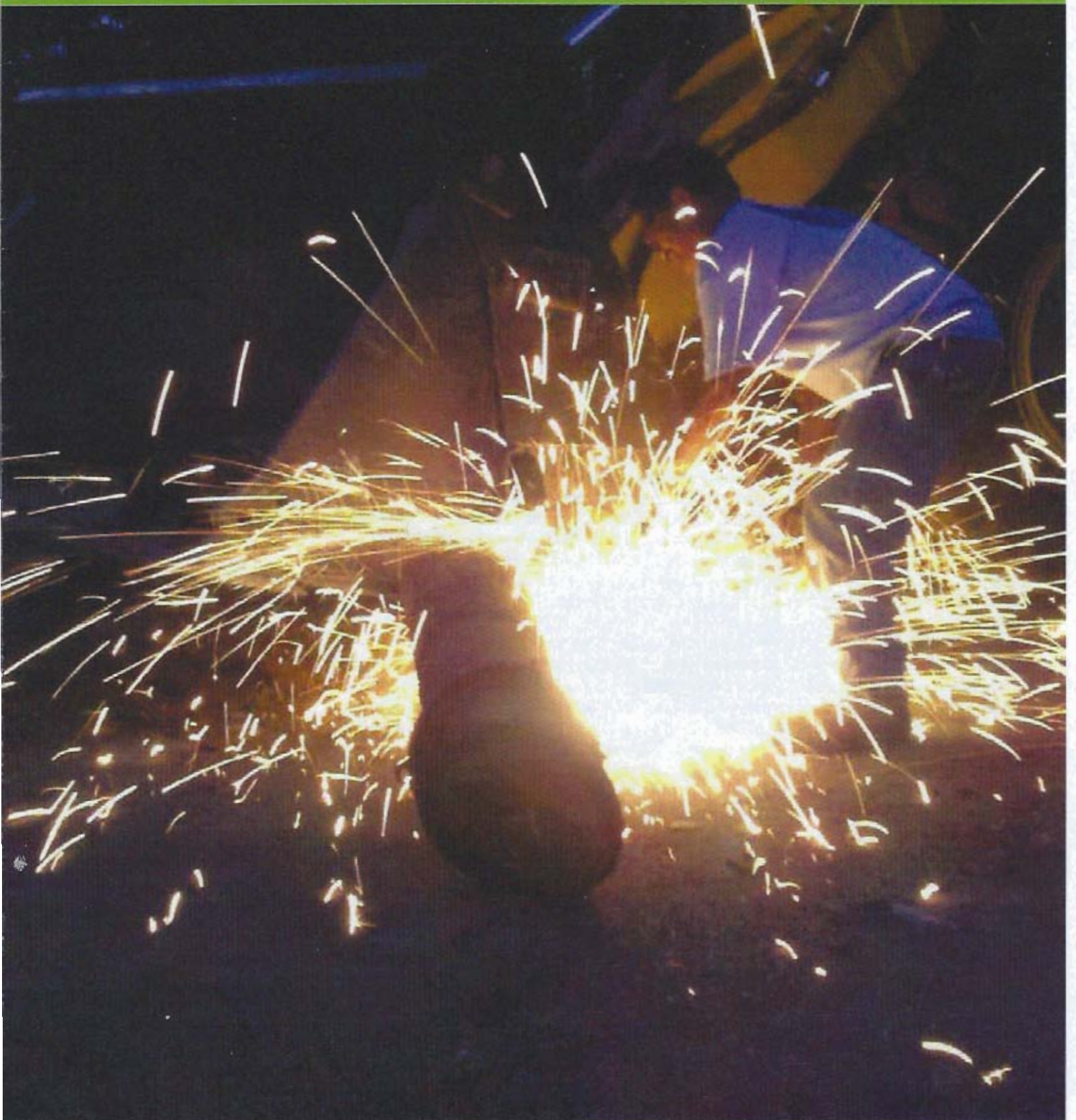
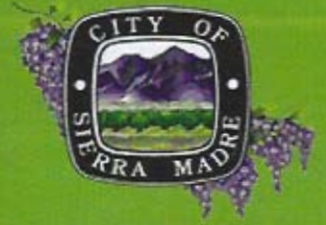


City of Sierra Madre
ANNUAL STATE OF THE CITY REPORT

February 2013



Annual Financial Review

The City is a full service municipality operating within a \$17 million budget that funds 66 full-time employees assigned to eight operating departments. The City's primary goal is to provide services to its residents and businesses.

