

**CITY COUNCIL AGENDA PACKET  
SEPTEMBER 7, 2010  
MEETING**

**ITEM #3 FISCAL YEAR 2010-2011 PRELIMINARY BUDGET  
STAFF REPORT AND ATTACHMENTS**

PLEASE NOTE: Staff Report> Agenda Description> Fiscal Impact; updated with new information

**AGENDA DESCRIPTION:**

Consideration and possible action regarding the presentation of the fiscal year 2010-2011 Preliminary Budget and Five-Year Capital Improvement Plan including discussion and possible direction regarding all city revenues and expenditures. (Fiscal Impact: General Fund Revenues of \$52.4 million, Expenditures of \$56 million, with a remaining budget gap of \$3.6 million)

**RECOMMENDED COUNCIL ACTION:**

- (1) Open Public Hearing
- (2) Staff presentation of the 2010-2011 Preliminary Budget and Council direction to staff regarding all City revenues and expenditures (includes potential discussion and direction relating to all City Department revenues and expenditures)
- (3) Continue the Public Hearing to September 21, 2010;
- (4) Schedule the budget adoption for the September 21, 2010 meeting;
- (5) Alternatively discuss and take other action related to this item

**ATTACHED SUPPORTING DOCUMENTS:**

1. FY 2010-2011 Preliminary Budget Summary

**FISCAL IMPACT:** Revenues of \$52.4 million, Expenditures of \$56 million, with a remaining budget gap of \$3.6 million

**Amount Budgeted:** \$56 million  
**Additional Appropriation:** N/A  
**Account Number(s):** None

**ORIGINATED BY:** Angelina Garcia, Fiscal Services Manager

**REVIEWED BY:** Deborah Cullen, Director of Finance

**APPROVED BY:** Jack Wayt, City Manager

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**BACKGROUND AND DISCUSSION:**

