, provide staff with direction regarding the preparation of the Proposed Fiscal Year 2011-13 Budget, and establish June 14, 2011 as the budget adoption date.

Attachments: May 4, 2011 staff report







**COPY**

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TO: Honorable Mayor Buchanan and Members of the City Council

FROM: Elaine Aguilar, City Manager

INITIATED BY: Karin Schnaider, Administrative Services Director

DATE: May 4, 2011

SUBJECT: City Council Discussion of FY 2011-13 Budget Proposal

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At the March 22, 2011 City Council meeting, the City Council approved the estimated budget for Fiscal Year 2010-2011 and provided policy direction regarding the preparation of the proposed FY 2011-2012 & 2012-2013 budget. Included in the budget proposal were policy discussions regarding future planning for deferred maintenance and equipment replacement costs. During the preliminary review of FY 2011-2012 & 2012-2013 General Fund revenues to expenditures, a General Fund deficit was originally projected of more than \$800,000, primarily the result of two factors – first, revenues were projected to be relatively flat for the third year in a row and second, expenditures increases are out pacing inflation. This dichotomy is not new and is one the City has wrestled with for most of the last five years.

At conclusion of FY 2009-2011 the anticipated economic recovery still appears to be on a distant horizon. The challenges facing local government are more severe than those experienced in past recessions, and highlight more than ever, the need for conservative fiscal planning. Not just two years out and really not only five years out, but fiscal planning into future decades.

The budget presented tonight has both forethought and dedication to planning for the future while budgeting in recognition of current economic conditions.

Before proceeding with the rest of the report, it should be noted that the entire, actual Proposed Budget document is not attached to this staff report. Because of the numerous modifications to City services, staff is again seeking the City Council's direction regarding the recommendations contained in this report. Upon City Council direction, staff will return with the actual "Proposed Budget" document. A summary document has been prepared and is attached to this staff report. However, a significant amount of detail regarding budget reductions, restructuring service delivery, deferred

FOR CITY COUNCIL AGENDA \_\_\_\_\_

**ATTACHMENT**

budget expenditures, etc. is provided in this staff report in narrative form, since the real budgetary impacts can only be described in words and not just numbers alone.

## **ANALYSIS**

### **Budget Cycle**

Beginning in December 2010, City departments analyzed their expenditures, revenue collection, and performance results to determine the current budgetary needs. This review is the formation of the budget revisions that are part of the mid-year budget. The Mid-Year budget analysis is presented to the City Council in March of each fiscal year.

Also during the mid-year discussions, Executive management meets with the City Manager and Administrative Services Director to discuss the proposed services in the upcoming budget cycle. During these meetings, department heads discussed the major changes needed in both personnel resources and operating resources to meet the current and desired level of City Services. Each manager establishes their service level to meet one or more of the five City Council's Strategic Goals. The City Council's strategic goals are:

#### **THREE-YEAR GOALS**

2009-2012 • not in priority order \*

- Complete the General Plan update
- Increase and broaden community involvement and trust
- Maintain a vital economic environment that supports a desirable quality of life
- Attract, develop and retain quality staff to improve and enhance quality services
- Achieve financial stability

The Staff's proposals for the new two-year budget cycle are now presented to the City Council for discussion and eventually approval. Staff is seeking direction from the City Council regarding the proposed FY 2011-2012 & 2012-2013 budget. It is also appropriate for the Council to receive public comment on the proposed budget. This will ensure that the City's resources are utilized to meet the service levels and needs of Sierra Madre's residents, businesses owners, and visitors. It should be noted that the Council will not be approving the FY 2011-2013 Budget this evening, but providing additional direction regarding the preparation of the final document.

### **Forecasting Future Revenues and Expenditures**

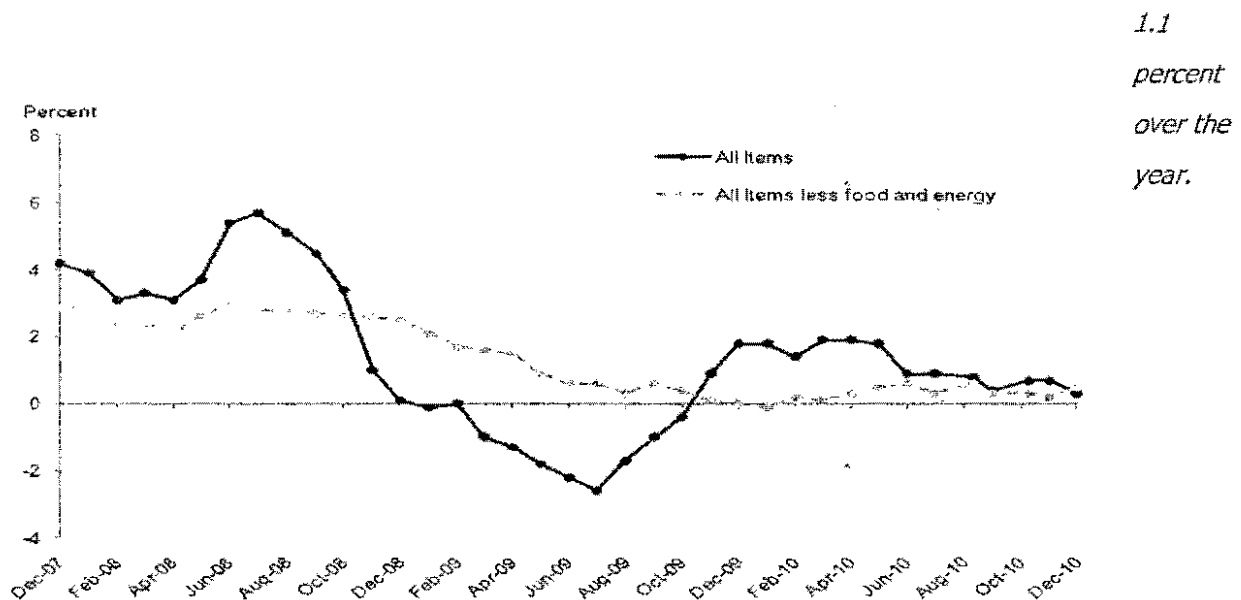
The City's adopts a two year budget, however, staff forecasts five years into the future. Assumptions are based upon the economic trends reported by numerous factors, including Property sale reports for both residential and commercial, Sale Tax indicators such as reports from the State Franchise Tax Board and Federal Department of Commerce, as well as other national economists' estimates on the national and local