Government services are primarily funded by property taxes, local taxes, and user fees. Since 2008, the City has either had flat or declining revenues such as the loss of Tax Increment Revenues from the Community Redevelopment Agency. Added to the difficulty in maintaining a balanced budget is that contract expenses have increased 3-5% annually, such as dispatching services for the Fire Department, Humane Society animal control services, fuel purchases, or utilities. These impact the City's purchasing power. For example, in Public Works, sidewalk materials increases have grown almost 8% since 2007, but the City General Fund revenues have only grown 2.9% during the same period. The department must choose to buy fewer materials or reduce another purchase (or reduce staff) in order to remain in balance with its funding. This is true in all departments/funds. Another way to state this, the inflationary costs of goods and services exceed inflationary receipts of revenue; therefore, to balance the two, expenditures (services and the materials needed to support the service) are scaled back to revenues supporting City services.

The City's original budget for the 2011-2012 fiscal year was balanced after more than \$900,000 in staffing and other reductions. However, two major financial events occurred in the City during FY 2011-2012. First, in November 2011, the cities in the San Gabriel Valley foothills experienced a large scale windstorm. Sierra Madre's recovery costs exceeded \$560,000 funded by the City's General Fund. Following this, in December 2011, the State Supreme Court upheld AB1X26 which dissolved Redevelopment throughout the State, but it shot down the counterpart AB1X27 that would have allowed Sierra Madre's Community Redevelopment Agency to make payment to the State to remain active despite AB1X26 dissolution. The loss of the CRA is almost \$900,000 annually to the City's finances. The City responded by making \$440,000 in additional General Fund cuts which included \$270,000 from personnel. By July 1, 2012, the City downgraded five positions, laid off two full-time positions, and eliminated 21,500 part time hours (10 FTE) from the budget permanently. All of which required a complete reorganization of every department (except Public Works which had under gone this process at the beginning of the FY 2011-2012 budget in the earlier \$900,000 reductions). These reductions have allowed the FY 2012-2013 year budget to be revised and balanced.

Going forward, the City has experienced five years of flat or nearly declining revenues, which leads into the next five year projections not showing much change in these trends. The City continues to monitor its three remaining major funds, General Fund, Water, and Sewer for revenue improvements, but must also continually scale back expenditures, and therefore purchasing power, in these three funds or risk using reserves to fund its operational needs. Since Proposition 13 in the 1977, governments, state, and local government must achieve voter approval for increased taxes. In Water and Sewer, two City utilities, the City is required to complete a comprehensive fee study and a Proposition 218 Majority Protest.

In the City's General Fund, its financial stability is reliant on the Utility User Tax (UUT). The UUT has grown to over 30% of the General Fund as a result of a voter approved increase in rate in 2008. The City Council has set the Utility User Tax rate at 10% since 2010 through June 30, 2015 despite a maximum collection rate of 12%. The UUT is set to begin stepping down July 1, 2014 from 12% to 10%; and continue stepping down 2% each July 1 thereafter until it reaches a base of 6%. The voters were asked to extend the period out further into 2020 for 12% rate, but this was unsuccessful. The next opportunity for extension of the UUT rate is April 2014 at the next regularly scheduled election. The City's General Fund is estimated to lose \$500,000 per 2% drop in UUT rate. Compounded by inflationary expenditures exceeding revenues by almost 3%, without any changes in the City's financial planning, the City's General Fund will be unbalanced by nearly \$1.7 million by June 30, 2017.

As the City of Sierra Madre begins developing the next biennial budget, the City is hopeful that the major economic recession is winding down. However, realistically as home prices are still close to 2002 prices, it will take many more years before the full recovery and its impacts on City's revenue is felt. Add to UUT revenues that could potentially deteriorate, the City is faced with many challenges ahead.

Business-Type Funds: the enterprise funds had a decrease in revenues collected for services \$316,000; 7.17 percent; and had an increase in expenses of \$310,000; 6.49 percent. The Water fund had a decrease in revenue of \$147,000; 4.62 percent; despite having a rate increase of 7.75 percent. This loss is reflection of conservation of water usage both for economic and environmental intents. At the close of FY 2011-2012, the City's Internal Services funds decreased net assets by \$306,035.

