City Manager Overview

• Provide an update of the financial impacts to the City
• Measures taken to address projected shortfall
• Discuss strategies for balancing the Preliminary Budget
Financial Presentation

- Provide an update to the FY 2011-2012 Year-end Projections
- Present FY 2012-2013 Preliminary Budget
- Present Recommended Reclassifications
- Present Recommendations for Balancing the Preliminary Budget
### General Fund Revenue and Expenditures – FY 2011-2012

<table>
<thead>
<tr>
<th></th>
<th>ADOPTED</th>
<th>PROJECTED YEAREND 11/12</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$51,674,000</td>
<td>49,781,739</td>
<td>(1,892,261)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>51,674,000</td>
<td>51,674,000</td>
<td>0</td>
</tr>
<tr>
<td><strong>Projected Yearend Deficit</strong></td>
<td></td>
<td></td>
<td>$(1,892,261)</td>
</tr>
</tbody>
</table>
## Projected Yearend Reserves

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Fund Balance:</td>
<td>$ 10,072,509</td>
</tr>
<tr>
<td>9/30/12 Projected Deficit:</td>
<td>(1,892,261)</td>
</tr>
<tr>
<td>9/30/12 Unreserved, Undesignated Fund Balance:</td>
<td>8,180,248</td>
</tr>
<tr>
<td>(This is what the City refers to as our 'Reserve')</td>
<td></td>
</tr>
<tr>
<td>Proposed Expenditures 9/30/13:</td>
<td>52,909,902</td>
</tr>
<tr>
<td>Fund Balance Reserve Funded Level:</td>
<td>17%</td>
</tr>
<tr>
<td>Required Reserve:</td>
<td>8,994,683</td>
</tr>
<tr>
<td>Under Reserve:</td>
<td>(814,435)</td>
</tr>
</tbody>
</table>
Expected Savings – FY 11/12

FY 2011-2012 PROJECTED SHORTFALL: $ (814,435)

IDENTIFIED POTENTIAL COST SAVINGS:

Supplies 44,000
Service Charges 718,789

TOTAL IDENTIFIED POTENTIAL COST SAVINGS: 762,789

SAVINGS FROM UNFILLED VACANCIES (2): 51,646

REDUCED SHORTFALL: $ 0
Revenue Assumptions – Compared to FY 2012 Yearend Estimates:

- **Business License Tax** – $200,000 increase; 1% Growth due to annual CPI change; decrease in headcount
- **Property Tax** – $117,000 increase; 2% Growth
- **Transient Occupancy Tax (TOT)** – $450,000 increase, or 10%; increase attributed to new hotel
- **Cogenerated Tax** - $450,000 in additional revenue from new operations
Revenue Assumptions – Compared to FY 2012 Yearend Estimates:

- **Sales Tax** – $1,624,000 decrease; 10% decrease from 2012 estimated yearend; 20% decrease from FY 2011 actuals.
- **Charges for Services** – $100,900 decrease, or 5%
- **Interest on Investments** – $85,000 decrease
- **Utility Users’ Tax** – no growth.
- **All other revenues** remain flat or have very little growth.
Major Changes to General Fund Revenues

YE Estimates to Preliminary

- Interest on Investments/Grants
- Charge for Services
- Sales Tax (Net)
- Corporation Fee
- Transient Occupancy (T.O.T.)
- Property Tax
- Business License

FY 2010-2011 Actual
FY 2011-2012 Year-end Estimate
FY 2012-2013 Preliminary
General Fund Revenues - $48,000,000

- Transfers In, $400,000, 1%
- Other Revenues, $5,416,000, 11%
- Business License Fees, $10,300,000, 21%
- Sales Tax, $8,568,900, 18%
- UUT & Cogenerated, $6,275,000, 13%
- Property Taxes, $6,000,000, 13%
- Fees, $5,940,100, 12%
General Fund Revenues, net of Transfers – 5 year History

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007-2008 Actual</td>
<td>52,240,509</td>
</tr>
<tr>
<td>FY 2008-2009 Actual</td>
<td>54,504,867</td>
</tr>
<tr>
<td>FY 2009-2010 Actual</td>
<td>47,146,041</td>
</tr>
<tr>
<td>FY 2010-2011 Actual</td>
<td>49,887,290</td>
</tr>
<tr>
<td>FY 2011-2012 Year-end Estimate</td>
<td>48,181,739</td>
</tr>
<tr>
<td>FY 2012-2013 Preliminary</td>
<td>47,600,000</td>
</tr>
</tbody>
</table>
Assumptions for 12/13 Preliminary Budget Expenditures:

- **Salaries** – increase of $458,000 due to:
  - No growth in base salaries, except for:
  - Step increases and longevity/educational incentive premiums
- **OT increases** - $654,200
- **PERS Rate Increases** – $620,100
  - Safety Rate Increase: $475,900
  - Misc Group Rate Increase: $144,200
Assumptions for 12/13 Preliminary Budget Expenditures:

- OPEB (Other Post Employment Benefits)
  - Increase due to updated valuation - $239,000 (Using two-year smoothing).
  - Included in the Preliminary budget is a scheduled drawdown of $1,000,000
- Health Benefits – 3.5% or $100,000
Assumptions for 12/13 Preliminary

Budget Expenditures - Total decrease of

$116,500 or 1%

- Proposed increases submitted by departments
totaled $165,500

- Subsequent department head meetings netted
  reductions of $282,000

- This category has been reduced by 17%, approx.
  $2.1 million, when compared to 2009 actuals.
Assumptions for 12/13 Preliminary Budget Expenditures:

- Transfers to other funds - decrease of $169,500
- Decrease in Transfer to Community Development Block Grant Fund - Due to decrease in that fund's expenditures
- Equipment Replacement Charges - Funded at 50% or $730,150
Assumptions for 12/13 Preliminary Budget Expenditures:

- **ESUSD Funding**
  - $250,000 Cash Contribution
  - $80,000 Crossing Guard Services
  - $725,000 in In-Kind Services
- **IN TOTAL, THE CITY CONTRIBUTES AN ESTIMATED** $1,055,000 TO ESUSD ANNUALLY.
Proposed Reclassifications
Reclassifications

- Fire Department
  - Reclassify the Office Specialist II position to an Administrative Specialist position.
    - Fiscal Impact - $3,000

- Residential Sound Insulation
  - The RSI recommends reclassification of the Office Specialist II position to an Administrative Specialist position.
    - Fiscal Impact - $3,000 to RSI
Reclassifications – No Fiscal Impact

- City Clerk
  - Reclassify the Records Technician position to Deputy City Clerk I.
    - Fiscal Impact – none
  - Justification –
    - Works closely with City Attorney and Risk Manager on City liability and legal issues;
    - Acts as backup for the Deputy City Clerk and Risk Manager for claim and insurance-related matters
    - Create a formal career ladder
Reclassifications – No Fiscal Impact

- **Human Resources**
  - Reclassify Senior Management Analyst to Senior Human Resources Analyst
    - Fiscal Impact – none
  - Reclassify Office Specialist II to Human Resources Assistant
    - Fiscal Impact – none

- **Justification:**
  1) More accurately describe the class concept
  2) Recognize the specialized knowledge and skills required to carry out these functions, and
  3) Create a formal career ladder in Human Resources.
General Fund Expenditure Budget: $52,910,300

- Employee Salaries: 27,421,236, 52%
- Employee Benefits: 14,858,723, 28%
- Service Charges: 7,715,560, 15%
- Other/Unassigned Material: 1,150, 0%
- Public Utility Charges: 1,048,080, 2%
- ESUSD: 330,000, 1%
- Interfund Transfers: 138,850, 0%
## GENERAL FUND EXPENDITURE SUMMARY

<table>
<thead>
<tr>
<th>Description</th>
<th>Prelim 2013</th>
<th>VAR</th>
<th>% VAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel costs</td>
<td>42,280,000</td>
<td>1,521,800</td>
<td>3.7%</td>
</tr>
<tr>
<td>Nonpersonnel</td>
<td>10,491,500</td>
<td>-116,500</td>
<td>-1%</td>
</tr>
<tr>
<td>Transfers Out</td>
<td>138,900</td>
<td>-169,000</td>
<td>-55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$52,910,300</td>
<td>1,236,300</td>
<td>2.3%</td>
</tr>
</tbody>
</table>
## FY 2012-2013 Proposed General Fund Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, Net of Transfers</td>
<td>$47,600,000</td>
</tr>
<tr>
<td>Transfers In</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Total General Fund Revenues</strong></td>
<td><strong>$48,000,000</strong></td>
</tr>
<tr>
<td><strong>Total General Fund Expenditures</strong></td>
<td><strong>$52,910,300</strong></td>
</tr>
<tr>
<td><strong>Deficit</strong></td>
<td><strong>$ (4,910,300)</strong></td>
</tr>
</tbody>
</table>
Budget Gap

Decrease in Revenues:
- Sales Tax Revenue Loss: $2,200,000
- Reduction of Investment Income: $800,000
- Decrease in Electric Utility Tax: $300,000

Total Reductions to Revenues: $3,300,000

Increase in Personnel Costs: $1,610,300

Budget Gap: $4,910,300
Budget-Balancing Options

General Fund Deficit: $ (4,910,150)

Budget Balancing Options:

Transfers In:

Balance from Economic Uncertainty: 739,000
Designation to Maintain/Repair Aquatics Facility: 525,150
Designation for City Hall Improvements: 314,280
Capital Improvements Fund Balance: 2,601,570