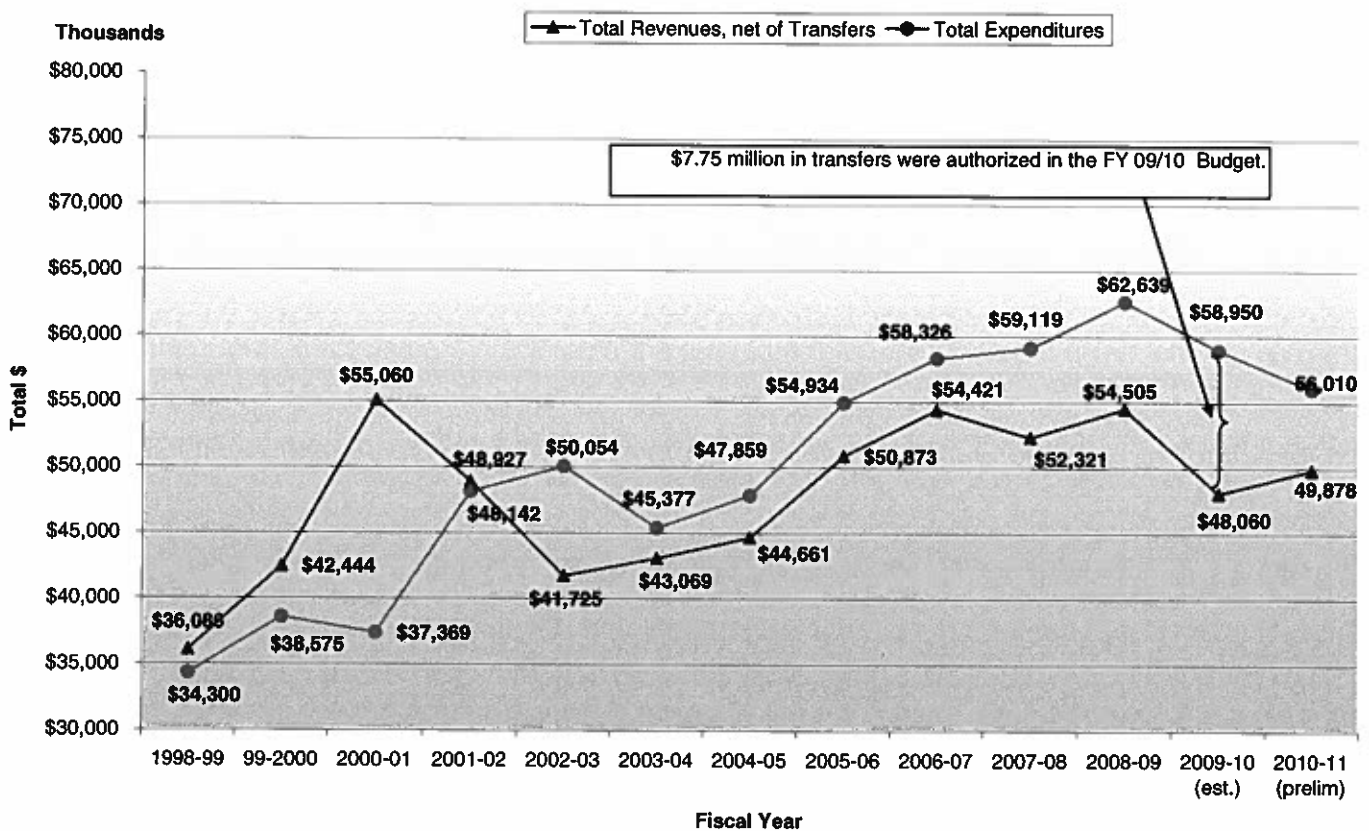
**Preliminary FY 2010-2011 Budget**

As we begin the budgeting process for FY 2010-2011, the City faces uncertain economic times and difficult financial challenges. Although there are general indicators that show small signs of recovery, the City's business and industry sectors are struggling to recover. The City is experiencing the results of a revenue-to-expenditure structural deficit coupled with the worst economic recession in memory.

The structural deficit is driven by the growth in employee compensation exceeding annual revenue growth for the past several years and if not addressed, this deficit will not be sustainable in the future. The City has managed to balance the budget in prior years using transfers in from other Funds. This is not a sustainable option as the Economic Uncertainty Fund and Internal Service Funds no longer have excess balances to transfer to the General Fund.

The line graph below depicts the growing gap between revenues and expenditures. This structural problem can be solved by either increasing revenues and/or decreasing employee compensation. Given the current economic recession forecasting any substantial revenue growth is clearly not achievable.

**General Fund - Revenue & Expenditure Trends**



During the past several years Council and staff have been working to contain and reduce the growth of employee compensation. In the last set of labor negotiations a cost sharing of future health benefit increase was successfully negotiated with one labor group, and during the last negotiations with the Safety groups significant progress was made toward reducing the cost escalation of the special compensation available to the safety groups by converting the special compensation pay from percentages to flat dollar amounts. Since special compensation could account for up to 60% more in salary costs compared to base salaries the conversion from percentages to flat amounts was critical to begin controlling salary growth. Unfortunately, the ongoing economic downturn now requires that Council consider additional options for permanent reductions in expenditures.

Staff had identified \$3.5 to \$4 million as an ongoing structural deficit. As a possible solution to resolving the structural deficit an option was brought forward to consider the outsourcing of the City's fire services. Based on Council's request, Los Angeles County Fire prepared a feasibility study to provide fire services to the City. Based on the results of the feasibility study, the estimated savings would be between \$15.7 million to \$26 million over 4 years compared to City staffing levels at 19 fire personnel per shift and 14 fire personnel per shift, respectively. Council directed staff to move forward with the Fiscal Year 2010-2011 budget as if El Segundo Fire Department were not to transition to Los Angeles County Fire and Council put the County Feasibility study on hold for 90 days.

With this direction, staff has proceeded to complete the FY 2010-2011 General Fund Preliminary Budget with a combination of expenditure reductions and one-time money. The details of these reductions and one-time money are outlined in this report.

### **FY 2010-2011 Preliminary General Fund Revenues**

The following is a summary of the General Fund revenues for each major revenue category:

<b>Revenue Source</b>	<b>FY 2008-2009 Actual</b>	<b>FY 2009-2010 Year-end Estimate</b>	<b>FY 2010- 2011 Preliminary Budget</b>	<b>\$ Variance FY 09-10 Year-end Est. v. FY 10-11 Preliminary</b>	<b>% Variance FY 09-10 Year-end Est. v. FY 10-11 Preliminary</b>
<b>Business License</b>	9,350,046	9,275,000	10,043,000	768,000	8.28%
<b>Sales &amp; Use Tax</b>	9,286,806	8,185,000	8,185,000	-	0.00%
<b>Sales Tax in Lieu</b>	3,467,911	2,837,200	2,400,000	(437,200)	-15.41%
<b>Property Tax</b>	6,267,592	6,351,300	6,188,800	(162,500)	-2.56%
<b>Transient Occupancy (TOT)</b>	4,109,581	3,875,000	3,890,000	15,000	0.39%
<b>Charges for Services</b>	4,035,661	3,238,550	3,510,850	272,300	8.41%
<b>Electric Utility Tax</b>	3,595,795	3,100,000	3,348,000	248,000	8.00%
<b>Franchise Tax</b>	3,577,958	2,350,000	2,350,000	-	0.00%
<b>Cogenerated Electric</b>	1,313,320	1,352,500	1,400,000	47,500	3.51%
<b>License &amp; Permits</b>	1,474,433	1,208,700	1,343,100	134,400	11.12%
<b>Gas Utility Tax</b>	1,117,572	1,233,000	1,500,000	267,000	21.65%
<b>Interest on Investments</b>	3,241,784	900,000	775,000	(125,000)	-13.89%
<b>Other Revenues</b>	3,376,272	4,154,100	4,193,800	39,700	0.96%
<b>Total General Fund Revenues Net of Transfers</b>	54,214,731	48,060,350	49,127,550	1,067,200	2.22%
<b>Drawdown of OPEB Trust</b>	-	-	750,000	750,000	100.00%
<b>Transfers In</b>	6,477,498	7,729,650	2,386,000	(5,343,650)	-67.19%
<b>Total General Fund Revenues</b>	60,692,229	55,790,000	52,413,550	(3,376,450)	-6.05%

The biggest impact to tax revenues is in the "Other Taxes" category consisting of Sales and Use Tax, Transient Occupancy Tax, Utility Users Tax, Franchise Tax and Cogenerated Tax. This

category is currently projected to end this fiscal year \$5.8 million below budget and \$3.5 million below FY 2008-2009 actuals. These revenue reductions are driven by the decrease in the price of natural gas, reduction of consumption, and a very sluggish economy.