recovery. Staff also looks at historical trends using our own sources. For example, Development Services revenues have generally shifted development applications to more general building permits. The Paramedic program has had two years of lower recovery on medical claims due to the increased number of Medicare patients.

The budget projections are staff's best estimates of future sources of revenues and future expenditures. The revenue assumptions show a slow growth of not more than 1% year-over-year for any one area of revenue streams. However, consumer costs which tie to the City's expenditures are increasing at larger rates. This seems contradictory because the Federal Bureau of Labor Statistics has shown the CPI (Consumer Price Index) to be relatively flat for the last 8 quarters. The City has experienced this low CPI for large projects such as street improvements, but in general for consumption items such as paper, printing, postage, books and reference materials, and safety equipment, the City's costs have experienced a moderate increase. In contract/professional services, particularly in Other Agency costs, the City's costs are anticipated to increase 3-8% (for example Verdugo Dispatch and Pasadena Humane Society have increased 8%).

**Chart 1. Over-the-year percent change in CPI-U, Los Angeles-Riverside-Orange County, January 2008 – January 2011 <http://www.bls.gov/ro9/cpilosa.htm>**

Over the past 12 months, the CPI-U rose 1.8 percent. (See chart 1.) Energy prices rose 7.8 percent, mainly due to an increase in the price of gasoline. The index for all items less food and energy increased



# Revenues

## REVENUE HIGHLIGHTS

The budget revenue projections are staff's best estimates of future sources of revenues. These revenue assumptions show a slow growth of not more than 1% in any area year-over-year for any one area of revenue streams. There are a few exceptions, for example, the City recently just completed a four year fee increase in the Water fund of approximately 7.5% year-over-year. Special Revenues have a reduction of \$310,000 (or -33%) between FY 2010-2011, primarily due to State budget reductions, including but not limited to elimination of State Library funding and State COPs funding. Staff chose to eliminate these funds prior to adoption of the State Budget, which may mean these funds may still be available in the next fiscal year. However, staff did not choose to eliminate the Redevelopment Agency at this time. The City is hopeful that State legislature selects alternatives to the proposal of the full elimination of Redevelopment Agency. See section 2 and 3 for more detail of revenues.

## CITYWIDE REVENUES

	UNAUDITED FY 2010-2011	PROPOSED FY 2011-2012	PROPOSED FY 2012-2013	ESTIMATED FY 2013-2014	ESTIMATED FY 2014-2015
<b>GENERAL FUND</b>	\$8,038,391	\$8,260,139	\$8,466,065	\$8,670,332	\$8,904,728
ASSESSMENTS	\$38,835	\$39,233	\$39,625	\$40,207	\$40,809
DEVELOPMENT SERVICES	\$488,893	\$490,782	\$495,691	\$503,127	\$510,675
GAS TAX/PROP42	\$294,173	\$294,173	\$297,116	\$301,572	\$306,095
PARAMEDIC/EMS	\$266,500	\$241,715	\$241,932	\$245,561	\$249,245
PROP A	\$173,165	\$156,767	\$158,295	\$160,609	\$162,958
PROP C	\$130,346	\$126,716	\$126,716	\$126,716	\$126,716
GRANTS	\$-	\$-	\$-	\$-	\$-
SPECIAL REVENUES	\$941,339	\$630,881	\$633,280	\$636,914	\$640,603
REDEVELOPMENT	\$1,573,924	\$1,589,663	\$1,605,560	\$1,629,643	\$1,654,089
INTERNAL SERVICES FUNDS	\$4,093,337	\$4,221,895	\$4,350,493	\$4,415,167	\$4,481,320
SEWER	\$686,000	\$731,500	\$731,500	\$731,500	\$731,508
WATER	\$3,179,638	\$3,439,090	\$3,687,108	\$3,935,305	\$4,222,421
BUSINESS TYPE	\$304,150	\$382,750	\$382,750	\$382,750	\$382,750
<b>Grand Total</b>	<b>\$20,208,691</b>	<b>\$20,605,304</b>	<b>\$21,216,130</b>	<b>\$21,779,403</b>	<b>\$22,413,917</b>