Revenue, Expenditures, and Changes in General Fund Balance
(modified accrual basis of accounting)

	Audited FY 2011-2012	Projected FY 2012-2013
Revenues		
Property Taxes	\$ 3,416,568	\$ 3,428,424
Sales Tax	179,736	197,327
Utility User Tax	2,344,713	2,600,000
VLF/Property Tax	910,848	906,598
Other Taxes	58,107	79,931
Charges for Services	128,437	164,391
Intergovernmental	591	8,161
Business Licenses	238,031	215,000
Franchise Fees	356,588	308,000
Licenses and Permits-Other	89,649	105,676
Fines and Forfeitures	231,011	169,418
Investment income	6,838	52,281
Miscellaneous	18,249	27,902
Total Revenue	<u>7,979,366</u>	<u>8,263,109</u>
Expenditures		
Current:		
General government	1,387,713	1,342,140
Public safety-Fire	510,872	697,868
Public safety-Police	3,591,967	3,634,646
Public works	316,389	355,790
Development	192,750	-
Culture and recreation-Recreation	239,104	281,597
Culture and recreation-Library	814,875	894,936
Debt Service:		
Principal	68,180	99,000
Interest	-	-
Capital outlay	18,674	22,000
Total all other governmental funds	<u>7,140,524</u>	<u>7,327,977</u>
Excess (deficiency) of revenues over (under) expenditures	838,842	935,132
Other financing sources (uses):		
Transfer in	94,638	101,000
Transfer out	(1,344,753)	(954,179)
Total other financing sources (uses)	<u>(1,250,115)</u>	<u>(857,601)</u>
Net change in fund balances	(411,273)	77,531
Fund Balances, beginning	<u>5,521,717</u>	<u>5,110,444</u>
Fund Balances, ending	<u>\$ 5,110,444</u>	<u>\$ 5,187,975</u>

Department Overview

The City is a full service municipality operating with a \$17 million budget that funds 66 full-time employees assigned to eight operating departments that offer a wide range of services to the community. Government services are primarily funded by property taxes, local taxes, and user fees. The local economy consists primarily of professional service providers and specialty retail shops and restaurants.

Each Department offers valuable services to the City of Sierra Madre and does so both efficiently and effectively. The following reports provide information on each department and showcases their accomplishments over the past year.

Administrative Services Department

PURPOSE:

Administrative Services is responsible for the day-to-day business affairs and administration of the City. The department provides quality administrative and financial services to the community and provides access to city information through highly efficient and technically appropriate means.

NUMBER OF STAFF:

Six full-time, Two part-time

COMMISSIONS/COMMITTEES OVERSEES:

UUT Oversight Committee
Successor Agency Oversight Board

ACCOMPLISHMENTS:

- Completed City's Comprehensive Annual Financial Report
- Worked with City Management to reorganize citywide staffing levels to create efficiency and cost savings
- Implemented new fee schedule to meet the goal of full cost recovery for certain City services
- Responded to the State's dissolution of the Redevelopment Agency

Human Resources Department

PURPOSE:

Human Resources performs a variety of personnel and risk management duties including employee recruitment and retention, benefits administration, personnel file maintenance and security, workers compensation, as well as insurance and liability protection. The Department also provides citywide training for employees who exhibit professionalism, excel at customer service and promptly assist residents with their needs.

NUMBER OF STAFF:

Three full-time

COMMISSIONS/COMMITTEES OVERSEES:

Safety Committee
Municipal Volunteer Committee

STATISTICS:

- 10 Full time Recruitments
833 Applications Received
11 Hired
- 19 Part-time Recruitments
809 Applications Received
16 Hired
7 Recruitments not completed/filled due to budget reductions
- 25 Liability Claims Submitted
18 Open, 17 Closed
- 17 Workers Compensation Claims Submitted
8 Open, 9 Closed

ACCOMPLISHMENTS:

- Instituted City's first-ever Human Resources Department
- Implemented City-wide Re-organization for a savings of \$250,000
- Instituted new online employment application and interview process
- Completed Labor Negotiations
- Adopted a Classification Plan
- Expanded the Employee Recognition Program to allow for online submittal from employees and the community
- Created an employee newsletter



Library Services Department

PURPOSE:

The Library Services Department provides public access to current and historical information through physical and electronic collections; delivers services and programs supportive of lifelong learning, critical thinking, cultural enrichment and community engagement; maintains the City's Website; and posts City documents and news. Public internet access is available through wireless connections and computers within the library. Library staff are trained to assist patrons in using technology effectively.