The City relies on “Other Taxes” to provide 54% of the General Fund revenues. These revenue sources are much more sensitive to the economic impacts on the business and industry sector and are much more difficult to forecast. Most South Bay cities rely on the stability of Property Tax for a majority of their tax revenue whereas El Segundo receives only 11% of the General Fund revenue from Property Tax.

Fiscal Year 2009-2010 General Fund revenues are projected to fall short of the FY 2009-2010 adopted budget by \$6.5 million or 11.9% and \$6.1 million or 11.3% below FY 2008-2009 actuals. Following are the projections for the major revenues of the General Fund.

**Business License Tax** – Increase of \$768,000 to FY 09-10 yearend estimate; \$200,000 due to 2.83 CPI growth and \$400,000 due to a one-time adjustment. The remainder can be attributed to average expected growth. Business License Tax is the City’s second largest General Fund revenue source, accounting for 18% of total revenues.

**Business License Tax**

FY 2009 Actual Revenue: \$9,350,046  
FY 2010 Yearend Estimate: \$9,275,000  
FY 2011 Preliminary Budget: \$10,043,000

**Sales and Use Tax & Sales Tax In Lieu** – Decrease of \$437,200 to FY 09-10 yearend estimates. The two taxes combined are the City’s largest revenue source, accounting for 22% of the General Fund revenues. The City has experienced a significant decline in business and industry due partly to negative adjustments to estimated taxes, a business relocation, and overall decline in sales and use tax.

**Sales & Use Tax**

FY 2009 Actual Revenue: \$9,286,806  
FY 2010 Yearend Estimate: \$8,185,000  
FY 2011 Preliminary Budget: \$8,185,000

**Sales Tax in Lieu**

FY 2009 Actual Revenue: \$3,467,911  
FY 2010 Yearend Estimate: \$2,837,200  
FY 2011 Preliminary Budget: \$2,400,000

**Property Tax** – Decrease of \$162,500 to FY 09-10 yearend estimates due to the negative CPI factor applied to the 2010-2011 tax payments.

**Property Tax**

FY 2009 Actual Revenue: \$6,267,592  
FY 2010 Yearend Estimate: \$6,351,300  
FY 2011 Preliminary Budget: \$6,188,800

**Transient Occupancy Tax (TOT)** –Increase of \$15,000 from FY 09-10 yearend estimates. This revenue category is still being impacted by the recession and is projected to remain below average levels through the next fiscal year.

**Transient Occupancy Tax (TOT)**

FY 2009 Actual Revenue: \$4,109,581  
FY 2010 Yearend Estimate: \$3,875,000  
FY 2011 Preliminary Budget: \$3,890,000

The next three revenue categories have been impacted by the fluctuation of the price of natural gas. The price instability is expected to continue through the next fiscal year.

**Cogenerated Electric Tax** - Increase of \$47,500 from FY 09-10 yearend estimate

**Cogenerated Electric Tax**

FY 2009 Actual Revenue: \$1,313,320  
FY 2010 Yearend Estimate: \$1,352,500  
FY 2011 Preliminary Budget: \$1,400,000

**Franchise Tax** – No increase over FY 09-10 yearend estimate.

FY 2009 Actual Revenue: \$3,577,958  
FY 2010 Yearend Estimate: \$2,350,000  
FY 2011 Preliminary Budget: \$2,350,000

**Gas Utility Tax**-Increase of \$267,000 to FY 09-10 yearend estimate

**Gas Utility Tax**

FY 2009 Actual Revenue \$1,117,572  
FY 2010 Yearend Estimate: \$1,233,000  
FY 2011 Preliminary Budget: \$1,500,000

**Electric Utility Tax** – Increase of \$248,000 to FY 09-10 yearend estimates.

**Electric Utility Tax**

FY 2009 Actual Revenue: \$3,595,795

FY 2010 Yearend Estimate: \$3,236,000

FY 2011 Preliminary Budget: \$3,348,000

**Interest on Investments** – Decrease of 125,000 to FY 09-10 yearend estimates. The City's investment portfolio has experienced a significant reduction due to the current economic crisis and the result of the Federal Reserve Bank's rate reduction in short-term and long-term interest rates. The projected rate of return for FY 2010-2011 is 3.3%. Currently, the City's portfolio is invested in Local Agency Investment Funds (LAIF) (33% of the portfolio value), money market accounts (25% of the portfolio value), negotiable CD's (3% of the portfolio value), Federal Agency Issues (7% of the portfolio value), and miscellaneous securities (32% of the portfolio value).