Total Transfers In: 4,180,000

Cancel Funding for Equipment Replacement Charges 730,150

Total of Budget Balancing Options: $ 4,910,150
Equipment Replacement Fund

- As of 7/30/12, Fund Balance totaled $9.7 million
- In FY 2011-2012, funding level set at 100% of the current year charge
- Of the 285 items up for replacement, 205 are funded at 100%
Staff Priorities for Consideration

| LADDER TRUCK – ADDITIONAL FUNDING NEEDED | $ 560,000 |
| FUND FIBER OPTICS PROJECT | 380,000 |
| TOTAL ADDITIONAL FUNDING NEEDED: | $ 940,000 |

The Fiber Optics Project has a payback of 2.5 years.
<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td>$48,000</td>
<td>$48,960</td>
<td>$49,939</td>
<td>$50,938</td>
</tr>
<tr>
<td><strong>Expends:</strong></td>
<td>$52,910</td>
<td>$54,497</td>
<td>$56,132</td>
<td>$57,816</td>
</tr>
<tr>
<td><strong>(in millions)</strong></td>
<td>$(4,910)</td>
<td>$(5,537)</td>
<td>$(6,193)</td>
<td>$(6,878)</td>
</tr>
</tbody>
</table>
Future Revenue Considerations

- Transient Occupancy Tax – increase current 8% Tax to 10%
- Utility Users Tax
- Airport Parking Tax
- Resolution of Chevron Discussions
- Sale/Lease of City Property
- Economic Development
E.S. Economic Development Strategy
Based on 6 Components

1. Committed Leadership
2. Business Climate
3. Business Attraction
4. Business Expansion and Retention
5. Streamlining Permit / License Process
6. Strategic Planning
Economic Development

1 - Committed Leadership

- Committed Leadership
  - Good Track Record
    - Direction, consistency
    - Good message to Businesses
  - Allows to Staff
    Aggressively Pursue
    Economic Development
    Opportunities
Economic Development

2 - Business Climate

Site Selection: Businesses - 3 elements

1. Strategic Location
   - Next to LAX and 2 interstate freeways; bisected by Green Line
   - Exceptional Quality of life
   - Police, Fire, School System, Climate

2. Educated and Talented Workforce
   - History of Aerospace; Refinery

3. Favorable cost to operate
   - UUT: 3%, 2% Telecommunications
   - TOT: 8%
Utility Tax

Average 7%

El Segundo: 3%
Culver City: 11%
Long Beach: 5%
Los Angeles: 10%
Redondo Beach: 4.75%
Santa Monica: 10%
Torrance: 6.50%
Inglewood: 10%
Hawthorne: 5%
Hermosa Beach: 6%
Lawndale: 5.5%
Los Angeles County: 4.5%
Transient Occupancy Tax

Average 12%
Economic Development

3 - Business Attraction

- Marketing
  - Trade show attendance
  - Networking with site selectors
  - Publication marketing
  - Press/media opportunities

- Awards / Accreditation
  - Most Business Friendly City Award Designation (LAEDC)
  - Accredited Economic Development Organization
Economic Development

Business Attraction

- Fact Based Business Attraction
  - Target Business Identified in the Baseline Study - Buxton
    - Based Community /Demographics
  - Identify areas where development opportunities exist, make available to existing or perspective developers
- Site Selection Assistance
- Opportunity site tours
Economic Development

4 - Business Retention and Expansion

- Approach businesses on an individual basis
- FY 12-13 Goal: 120 Business Visits
- Identify struggling/challenged business through developed questionnaire
- Discover businesses that need to expand
  - Site Selection Assistance
Focus Areas

- **Smoky Hollow Implementation Plan**
  - Multi-Year Plan
    - Short term goals – In Lion Parking Program
    - Long term goals – Revitalizing S.H. to a place where creative, tech incubator businesses want to locate

- **Campus E.S.**
  - Largely Undeveloped
  - Hyatt Place
  - Attract Developers
Focus Areas

- Continental Park
  - Market site to:
    - Health Care Industry
    - Creative Offices
    - Retail/Restaurant Uses

- Sepulveda Corridor
  - Hacienda Hotel
  - Hotel - 888 Sepulveda
  - TopGolf
Focus Areas

- Downtown
  - Old Cooke's Market
  - Old Post Office
  - Main/Grand

- Plaza El Segundo
  - Pointe
Economic Development

5 - Strategic Planning

- Econ Dev Adv Comm: Re-activated
- Fill 2 vacancies
- Assist staff - 5 year Economic Development Strategic Plan
- Study Specialized Business Incentives
  - Example: Sales Tax Sharing Agreement – large sales tax producers, low community impact
Economic Development

6 - Streamlining Permit/License Process

- Permit Process Improvements
  - Continuously Improve
    - Alignment - create collaborative working environment; remove departmental boundaries
  - Customer focus - make improvements from customer's perspective
  - Next Step: One-stop business center
    - Location where customers can go to one place to resolve
    - Encourage cross-training