<b>Percentage Change Year-over-Year</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
GENERAL FUND	2.76%	2.49%	2.41%	2.70%
ASSESSMENTS	1.03%	1.00%	1.47%	1.50%
DEVELOPMENT SERVICES	0.39%	1.00%	1.50%	1.50%
GAS TAX/PROP42	0.00%	1.00%	1.50%	1.50%
PARAMEDIC/EMS	-9.30%	0.09%	1.50%	1.50%
PROP A	-9.47%	0.97%	1.46%	1.46%
PROP C	-2.78%	0.00%	0.00%	0.00%
GRANTS	0.00%	0.00%	0.00%	0.00%
SPECIAL REVENUES	-32.98%	0.38%	0.57%	0.58%
REDEVELOPMENT	1.00%	1.00%	1.50%	1.50%
INTERNAL SERVICES FUNDS	3.14%	3.05%	1.49%	1.50%
SEWER	6.63%	0.00%	0.00%	0.00%
WATER	8.16%	7.21%	6.73%	7.30%
BUSINESS TYPE	25.84%	0.00%	0.00%	0.00%
<b>Grand Total</b>	<b>1.96%</b>	<b>2.96%</b>	<b>2.65%</b>	<b>2.91%</b>

*Note: These numbers do not include Transfers In/(Out).*

## Expenditures

The summary reports below are designed to provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view is intended to illustrate the City's ability to continue functioning as a viable entity well beyond the next two fiscal year's operations. Additional details regarding each of the departments expenditures are presented later in this report.

The budget document includes a high level view of the City's major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The major funds presented are a broader view than what's presented in the City's annual financial statements so as to highlight funds considered critical to the City's operations.

**CITYWIDE EXPENDITURES**

<b>Fund Name</b>	<b>PROJECTED TOTAL FY 2010-11 BUDGET</b>	<b>PROPOSED FY 2011-2012</b>	<b>PROPOSED FY 2012-2013</b>	<b>PROPOSED FY 2013-2014</b>	<b>PROPOSED FY 2014-2015</b>
General Fund	7,634,387	7,336,590	7,395,577	7,506,510	7,619,108
Assessment Districts	103,575	103,748	105,104	106,681	108,281
Development Services	504,456	522,125	532,443	540,429	548,536
EMS/Paramedic	804,780	833,205	855,305	868,134	881,156
Gas Tax	305,028	296,042	295,239	299,668	304,163
Prop A	183,089	152,767	152,767	155,059	157,384
Prop C	236,824	126,716	126,716	128,617	130,546
Special Revenue	451,384	372,526	370,012	375,562	381,196
Redevelopment	1,612,377	1,682,413	1,704,126	1,729,688	1,755,633
Special Revenue- Grants	5,233	0	0	0	0
Internal Services	5,256,468	5,335,011	5,393,759	5,452,562	5,534,351
Water	3,355,824	3,586,425	3,739,641	3,795,735	3,852,671
Sewer	1,162,688	1,248,086	1,116,023	1,132,764	1,149,755
Business Type	627,290	604,999	624,469	633,836	643,344
<b>Grand Total</b>	<b>22,243,403</b>	<b>22,200,654</b>	<b>22,411,180</b>	<b>22,725,245</b>	<b>23,066,124</b>

<b>Fund Name</b>	<b>Budgeted Change in FY 2011-2012</b>	
General Fund	\$ (297,798)	-4.1%
Assessment Districts	\$ 173	0.2%
Development Services	\$ 17,669	3.4%
EMS/Paramedic	\$ 28,426	3.4%
Gas Tax	\$ (8,985)	-3.0%
Prop A	\$ (30,322)	-19.8%
Prop C	\$ (110,108)	-86.9%
Special Revenue	\$ (78,858)	-21.2%
Redevelopment	\$ 70,036	4.2%
Special Revenue-Grants	\$ (5,233)	0.0%
Internal Services	\$ 78,543	1.5%
Water	\$ 230,601	6.4%
Sewer	\$ 85,398	6.8%
Business Type	\$ (22,291)	-3.7%
<b>Grand Total</b>	<b>\$ (42,749)</b>	<b>-0.2%</b>

*Note: These numbers do not include Transfers In/(Out).*

**FINANCIAL HIGHLIGHTS- Expenditures**

At the macro-level, when looking at all expenditures in all funds, total expenditures have decreased by approximately \$42,000 as shown on the chart above. What is more significant is the analysis of each fund. For example:

- The City's General Fund expenditures are projected to decrease by \$297,797, or 4.1%. Reductions are the effort of management to close the gap resulting from flat revenues and higher transfers out. Additionally, the General Fund uses \$400,000 in FY 2010-2011 appropriations carryover from FY 2009-2010 to balance the General Fund at June 30, 2011.
- Proposition C decreased \$110,108; or 86.9%: FY 2010-2011 included one-time costs for street repair contracts.
- Other Special Revenue decreases \$78,858; or 21.2%: State Budget currently does not provide funding for COPSs or Public Library Funds.
- Redevelopment Funds increased \$70,036; or 4.2%; \$50,000 increase contract services
- Internal Services increase \$78,543; or 1.5%: \$100,000 in equipment replacement set-aside and \$200,000 in deferred maintenance set aside; \$150,000 in insurance premiums, \$65,000 reduction in Administration and Technology
- Water Fund increased \$230,601; or 6.4%, \$120,000 from earthquake insurance; \$150,000 Well maintenance planning.
- Sewer fund increase \$85,000; or 6.8%: FY 2011-2012 includes one-time contract services increase for infrastructure improvements.