**Interest on Investments**

FY 2009 Actual Revenue: \$3,241,784

FY 2010 Yearend Estimate: \$ 900,000

FY 2011 Preliminary Budget: \$ 775,000

**General Fund Expenditures**

The Preliminary General Fund expenditures for Fiscal Year 2010-2011 are illustrated in Table 1. The following is a summary of assumptions for FY 2010-2011 General Fund expenditures:

- Existing Memorandum of Understanding with Police Management Association, Police Officers Association, Firefighters' Association and Supervisory & Professional Employees Association which is 50% of the full-time workforce. Required salary increases ranging from 2% to 5% depending on bargaining group total \$688,000.
- No raises have been included for the remaining employee groups, which include the Management/Confidential Group, City Employees' Association and Police Support Services Employees' Association.
- Existing 28 full time positions will remain vacant through FY 2010-2011 reducing salaries and benefits by approximately \$3 million. These positions have been frozen since January 2010.
- 5% reduction in compensation for all employee groups resulting in a savings of \$1.5 million.
- An increase in Workers' Compensation charges of \$105,000 over the prior year
- Health Benefits – Average 11% increase or \$481,000
- Annual Other Post Employment Benefits (OPEB) payment – Funded at 100%; \$2,000,000 for FY 2010-2011
- Equipment Replacement Costs – Funded at 90%
- El Segundo Unified School District funding - \$250,000 cash payment and continue

funding crossing guard contract (\$80,000) and in-kind contributions (\$617,500 estimated for FY 2010-2011)

- Capital Funding - \$150,000
- City-wide new technology projects – No funding
- No increase in PERS pension rates for the first 9 months of FY 2010-2011. The long-term impacts on the City’s pension rates will be summarized later in this report.

The General Fund total expenditures for FY 2010-2011 total \$56,010,156. This is a reduction of approximately \$6.3 million over the FY 2009-2010 General Fund Adopted Budget.

**Table 1 General Fund Expenditure Budget**

<b>Department Totals – General Fund</b>	<b>FY 2009-2010 Adopted</b>	<b>FY 2010-2011 Preliminary</b>	<b>Savings (Increases)</b>
Elected Officials	924,900	843,839	81,061
Administrative Support	5,815,050	5,297,006	518,044
Police	16,325,720	16,074,466	251,254
Fire	15,706,900	14,138,563	1,568,337
Communications Center	2,337,050	1,380,700	956,350
Planning /Building Safety	3,577,850	2,667,587	910,263
Public Works	6,104,830	5,409,976	694,854
Recreation and Parks	4,610,400	4,508,309	102,091
Library	2,296,450	2,297,429	(979)
Nondepartment	4,128,250	4,591,281	(463,031)
Transfers to Other Funds	501,000	301,000	200,000
	<u>62,328,400</u>	<u>57,510,156</u>	<u>5,818,244</u>
Less: 5% Salary Concessions:	<u>-</u>	<u>(1,500,000)</u>	<u>1,500,000</u>
<b>Total General Fund Expenditures</b>	<b>\$62,328,400</b>	<b>56,010,156</b>	<b>6,318,244</b>



Staff has identified the following as major contributors to this budget reduction:

1. Continued Vacancies – Currently, the City is operating with approximately 10% fewer employees than the prior year. Due to the recent transition to the Regional Communications Center, the number of vacancies will go from 30 to 28. These savings approximate \$3,000,000. Below is a list of frozen positions by department:

Dept	Classification	Division	FTE
<b>City Manager</b>	Project Specialist	Information Systems	1.00
	Senior Network Assistant	Information Systems	1.00
<b>Finance</b>	Account Specialist II	Business Services	1.00
	Accounting Technician	Finance Accounting	1.00
<b>Fire</b>	Assistant Fire Marshal	Fire Prevention	1.00
	Firefighter	Fire Suppression	3.00
<b>Human Resources</b>	Human Resources Director	Human Resources	1.00
<b>Library</b>	Library Assistant	Support Services	1.00
<b>Planning &amp; Bldg</b>	Construction Coordinator (At-will)	RSI	1.00
	License/Permit Specialist II	Building Safety	1.00
	Plan Check Engineer	Building Safety	1.00
<b>Police</b>	Dispatcher II	Communications Center	2.00
	Police Assistant I	Administration	1.00
	Police Captain	Administration	1.00
	Police Officer	Patrol	4.00
	Police Lieutenant	Patrol & Safety	1.00
	Wellness Coordinator	Administration	1.00
<b>Public Works</b>	Fire Equipment Mechanic	Equipment Maintenance	1.00
	Public Works Inspector	Engineering	1.00
	Sr. Administrative Specialist	Administration	1.00
	Street Maintenance Worker I	Streets/Traffic Safety	1.00
	Street Maintenance Worker II	Street/Street Services	1.00
	Wastewater Maint Worker II	Wastewater	1.00
<b>Recreation</b>	Park Maintenance Worker I	Parks Operation	1.00
<b>Grand Total</b>			<b>30.00</b>