NUMBER OF STAFF:

Six full-time, Eleven part-time

COMMISSIONS/COMMITTEES OVERSEES:

Library Board of Trustees

STATISTICS:

11,380 Registered Borrowers
105,121 Books in Circulation
55,747 Book Volumes Held
13,312 Public Computer Sessions
225 eBooks
4000 adults & children program attendees

ACCOMPLISHMENTS:

- Held I Love My Library Contest
- Completed Community Survey
- Received grant for assessing and preserving local history
- Received grant for digital storyboards to showcase "Sierra Madre Stories & Treasures"
- Installed Ancestry.com database
- New Book Alerts on Library website
- Remodeled Rotary Children's Room
- City Agenda Packets online; ordinances & resolutions to be online
- Advocacy Training for Library Trustees
- New Free Book Bench courtesy of Eagle Project



Development Services Department

PURPOSE:

The Development Services Department is responsible for the City's Planning and Building & Safety divisions. The Department provides efficient and effective professional planning and building services to the citizens of Sierra Madre and to development professionals while safeguarding life and property and enhancing the City's economic base and neighborhoods. The Department also maintains the City's list of historic landmark structures and monitors the City's historic preservation program.

COMMISSIONS/COMMITTEES OVERSEES:

Planning Commission
General Plan Update Steering Committee

ACCOMPLISHMENTS:

- Approved Kensington Assisted Living Facility
- Amended Measure V to except Kensington parcels from Measure V dwelling unit density limit
- Amended Historic Preservation Ordinance to allow adaptive reuse of historic homes to bed and breakfast inns
- Approved 5-unit condominium project at vacant site at Sierra Madre Blvd. /Sierra Madre Place
- Conducted two business community outreach meetings regarding the Market Demand Study
- Implemented Second Unit Amnesty Program
- Hired a part-time code enforcement officer

NUMBER OF STAFF:

Four full-time, One part-time

STATISTICS:

9 Major CUP & Variance Applications
9 Minor CUP & Variance Applications
5 Zoning Code Text Amendment
1 General Plan Amendment
4 Second Unit Permits
664 Building Permits

CURRENT PROJECTS:

1. General Plan Committee managing technical reports prepared by environmental consultants for the drafting of a comprehensive General Plan Update.
2. Completion of current Housing Element Update 2008-2014, begin update for next 5-year cycle
3. R-1 Single-family residential zoning amendments
4. Kensington Assisted Living Facility plan check review and building permit for construction
5. Processing 3 Hillside Development Permit applications for new home construction in the Stonegate/1 Carter site
6. From Market Demand Study sent pursuit packages to retailers that are a retail match to Sierra Madre

Public Works Department

PURPOSE:

Public Works is responsible for the production and distribution of potable water to the community as well as maintenance of all City infrastructure, including street, sewer, storm drain and water systems. The Department also maintains all City buildings, parks, landscaped areas, City owned trees and the City's vehicle fleet. Department staff administers the City's contract solid waste disposal, street sweeping, and tree trimming services as well as the City's Capital Improvement Program (CIP), and Community Development Block Grant (CDBG) programs.

NUMBER OF STAFF:

Nineteen full-time, One part-time

COMMISSIONS/COMMITTEES OVERSEES:

Tree Advisory Commission
Green Advisory Committee

ACCOMPLISHMENTS:

- Rehabilitated Well 6 improving pumping efficiency and production
- Painted Auburn Cement Reservoir
- Sediment and scarified settling basins to improve groundwater infiltration repaired
- Repaired Valves and cross-gutters at settling basins to improve water distribution
- Began rehabilitation of Well 3
- Trees Trimmed
- Re-stripped cross walks



STATISTICS:

950,000,000 gallons of water produced
950 Water Quality Samples taken
48 leaking main and service lines repaired
3 Fire Hydrants replaced
2 6" distribution valves replaced
23,550 Water Meters read
194 Water Meters replaced
624 Valves exercised
100 Water Meters tested
12,280+ sq ft of damaged sidewalks, curbs and gutters replaced
2,000+ sq ft of damaged asphalt replaced. 170 tons
159,917 feet of sewer mains cleaned
456 Sewer Manholes inspected
308.10 tons of trash (Materials Recycling Facility)
483.59 tons of green waste (landfill)
335.00 tons of asphalt and concrete (recycle)
60.67 tons of cardboard (recycle)

Fire Department

PURPOSE:

The Sierra Madre Fire Department provides superior community service through the delivery of fire prevention, fire control, and emergency medical and public education services. The Department proudly protects those residing, working and visiting Sierra Madre and is committed to community service, customer support, cost effective operation, training, and education.