### **Department Details**

A number of modifications were made in order to resolve the initially projected \$800,000 General Fund deficit. A portion of the savings comes from reduction in departmental expenditures, a portion comes from slight decreases to previous allocations for items such as increased Liability Coverage payments and internal service set-asides, and a portion will result from full or part-time salary or benefit modifications. Below is a description of the modifications by department.

### **Administrative Services Budget Adjustments FY 2011-12/2012-13**

The Administrative Services Department was tasked with the goal of reducing General Fund expenditures by approximately \$50,000. The Department, however, is funded almost entirely in the Internal Services fund where the ratio of dollar savings is more equivalent to \$100,000. The Administrative Services Department is proposing to reduce its Internal Service Fund by \$77,600 and reduce the Technology budget by \$30,000. In personnel, the Department is proposing to reduce one part-time IT position, reduce the part-time Accountant's hours by 500 hours, and reduce an Administrative Intern's hours by 200 hours, which results in a total cost savings of \$20,000. The total savings from reducing part time staff hours is \$35,000, but the Technology Department needs \$15,000 of the savings for part time IT hours. The impact of the reduction in part time hours will affect the department with less front desk coverage and will reduce assistance on special projects.

The Administrative Services Department is also reducing its contract services budget by \$35,000. The reduction is from a reduction of the onetime cost of the fee study that was completed last Fiscal Year. Another recommended reduction in costs will be in the SMTV budget in the amount of \$10,000. This reduction results in only a \$2,000 reduction in the contract with Community Media of the Foothills and equates to the elimination of one or two special event filming. The remaining savings is the result of reducing \$8,000 in capital purchases that were made this fiscal year, and are not necessary in the next two year budget.

Other reductions are \$10,000 from office supplies and \$2,600 from meetings and conferences. The reduction in office supplies is possible by printing more stationary/business cards in black & white instead of color, and by modifying a past practice of ordering business cards, name plates, etc for part time staff, etc.

The City is also reducing the technology budget by \$30,000. The city will be deferring the purchase of replacement computers for an additional year. Computers will only be purchased on an emergency basis. A portion of the savings comes from a deferral in the purchase of replacement computer servers. The impact of not purchasing new computer servers is that the equipment warranty will expire.

In addition to the cost savings discussed above, there are a number items that are not included in the upcoming two-year budget due to the lack of available funding. A few items are:

- Replacement of Library Servers
- Purchase of new voice mail system
- Improving connectivity between city hall and other city facilities
- City wide Wifi
- Full time Accountant

#### **Development Services Budget Adjustments FY 2011-2013**

The Development Services Department was tasked with the goal of reducing General Fund expenditures by approximately \$25,000. The Department exceeded the goal.

The Development Services Department reduced expenditures (and thus related General Fund and Redevelopment Agency expenditures) by a total of \$42,500. The proposed budget adjustment includes eliminating one part-time Planning Intern position (previously 2 part-time positions were budgeted) and reducing the budgeted expenditures for contract professional planning services.

The part-time Planning Intern position assists the Department with the day-to-day phone and public counter inquiries regarding the zoning code, scheduling calls for building inspections, and assisting applicants with plan check and building permit applications. A Planning Intern is expected to have some limited land use, planning, and building and safety background from a combination of college education and work experience, which helps to free the Senior Planner, Assistant Planner, and Building Official from some of these tasks in order for them to focus on other assigned project tasks. This position also helps with the Department's project tracking and inspection schedule which



corresponds with the new permit software. Leaving this position unfilled may result in increasing the turn-around time for reviewing plan check submittals and processing applications, as these tasks would need to be shared by the full-time staff.

The Development Services budget is also adjusted by eliminating \$25,000 which was set-aside for professional planning services in the FY 09-11 budget. This is normally a contingency amount in the event professional services are necessary, but in order to achieve the requested budget savings it was necessary to eliminate this line item. Staff is concerned that it may be necessary to secure additional professional services if the current trend of increasing development activity continues. If it is necessary to secure additional professional services, whenever possible, staff would require direct reimbursement (including overhead costs) from the applicant as a prerequisite to securing additional assistance.

It is important to discuss the Department workload. Workload will continue to substantially increase with directed strategic plan priorities such as the General Plan update, and pending Housing Element completion, along with increased workload associated with the completion of a new Housing Element, completion of a new Impact Fee report, the Alverno Master Plan, pending large development projects such as the former skilled nursing site, implementation of CRA-related programs, the development of 1 Carter, including potential sale and subdivision of Stonehouse, which is still pending. Statistically, activity in the Department, as measured by the number of building permits/plan checks, has increased by 59% from the previous fiscal year.

Significant additions in the proposed two year budget include funding for a new Housing Element and an Impact Fee report. In addition, given the workload, the temporary two-year Planner position has been extended to a three year temporary position currently budgeted to continue through Fiscal Year 2012-2013.

#### **Police Department Budget Adjustments FY 2011-2013**

The Police Department was faced with the challenge of reducing its General Fund budget by a goal of approximately \$300,000. The total reduction was necessitated by many external and internal factors; the first factor was the effect of State budget reductions, as described later in this section. The second influencing factor was the overall increase in Department expenditures such as Workers' Compensation and gasoline costs. The third influencing factor was the City's effort to maintain the UUT rate at 10% instead of increasing to the maximum 12%. As has been stated previously, the three year increase in the UUT (8%, 10% and 12%) was linked to the three year increase in Police Department salaries. The third year of salary increases occurred, while the third increase in the UUT rate did not occur. An attempt is being made to equate the increase in the UUT revenues (the increase between 6% and 10%) to the increase in Public Safety expenditures.