2. Employee Concessions – Effective August 1, 2010, employee concessions of 5% have been incorporated into the budget. These concessions are estimated at \$1,500,000;
3. Effective September 28<sup>th</sup> 2010, the City's Communications Center will be transitioned to the Regional Communications Center. The savings attributed to this change amounts to approximately \$1,100,000 in the first year of the contract. Additionally, staff has identified \$1,400,000 of Equipment Replacement Funds related to the Communications Center that can be transferred back to the General Fund. This transfer is included in the General Fund Revenues summarized earlier in this report;
4. Staff has been directed to draw down from the City's OPEB Trust approximately \$750,000 to pay for the cost of current retiree health premiums;
5. Department Heads have reduced non-personnel operating costs by approximately \$892,000. The details of these costs and potential impacts are addressed later in this report;
6. The Fire Department's overtime has decreased approximately \$450,000 from the prior year's budget. In addition to the \$661,000 in overtime reductions taken in Fiscal Year 2009-2010, which amounts to over \$1.1 million in overtime reductions over the last two years. The reduction in overtime is achievable by not backfilling most absences.

As illustrated in Table 2, the **Preliminary FY 2010-2011** General Fund salary costs are approximately \$2.8 million below the **Projected FY 2009-2010 Year-End Estimates**, which have been anticipated to come in approximately \$2.2 million below budget. The total decrease in budgeted amounts from FY 2009-2010 to FY 2010-2011 is slightly over \$5 million:

**Table 2 General Fund Salary Costs**

<b>Department</b>	<b>FY 2009-2010 Adopted</b>	<b>Projected Year-End 09/10</b>	<b>Savings to Adopted</b>	<b>FY 2010-2011 Proposed</b>	<b>Savings (Increases) to YE Estimates</b>
Elected Officials	\$501,100	\$513,735	\$(12,635)	497,757	15,978
Administrative Support	2,909,425	2,918,572	(9,147)	3,029,436	(110,864)
Police	10,328,657	9,502,102	826,555	9,745,168	(243,066)
Fire	10,065,800	9,085,665	980,135	8,742,250	343,415
Communications Center	1,218,600	1,184,048	34,552	-	1,184,048
Planning /Building Safety	1,579,900	1,549,165	30,735	1,507,719	41,446
Public Works	2,382,842	2,194,876	187,966	1,855,964	338,912
Recreation and Parks	2,378,633	2,197,555	181,078	2,493,459	(295,904)
Library	1,334,350	1,299,860	34,490	1,301,714	(1,854)
	<u>\$32,699,307</u>	<u>30,445,578</u>	<u>2,253,729</u>	<u>29,193,467</u>	<u>1,272,111</u>
Less: 5% Salary Concessions:	-	-	-	(1,500,000)	(1,500,000)
<b>Total General Fund Salary Expenditures</b>	<b>\$32,699,307</b>	<b>30,445,578</b>	<b>2,253,729</b>	<b>27,673,467</b>	<b>2,772,111</b>

Table 3 displays a summary of total benefit costs. The increase between the projected year-end and proposed budget, net of the Communications Center savings, can be mainly attributed to an 11% increase in health benefit costs.

**Table 3 General Fund Benefit Costs**

<b>Department</b>	<b>FY 2009-2010 Adopted</b>	<b>Projected Year-End 09/10</b>	<b>Savings to Adopted</b>	<b>FY 2010-2011 Proposed</b>	<b>Savings (Increases) to YE Estimates</b>
Elected Officials	\$266,708	222,773	43,935	220,032	2,741
Administrative Support	1,308,900	1,005,495	303,405	1,166,068	(160,573)
Police	4,855,055	5,287,512	(432,457)	5,207,248	80,264
Fire	4,716,750	3,920,561	796,189	4,476,913	(556,352)
Communications Center	544,100	460,563	83,537	-	460,563
Planning /Building Safety	642,267	573,357	68,910	583,218	(9,861)
Public Works	920,100	826,623	93,477	874,212	(47,589)
Recreation and Parks	797,842	749,109	48,733	871,650	(122,541)
Library	512,680	411,911	100,769	599,095	(187,184)
Nondepartment	1,621,000	1,820,393	(199,393)	2,004,483	(184,090)
<b>Total General Fund Benefit Expenditures</b>	<b>\$16,185,402</b>	<b>15,278,298</b>	<b>907,104</b>	<b>15,252,919</b>	<b>(724,621)</b>