NUMBER OF STAFF:

Four full-time, Thirty-two part-time
Forty-seven volunteers

STATISTICS:

881 Total calls for service
27 Fire calls
686 EMS calls
168 other calls
1900+ Fire Inspections

ACCOMPLISHMENTS:

- Hired three Full time Captains
- Improved response times
- Held Annual Fire Awards Dinner in February 2012
- Held Community Fire Protection Festival
- Successful Auxiliary Fire program has resulted in the hiring of 12 Sierra Madre Firefighters by other Cities and outside Agencies
- Paramedic Program successfully audited by the Los Angeles County Department Health Services

Police Department

PURPOSE:

For nearly 100 years, the men and women of the Sierra Madre Police Department have been committed to ensuring a safe environment for those who live, visit and work in Sierra Madre. Thanks to a partnership between the Police Department and the community, Sierra Madre has one of the lowest crime rates in California.

GOALS AND OBJECTIVES 2012-2013

- Continue to promote youth safety through the school partnerships
- Reduce Residential Burglaries
- Continue to increase safety through social media and public presentations.



NUMBER OF STAFF:

Twenty full-time, Eleven part-time

STATISTICS:

14,146 Total Calls for Service
411 Physical Arrests
3,412 Parking Violations
No Robberies
Burglaries have increased slightly
Vehicle thefts have double since last year

ACCOMPLISHMENTS:

- Implemented the new "Online Parking Permit Program"
- Introduced "Officers on Campus" where the Police Officers visit our local schools on a daily basis.
- Police personnel participated in the creation and implementation of the West San Gabriel Burglary Task Force.
- Implemented new "Electronic Citation Writers" which saves the city money in processing parking citations.
- Continue to expand Neighborhood Watch Programs

Community Services Department

PURPOSE:

The Department is responsible for a variety of facilities and programs for all ages; operates the newly renovated Community Recreation and Hart Park House Senior centers, six parks; supports and coordinates the activities of the Community Services Commission, the Senior Community Commission, and a number of Citizen's Advisory and special event committees.

COMMISSIONS/COMMITTEES OVERSEES:

Community Services Commission
Senior Community Commission
SMTV3 Committee
Arts Advisory Committee
Special Event Committees
Waterworks Aquatics Community Advisory Board

NUMBER OF STAFF:

Four full-time, Eight part-time

ACCOMPLISHMENTS:

- Updated Parks and Facilities Master Plan
- Expanded aquatics services to 12 month, year around program
- Extended Family Movie Program into summer
- Streamlined transportation reducing the budget while still maintaining services
- Created bi-monthly monthly Senior Movie Program
- Expanded Senior "Lunch and Learn" program

STATISTICS:

227 Park and Facility Reservations
3,006 Recreation class and excursion enrollees
304 Adult Softball participants
7,237 Transportation users
9,289 Senior Lunches Served
89 Window Painting participants
55 Oktoberfest Tournament participants
242 Summer Fun in the Park participants
2,000 (est) Concerts in the Park participants
1,000 (est) Family Movie Series participants
3,000 (est) Halloween Happenings participants
1,000 (est) Mount Wilson Trail Race event participants
6,000 (est) Fourth of July event participants
250 (est) Community Yard Sale attendees
580 (est) Huck Finn weekend participants



ABOUT THE CITY

The City of Sierra Madre with a population of approximately 11,000 is a unique village located in Los Angeles County at the base of the San Gabriel Valley Mountains. Sierra Madre is a residential community, proud of being the Village of the Foothills. Its small size and quiet neighborhoods enhance the small town atmosphere the residents are proud of maintaining.

MISSION STATEMENT

The City of Sierra Madre provides quality, cost-effective public services that preserve the small downtown character and enhance the health, safety and welfare of the community.

VISION STATEMENT

The All-American City of Sierra Madre will be recognized as a thriving, civically engaged community that honors its past, lives in the present and plans for the future.

CITY OF SIERRA MADRE VALUES

- Efficiency and Effectiveness
- Honesty and Integrity
- Financial Accountability
- Community Participation
- Small Town Character
- Teamwork



STATE OF THE CITY SPONSORED BY:

LCW LIEBERT CASSIDY WHITMORE



Food provided by the following Sierra Madre Restaurants:
Only Place in Town and Bean Town