Finally, the Department was faced with increasing fee schedules from several of the contract vendors. For example, with the loss of State revenues many of the normal services that were previously provided to local police departments have either been eliminated or the County is now charging for those services. The most pertinent example will be the booking of prisoners into the Los Angeles County jail system. Previously there was no charge to process, transport, and house Sierra Madre Police Department prisoners (that were unable to be housed at the Pasadena Police Department jail) in the Los Angeles County Jail system.

As mentioned previously, State budget reductions are also impacting the Department. For example, the potential loss of the Cops Grant which brings an additional \$100,000 of funding for the prevention of crime. As we continue to monitor the State budget deliberations, we can only estimate now that the Cops Grant will either be eliminated or the city will receive approximately 50% of the normal allocation. This has a direct effect on policing services within the City of Sierra Madre. In order to be as conservative as possible, the budget assumes no State COPS funding.

The reduction of the Police Department budget by \$300,000 leaves few options within the department that enables it to continue to operate as efficiently as it has over the past two years and provide the best possible public safety service to the community. Much consideration was given to the various options, including the impact of eliminating full-time positions and the impacts of service level reductions.

After much consideration, it was determined that the City's recent experience with part-time sworn and non-sworn personnel provided the greatest flexibility in scheduling staff, providing coverage, while keeping costs low, and the recommendation is to maintain most current part-time staff while freezing two full-time positions. The two full time positions that are proposed to be frozen for the next two year period are positions that are not, or will not be occupied, and do not result in the lay-off of any full-time staff. (The Police Chief's retirement at the end of this calendar year, and a current full-time Officer vacancy.)

The following savings reflect the majority of the budget reduction for the Police Department:

	<b>2011-2012</b>	<b>2012-2013</b>
Captain - Six Month Sal/Benefit Savings	\$104,427.75	\$0.00
Captain Position Salary Savings	\$0.00	\$208,875.00
P-T Lieutenants Positions Extended in 2012	\$0.00	(\$109,512.00)
One Full Time Officer Vacancy Frozen	\$75,000.00	\$75,000.00
One Part-time Officer Position Frozen	\$31,349.95	\$31,349.95
Outside Police Services Eliminated	\$10,000.00	\$10,000.00

Reduction in Overtime	\$100,000.00	\$100,000.00
Total Reduction to the police budget	\$320,777.70	\$315,712.95

With the proposed part-time and full-time staffing level and the support of Reserves and other volunteers, it is anticipated that it will not be necessary to expend \$10,000 for Outside Police Services (for example, these funds are not anticipated to be spent this fiscal year), and a reduction in overtime is also anticipated.

The Police Department is also currently exploring possible cost saving options related to animal control services, which could reduce the amount spent for contract services, while providing acceptable animal services to the community. If any of the options appear to be viable, Staff will return with information at a future Council meeting.

In addition to the cost savings discussed above, there are a number of items that are not included in the upcoming two-year budget due to lack of available funding.

- Unfreeze the full time Captain position - \$313,302.75
- Unfreeze the full time Police Officer position - \$157,000.00
- Unfreeze the 4<sup>th</sup> part time Police Officer position - \$42,327.00
- Utilizing a part-time Records Clerk instead of a full time Records Clerk \$28,512.00
- Replacement of Police Vehicle Computers (MDC) \$27,000.00
- Replacement of Outdated Taser Cartridges (\$8,000.00)
- Addition of two Reserve Police Officers, due to processing and equipment cost. - \$10,350.00
- Replacement of only two of the four Radar Units - \$6,000.00
- Inability to send employees to training that is not reimbursed by the State.- \$5,000.00
- Reduction of overtime to thoroughly investigate cases \$35,000.00

### **Fire Department Budget Adjustments FY 2011-2013**

The Fire Department was faced with the challenge of reducing its General Fund (General Fund and EMS fund) budget by a goal of approximately \$60,000. This budget reduction goal, similar to the justification for the Police Department reduction, was based upon linking the increased UUT revenues (from 6% to 10%) to total public safety expenditure increases.

Similar to all Departments, the Fire Department is being impacted by cost increases that are out of the Department's control, specifically gasoline costs and cost allocations.

It is proposed that the cost reductions occur in the following areas:

#### **Budget reductions**

- Part Time Wages \$36,168
- Membership Dues \$2,500

• Fire Training	\$7,000
• EMS Overtime	<u>\$15,000</u>
	\$60,668

The City now has a history of part-time salary expenditures, covering a few fiscal years, and due to various part-time position vacancies throughout the year, it is possible to reduce part-time wages, and overtime, while not impacting service delivery. The reduction in training will most likely come from eliminating the burn trailer training.

It should be noted that the Budget includes the addition of a full-time paid Captain (\$120,000) in FY 2012-2013. An additional \$35,000 was also included for remodeling of the current Captain's quarters into sleeping quarters.

In addition to the cost savings described above, there are a number of items that are not included in the upcoming two-year budget due to lack of available funding:

Replacing the hung ceiling in the apparatus bay	\$9,000
Resurface the floor in the apparatus bay	<u>\$13,000</u>
	\$57,000

#### **Public Works Budget Adjustments FY 2011-2013**

The Public Works Department was faced with the challenge of reducing its General Fund budget by a goal of approximately \$50,000. It is proposed that the Public Works department reduce expenditures by freezing a full-time Facilities Maintenance Worker position. Leaving this position vacant reduces Internal Services/Facilities expenditures (and thus related General Fund expenditures) approximately \$24,000. The position was vacated by an employee who resigned to accept employment elsewhere, so it will not be necessary to lay-off a full-time employee. Leaving the Facilities Maintenance Worker unfilled may result in delays in departmental response to building facility maintenance requests or diversion of other field staff members away from other duties in order to meet facilities' needs.