**Table 4 General Fund Non-Personnel Costs**

<b>Department Totals - Non-Personnel Costs</b>	<b>FY 2009-2010 Adopted</b>	<b>Projected Year-End 09/10</b>	<b>Savings to Adopted</b>	<b>FY 2010-2011 Proposed</b>	<b>Savings (Increases) to YE Estimates</b>
Elected Officials	\$157,092	149,469	7,623	126,050	23,419
Administrative Support	1,596,725	1,492,933	103,792	1,101,502	391,431
Police	1,142,008	1,055,621	86,387	1,122,050	(66,429)
Fire	924,350	872,687	51,663	919,400	(46,713)
Communications Center	574,350	560,819	13,531	1,380,700	(819,881)
Planning /Building Safety	1,355,683	486,629	869,054	574,650	(90,021)
Public Works	2,801,888	2,669,644	132,244	2,679,800	(10,156)
Recreation and Parks	1,433,925	1,442,913	(8,988)	1,143,200	299,713
Library	449,420	385,534	63,886	396,620	(11,086)
Nondepartment	2,507,250	3,608,748	(1,101,498)	2,586,798	1,021,950
Transfers to Other Funds	501,000	501,000	-	301,000	200,000
<b>Total General Fund Non-Personnel Expenditures</b>	<b>\$13,443,691</b>	<b>13,225,998</b>	<b>217,693</b>	<b>12,333,770</b>	<b>892,228</b>

The Fiscal Year 2009/10 budget included a zero-growth assumption for non-personnel costs. In other words, there were no increases in any non-personnel expenditure accounts for inflation/growth. Departments have further reduced their budgeted FY 2010-2011 non-personnel expenditures by an additional \$900,000. The major categorical reductions are as follows:

- Supplies – Total decrease of \$129,675 or 13.3% compared to the prior year adopted budget;
- Contractual Services – Total decrease of \$250,800 or 12.8% compared to the prior year adopted budget
- Professional & Technical Services – Total decrease of \$944,654 or 46% compared to the prior year adopted budget. The prior-year budget included \$520,000 for the general plan update, which has been postponed.
- Meetings & Travel – Total decrease of \$41,527 or 30% compared to the prior year adopted budget
- Training & Education – Total decrease of \$54,125 or 24.7% compared to the prior year adopted budget
- Dues and Subscriptions – Total decrease of \$17,451 or 19.5% compared to the prior year adopted budget

The budget reductions outlined above will result in elimination of programs and services and major impacts as follows:

1. Police Department –
  - a. Reduction in vehicle fleet;
  - b. With all the frozen positions, staff anticipates lowering the needed funds for background investigations and uniform/equipment purchases;
2. Fire Department –
  - a. Reduction of training and education funding
  - b. Reduction in large-scale incident training
3. Recreation and Parks –
  - a. Cancel professional printing services and produce quarterly brochure in-house
  - b. Defer the replacement of aquatics supplies
  - c. Defer the maintenance of outdoor pools
  - d. Reduce Cultural Arts program including contract classes and drama productions
  - e. Reduce purchase of uniforms, trophies & giveaways for the Teen Center, Farmers' Market, and other Special Events
  - f. Eliminate the purchase of Holiday Tree
  - g. Eliminate the use of professional sound for special events
  - h. Cancel the October 2010 Halloween Frolic
  - i. Eliminate postage for brochure mailings
  - j. Reduce meetings and travel
  - k. Reduce training and education
  - l. Retire department vehicle
  - m. Reduce tree maintenance contracts
  - n. Reduce landscape maintenance contract
  - o. Reduce water usage
  - p. Reduce gas consumption
4. Library
  - a. Reduction in open hours to the public at the main library and to students at the school libraries.
  - b. Delay one-time projects in the areas of technology upgrades, refurbishing library rooms and other projects which use these funds.
  - c. Reduction in new books, magazine subscriptions, online databases, and audio/visual materials.
5. Public Works
  - a. Reductions and/or elimination of residential services (e.g., graffiti removal, community event support, sewer back-ups);
  - b. Reduced response time internally and externally;
  - c. Reduced infrastructure maintenance;
  - d. Reduced street sweeping;
  - e. No job certifications and training.
  - f. Elimination of non-essential projects and programs (e.g., environment expo, school presentations)
6. Planning & Building Safety –
  - a. Reduction in consulting contracts. If level of construction increases, likely cause an increased time for reviewing plans, inspection and issuing permits.

## Long-Term Impacts on future budgets

The following are long-term impacts that should be noted:

- **OPEB Liability** – By drawing from our OPEB Trust this year in the amount of \$750,000, we are increasing our long-term unfunded liability. As a result, future valuations will more than likely require an increased annual payment to make up for the amounts we have drawn from this trust;
- **Equipment Replacement Funding** – \$2,280,550 was transferred into the General Fund to help balance the FY 2009-2010 General Fund Budget, bringing the Equipment Replacement Fund to a 90% funding level. In addition, the FY 2009-2010 annual charge of \$1.4 million was suspended to help close the \$3.1 million deficit estimated at yearend. FY 2010-2011 funding level is budgeted at 90%. Further reduction in the balance of the Equipment Replacement Fund could cause City departments to put a hold on all equipment purchases;
- **Non-personnel Expenditure Reductions** – The elimination of these costs and associated community programs could result in:
  - a. Increase in exposure to claims – Reductions in tree trimming and root maintenance increases the potential for claims filed against the City;
  - b. Deterioration of City landscape and community facilities – With the reduction of services such as street sweeping, graffiti removal, infrastructure maintenance, adequate pool maintenance, the City's capital assets would deteriorate;
  - c. Reduction of other non-personnel expenses relating to training and certifications could impact the employees ability to perform essential duties.
- **Pension Rate Increases:** CalPERS has issued an estimate of the impact on future PERS rates due to the extensive portfolio losses experienced in 2008-2009. These losses will not be realized in terms of rate increases for employers until FY 2011-2012 due to the two-year lag on the actuarial data used to set the annual rates. Because of the reported 24% decline in the portfolio as of **June 30, 2009**, CalPERS has altered their methodology for valuing the plan assets and instead of spiking the **2011-2012** rates all in one year to account for that loss (as their asset valuation methodology dictates) a smoothing methodology will be used over three years beginning July 1, 2011.

Based on the current employee count, and assuming no increases in salaries, it is projected that the increase in rates will cost the City approximately \$3,630,000 for the next three years. \$2,620,000 for the Safety groups and \$1,010,000 for the Miscellaneous employees.

## **Summary**

With revenues projected at \$52.4 million and expenditures at \$56 million, inclusive of employee concessions and one-time money, a \$3.6 million deficit still remains. Council has directed the City Manager to continue meeting with the City's labor groups regarding concessions. This process is not expected to be completed by the beginning of the fiscal year. Therefore, staff recommends temporarily using General Fund reserves of \$3.6 million to balance the FY 2010-2011 General Fund Budget. Once this process is completed budget adjustments will be identified for Council approval.

**CITY OF EL SEGUNDO  
SUMMARY OF EXPENDITURES BY FUND  
FISCAL YEAR 2010-2011 PRELIMINARY BUDGET**

DESCRIPTION	2008 ACTUALS	2009 ACTUALS	2010 ADOPTED	2010 YE Project	2011 PRELIM
001 GENERAL FUND	\$ 59,139,954	62,639,287	62,328,400	58,949,400	56,010,156
104 TRAFFIC SAFETY	154,500	276,000	200,000	200,004	200,000
106 STATE GAS TAX	236,577	445,331	257,600	96,027	257,600
109 ASSET FORFEITURE	667,039	731,903	922,854	680,568	1,145,621
110 MEASURE R	-	-	85,000	-	85,000
111 COMMUNITY DEVELOPMENT BLOCK GRANT	275,070	55,278	228,729	266,375	71,300
112 PROP A TRANSPORTATION	304,835	296,090	378,225	257,690	133,929
114 PROP C TRANSPORTATION	213,466	152,470	502,892	381,080	167,102
115 AIR POLLUTION REDUCTION	53,528	57,061	26,600	-	31,100
116 RESIDENTIAL SOUND INSULATION	11,042,591	6,947,886	17,137,296	6,275,581	12,649,505
117 HYPERION MITIGATION FUND	8,625	9,806	267,575	209,270	267,300
118 TDA ARTICLE 3 - SB 821 BIKEWAY FUND	-	-	9,000	-	9,000
119 INACTIVE FUND 119	2,700	12,082	-	-	-
120 C.O.P.S. FUND	280,857	28,323	100,000	41,346	100,000
122 LAWA FUND	1,575,224	5,471,325	-	-	-
125 AQMD Tree Partnership Program	-	-	-	10,999	-
301 CAPITAL IMPROVEMENT FUND	5,184,981	6,573,682	2,444,000	3,960,011	2,444,000
302 INFRASTRUCTURE REPLACEMENT FUND	4,141,994	-	-	-	-
401 ECONOMIC UNCERTAINTY FUND	5,715,010	3,360,900	1,960,000	1,959,996	169,495
404 ACCRUAL SICK LEAVE/VACATION	-	-	111,100	111,096	111,100
405 FACILITIES MAINTENANCE	113,508	200,271	95,000	64,656	95,000
501 WATER FUND	14,006,453	16,388,467	18,899,250	19,943,817	19,562,820
502 SEWER FUND	2,245,627	2,952,714	2,933,337	1,925,794	3,010,940
503 GOLF COURSE	3,017,607	2,149,860	2,175,888	1,700,177	2,382,700
601 EQUIPMENT REPLACEMENT	613,502	826,288	5,465,700	2,819,796	5,465,700
602 LIABILITY INSURANCE	1,374,432	791,098	1,847,233	1,012,958	1,160,687
603 WORKERS' COMP RESERVE/ INSURANCE	1,432,549	2,442,390	2,452,213	1,571,985	2,510,463
702 DEVELOPER FEES - EXPENDABLE TRUST	43,752	1,580,250	1,000,000	1,051,024	250,000
703 EXPENDABLE TRUST FUND - OTHER	1,597,882	80,000	728,000	728,004	536,000
708 OUTSIDE SERVICES TRUST	22,034	13,478	15,000	5,358	15,000
<b>CITY OF EL SEGUNDO - ALL FUNDS</b>	<b>\$ 113,464,297</b>	<b>114,482,240</b>	<b>122,570,892</b>	<b>104,223,012</b>	<b>108,841,518</b>