Public Works has also provided relief to the Internal Services/Facilities Fund by re-allocating Downtown Assessment District Expenditures from Internal Services/Facilities to the Community Redevelopment Agency. This re-allocation will result in a reduction of Internal Service/Facilities Fund expenditures of approximately \$50,000. It is noted however, that if the State eliminates redevelopment agencies, or modifies eligible expenditures, these savings will not be realized.

Finally, Public Works has reduced its General Fund direct expenditures by \$22,270 with a combination of measures, including a slight level of service reduction by the City's park maintenance contractor.

In addition to the cost savings measures discussed above, there are a number of items that are not included in the upcoming two-year budget due to lack of available funding. A few of the major items are:

Installation of rollup doors on water shop (Increase accessibility and security)	\$15,000
Installation of maintenance yard security improvement measures	
Replace spreading grounds/maintenance yard security fencing	\$50,000
Install Security Cameras	\$6,500
Install Main Gate keypad	<u>\$2,000</u>
	\$58,500
Purchase of telescopic boom lift (Hanging flags, banners, high-reach building maintenance)	\$60,000
Remodel of Public Works Maintenance Office	<u>\$35,000</u>
	\$168,500

#### **Community & Personnel Services Budget Adjustments FY 2011-12/2012-13**

The Community and Personnel Services Department was tasked with a budget reduction goal of \$50,000. Staff is recommending that the Youth Activity Center (YAC) programming be contracted out to the YMCA. The partnership with the YMCA is anticipated to be a win-win situation for both the City and the YMCA. The City would be able to decrease its programming and part-time staffing costs by approximately \$42,500, while the YMCA would obtain an additional facility in order to expand their services. The YMCA is experienced and capable of providing the type of programming the community, staff and the Community Services Commission expect. The YMCA will be providing a proposal that will be reviewed at the May 2011 Community Services Commission meeting. (The contracting of YAC programming will result in the reallocation of full-time costs previously allocated to the YAC to other Community Services funds.)

In addition to contracting out the programming at the YAC, staff anticipates increases in revenues in FY 2011-2013 due to increases in Contract Classes and Facility Rentals. Currently there are eight (8) proposals for new contract classes. However, with the pending renovation of the Hart Park House, there will be limited space to add new classes. Nonetheless, staff anticipates revenues to increase with minor increases to expenditures.

Similarly, staff expects revenues for rentals of the Sierra Madre Room to increase drastically in the next fiscal year and for the Hart Park House the year after. Additional expenditures (namely part-time staff) are already covered in the cost of the rental.

In the Personnel/Risk Management fund, it is recommended that the City reduce insurance premiums by shifting earthquake insurance for the Water infrastructure

directly to the Water Fund; canceling the earthquake insurance on City Hall and Police/Fire Buildings; and choosing not to pay down the rolling-retro liability that resulted from the JPIA change in funding models.

In addition to the cost savings discussed above, there are a number of items that were not included in the upcoming two-year budget due to lack of funding.

Complete replacement of tables and chairs in the Hart Park House (replacing only what is necessary)	\$25,000
Replacement of various pool equipment	<u>\$20,500</u>
	\$55,000

A part-time analyst position to assist within the Personnel Division was also not included in the budget. (Estimated cost \$30,000 annually.)

#### **Library Budget Adjustments FY 2011-2013**

While other Departments were provided with cost reduction goals, the Library was requested to determine if any cost saving alternatives were possible without reducing hours of service to the community. Over the years the Library has endeavored to find grants, seek donations, and relied on dwindling State funds. In the end, it was not possible to further reduce the Library's General Fund expenditures, without reducing the number of hours the Library is open to the public, so no major changes are anticipated.

Historically, the Library Department reduced its expenditures in 2006 when the Library Technology Grant was expended, while maintaining increased services in support of citywide projects such as the delivery of documents online and updating the City website with information submitted by other departments. The Department also extends City provided customer service hours an average of 24 ½ hours per week because it is open on Saturday and evening hours when City Hall is closed to the public. As stated previously, a reduction in the Library's operating budget is not being recommended for the 2011-2013 budget because it would require the elimination of one day of service per week; from six to five days. This would provide the public with fewer hours to examine agenda packets, maps, reports, and other public information; and negatively impact access by students to resources they need for school at a time when schools are drastically reducing or eliminating library services.

However, the Library Department has reduced Internal Services/Facilities expenditures (and thus related General Fund expenditures) approximately \$24,000 by funding technology purchases from reserves in the California Library Foundation funds (two computer servers (2003), 2 desktop computers for the Children's Library (2003; 2004) and 2 laptops (2003) would be replaced).

The Library is also deferring needed expenditures because of the lack of available funding. Unless grant or other funding is secured, a sampling of the items not included in the upcoming two-year budget includes: Purchasing a portable scanner for the Archivist to use in the field; a sound system that is more portable and easy to use for programs held on-site; new furniture for the computer lab; and staffing service level increases.

Portable Scanner for use in the field by the Archivist	\$500
Sound System for library programs held on-site	\$750
New furniture for computer lab	\$12,600
Technology (Servers, computers and laptops)	\$24,000
1 part-time Library Technician to 1 full-time Librarian position (web/technology)	\$54,000
2 part-time Librarians to 1 full-time Librarian position	<u>\$28,000</u>
	\$119,850

#### **General Salary & Benefit Assumptions**

As the Council is aware, contract negotiations with the City's two bargaining units (Police Officers Association and Classified Employee Association) are currently ongoing. At this time, the budget reflects general salary and/or benefit reductions targets in the amount of \$43,000 for unrepresented staff, \$50,000 for the POA and \$25,000 for the CEA.

Unrepresented, non safety staff has been informed of the recommendation that they begin paying 2% of their share of retirement costs, while the unrepresented safety staff share is proposed at 3%. The 2% (or 3%) amount is equal to the actual percentage increase in PERS. The two bargaining units are aware of the City's need to reduce expenditures and the end result will depend upon the outcome of the negotiation process.

## DEBT

Within the CRA Debt Fund, the budget reflects the annual interest payments for the 2003 Tax Increment Bonds, \$135,625 in FY 2011-2012 and \$122,500 in FY 2012-2013. Under the modified accrual method, the bond principal payment is also appropriated in the budget process; the payments are \$255,000 in FY 2011-2012 and \$270,000 in FY 2012-2013.

### CRA BOND PAYMENTS FOR FY 2011-2013

FYE	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2012	5.00%	\$ 255,000	\$ 135,625	\$ 390,625
2013	5.00%	\$ 270,000	\$ 122,500	\$ 392,500

The Water budget does include the annual interest payments for the 1998 and 2003 Revenue Bonds, \$498,345 in FY 2011-2012 and \$480,245 in FY 2012-2013. Under the full accrual method, the bond principal payment is shown as a Balance Sheet and Cash Flow entry only; the payments are \$350,000 in FY 2011-2012 and \$370,000 in FY 2012-2013. The principal amounts represent only the 1998 Revenue Bonds. The Water fund will begin making principal and interest payments on the 2003 Revenue Bonds in 2020 after the 1998 Revenue Bonds are repaid in 2019.

Beginning in FY 2012-2013, the Water Fund will begin repayment of the 10 year interest free loan to the San Gabriel Valley Municipal Water District (SGVMWD); \$145,688 annually until FY 2020-2021. The City received a two year extension from SGVMWD allowing time for the City to implement its first water rate increase since 2005 following the Proposition 218 Bighorn Decision. The SGVMWD loan extension allows the City to maintain its Debt Service Coverage at 1.01 in FY 2011-2012 and 1.2 in FY 2012-2013. Like the bond principal payment, the loan payment is not reflected in the annual budget of the Water Fund, but is only reported in the annual financial statements.



**WATER REVENUE BONDS (1998 SERIES) PAYMENTS FOR FY 2011-2013**

FYE	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2012	5.00%	\$ 350,000	\$ 159,000	\$ 509,000
2013	5.00%	\$ 370,000	\$ 141,000	\$ 511,000

**WATER REVENUE BONDS (2003 SERIES) PAYMENTS FOR FY 2011-2013**

FYE	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2012	5.00%	\$ 0	\$ 339,345	\$ 339,345
2013	5.00%	\$ 0	\$ 339,345	\$ 339,345

**SAN GABRIEL VALLEY WATER DISTRICT TEN-YEAR INTEREST FREE NOTE  
 PAYMENTS FOR FY 2012-2013**

FYE	RATE	PRINCIPAL DUE	SERIAL REDEMPTION INTEREST	TOTAL DEBT SERVICE
2012	0.0%	\$ 0	\$ 0	\$ 0
2013	0.0%	\$ 145,688	\$ 0	\$ 145,688

## CAPITAL IMPROVEMENT PROJECTS

Previously the Council directed staff to implement a Deferred Maintenance and Equipment Policy that funded 24% of the estimated needs. The budget as currently drafted satisfies the 24% directive.

Below is just a general summary, because the total Capital Improvement Project is not yet ready for the Council's consideration and will return at a later date. However, a general introduction may be helpful to provide an overall perspective. As part of the adoption of this budget, each facility and infrastructure is evaluated as to a specific deferred maintenance cycle. The City equipment is placed on a replacement cycle. This will eventually be presented in the capital budget section of the budget. Staff has included the following previously identified items; however, in today's presentation, the detailed list of deferred maintenance and equipment replacement has not been completed.

### **FLEET EQUIPMENT BUDGET**

FY 2011-2012: police patrol

FY 2012-2013: police patrol

FY 2011-2012: 50% of depreciation added to fund reserves for future equipment replacement

FY 2012-2013: 50% of depreciation added to fund reserves for future equipment replacement

### **FACILITIES MAINTENANCE BUDGET**

FY 2011-2012: 20% of depreciation added to fund reserves for future maintenance

FY 2012-2013: 20% of depreciation added to fund reserves for future maintenance

### **VARIOUS FUNDS**

FY 2012-2013: Phase III of street repavement program

### **REDEVELOPMENT**

FY 2011-2012: continuation of capital infrastructure projects outlined in CRA Five Year Implementation Plan adopted October 2010

### **SPECIAL REVENUES**

FY 2011-2012: remodel of Hart Park Senior Center

### **TECHNOLOGY FUND**

FY 2011-2012: replacement of email server and PD server

FY 2012-2013: continuation of technology equipment replacement policy

### SEWER FUND

FY 2011-2012: Sewer infrastructure maintenance schedules

FY 2012-2013: Sewer infrastructure maintenance schedules

### WATER FUND

FY 2011-2012: Water well maintenance schedules

FY 2012-2013: Water well maintenance and GAC replacement schedules

UNFUNDED PROJECTS	<u>Amount (In Thousands)</u>	<u>Occurrence</u>	<u>Suggest Funding Sources</u>	<u>year funded</u>
ADA Automatic Doors Community Center	35	one-time	CDBG	<i>unfunded</i>
Auburn Reservoir	256	every 10 years	Facilities	<i>unfunded</i>
Ceiling and Floor Maintenance of Fire Apparatus Room	96	every 10 years	Facilities	<i>unfunded</i>
City Yard Equipment	265.5	every 10 years annually (five year rotation)	Fleet	<i>unfunded</i>
Computer Replacement	20	rotation)	IT Fund	<i>funded</i>
East Tunnel Rehabilitation	280	one-time	Water	<i>unfunded</i>
Library HVAC	30	every 10 years	Facilities	<i>funded</i>
Library information upgrade	17	every five years	General fund	<i>unfunded</i>
Paint exterior of City Hall/Police Station	120	every 10 years	Facilities	<i>unfunded</i>
PD computers for vehicles	27	every five years	General fund	<i>unfunded</i>
Pool Equipment Replacement	10	annually (various)	Aquatics	<i>funded</i>
Safety Radio Replacement	75	every five years	General fund	<i>unfunded</i>
Security System (citywide)	25	one-time	Facilities	<i>unfunded</i>
Server Replacement	15	annually (three year rotation)	IT Fund	<i>funded</i>
Sierra Vista Restroom Renovation	75	every 10 years	Facilities	<i>unfunded</i>
Street Resurfacing	775	every five years	Facilities	<i>unfunded</i>
Voicemail Replacement	50	every 15 years	IT Fund	<i>Unfunded</i>
Wells	225	annually (five year rotation)	Water	<i>Unfunded</i>
West Tunnels	75	every five years	Water	<i>Unfunded</i>

### Deferred Maintenance and Equipment Replacement Policy



■ Funded Capital Projects    □ Deferred Maintenance Policy    ■ Unfunded Projects

### **CONCLUSION**

When the City Council was presented the FY 2009-2011 biennial budget in May 2009, the national and local economy was in the midst of the largest downturn since the great depression. The housing market would continue to depreciate more than 20%, unemployment would be at its highest level since 1970's, and oil costs would more than double affecting the cost of consumer goods. All these factors seem external to Sierra Madre, however they do have an impact.

Revenues remain relatively flat for the City, aside from some moderate growth in inflation of 1.1%. However, the City has been faced with absorbing higher utility costs, fuel costs, unfunded deferred maintenance, and unfunded equipment replacement. In addition, health care costs and pension costs continue to rise. The City's workers compensation costs and general liability costs are twice the estimates of FY 2009-2010.

To mitigate the costs increases each department was asked to reduce General Fund expenditures and changes will need to be made in how certain services are provided. For example, the budget includes freezing a Public Works maintenance worker, Police patrol officer and a Police management position, and part-time hours are reduced throughout the City. Management hopes to mitigate additional personnel cost increases through a negotiation process with the City's bargaining units.

In the budget proposal, staff recommends that the City reduce its insurance premiums by shifting earthquake insurance of Water infrastructure directly to the Water Fund; canceling the earthquake insurance on City Hall and Police/Fire Buildings; and choosing not to pay down the rolling-retro liability that resulted from the JPIA change in funding models.

In addition, management has evaluated the cost verses benefits of all the services it provides. Whenever opportunities have presented itself with attrition, management has evaluated the continuation of the services the position provided and the overall impact to residents, business owners, and staffing. In some cases, management has recommended contracting out the services as an alternative, such as in the case of grounds maintenance, technology services, and, in this budget discussion, contracting YAC programming.

Staff believes this budget proposal provides an appropriate amount of reductions without severely reducing service levels and the services the City provides.

### **ALTERNATIVES**

The budget as presented provides a broad perspective of the costs facing the General Fund in the next five years. The revenues presented are extremely conservative and may produce more funds than estimated. Conversely, the General Fund and Internal Services funds show the largest needs, but provide some flexibility. For example, a less aggressive deferred maintenance policy could be adopted or postponed until the

economy recovers enough to allow for this kind of financial planning. Another example, is discuss using one-time reserves and paying down the Self-Insurance policies which may result in some savings, but reduces City reserves below policy direction. However, some cost increases may be unavoidable, such as increases in utility costs and fuel costs. Staff will continue to look at costs in the most efficient light and look at savings wherever possible.

The detailed descriptions of each department provide a summary of the changes, and a summary of the items that were not included in the budget. This information is provided, since it is ultimately a City Council policy decision regarding the specific level and type of services provided.

Additionally, should the Council desire, an additional budget review date of Tuesday, May 31<sup>st</sup> has been set aside for additional review.

**PUBLIC NOTICE POLICY**

This item has been noticed through the regular agenda notification process. Copies of this report are available at the City Hall public counter and the Sierra Madre Public Library.

**STAFF RECOMMENDATION**

Staff is recommending the City Council discuss, receive public comment, provide staff with direction regarding the preparation of the Proposed Fiscal Year 2011-13 Budget, and establish June 14, 2011 as the budget adoption date.