**CITY OF EL SEGUNDO  
SUMMARY OF REVENUES BY FUND  
FISCAL YEAR 2010-2011 PRELIMINARY BUDGET**

DESCRIPTION	2008 ACTUALS	2009 ACTUALS	2010 ADOPTED	2010 YE Project	2011 PRELIM
001 GENERAL FUND	\$ 58,384,018	60,982,364	62,328,400	55,790,000	52,413,550
104 TRAFFIC SAFETY	186,363	208,331	165,500	176,659	165,500
106 STATE GAS TAX	678,945	231,476	327,500	246,853	260,000
109 ASSET FORFEITURE	1,019,636	877,862	444,150	405,052	33,160
110 MEASURE R	-	-	-	142,899	142,000
111 COMMUNITY DEVELOPMENT BLOCK GRANT	161,507	278,251	228,450	243,048	64,500
112 PROP A TRANSPORTATION	292,059	289,951	497,200	234,193	211,800
114 PROP C TRANSPORTATION	242,360	176,825	230,200	193,943	205,200
115 AIR POLLUTION REDUCTION	24,054	20,686	19,400	17,553	19,400
116 RESIDENTIAL SOUND INSULATION	7,456,484	10,504,934	19,986,650	5,307,728	10,587,500
117 HYPERION MITIGATION FUND	24,000	(10,179)	24,000	10,449	-
118 TDA ARTICLE 3 - SB 821 BIKEWAY FUND	-	641	10,550	-	6,700
119 INACTIVE FUND 119	-	401,176	-	-	-
120 C.O.P.S. FUND	114,829	92,593	-	127,763	-
122 LAWA FUND	5,988,734	4,487,951	-	9,798	-
124 ARRA	-	-	-	24,537	-
125 AQMD Tree Partnership Program	-	-	-	-	20,000
301 CAPITAL IMPROVEMENT FUND	9,834,435	2,803,328	570,000	5,884,501	214,000
401 ECONOMIC UNCERTAINTY FUND	750,000	172,825	-	-	-
405 FACILITIES MAINTENANCE	75,000	195,600	95,000	94,956	160,000
501 WATER FUND	14,481,616	15,568,719	16,142,000	16,967,784	18,112,000
502 SEWER FUND	3,091,178	3,609,621	3,350,100	3,579,405	3,500,110
503 GOLF COURSE	2,154,163	2,123,561	2,428,000	1,719,408	2,037,000
601 EQUIPMENT REPLACEMENT	1,906,158	1,892,532	1,481,300	1,648,824	-
602 LIABILITY INSURANCE	1,163,102	804,442	1,331,700	945,692	1,169,565
603 WORKERS' COMP RESERVE/ INSURANCE	1,798,186	1,410,069	2,140,200	1,105,255	1,977,013
702 DEVELOPER FEES - EXPENDABLE TRUST	1,752,182	796,400	148,800	804,482	574,000
708 OUTSIDE SERVICES TRUST	10,894	12,319	26,850	13,786	12,154
<b>CITY OF EL SEGUNDO - ALL FUNDS</b>	<b>\$ 111,589,903</b>	<b>107,932,278</b>	<b>111,975,950</b>	<b>95,694,568</b>	<b>91,510,152</b>



**CITY OF EL SEGUNDO  
SUMMARY OF GENERAL FUND EXPENDITURES  
FISCAL YEAR 2010-2011 PRELIMINARY BUDGET**

<b>CITY COUNCIL</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	\$ 128,886	138,781	145,800	136,876	139,720
4200-400 EMPLOYEE BENEFITS	91,345	98,061	105,533	86,915	63,496
5200-400 SUPPLIES	3,167	3,845	2,600	3,259	2,600
6200-400 SERVICE CHARGES	20,215	22,763	20,117	17,959	20,850
<b>0000-400 Expenditures</b>	<b>243,613</b>	<b>263,450</b>	<b>274,050</b>	<b>245,009</b>	<b>226,666</b>

<b>CITY TREASURER</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	170,021	175,166	175,700	182,594	176,830
4200-400 EMPLOYEE BENEFITS	68,466	72,361	81,042	68,320	77,611
5200-400 SUPPLIES	667	1,511	1,821	1,050	950
6200-400 SERVICE CHARGES	15,973	17,005	14,187	13,900	13,550
<b>0000-400 Expenditures</b>	<b>255,127</b>	<b>266,043</b>	<b>272,750</b>	<b>265,864</b>	<b>268,941</b>

<b>CITY CLERK</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	166,649	177,432	179,600	194,265	181,207
4200-400 EMPLOYEE BENEFITS	64,110	67,882	80,133	67,539	78,925
5200-400 SUPPLIES	5,655	5,638	8,175	3,531	4,700
6200-400 SERVICE CHARGES	71,035	36,307	110,192	109,769	83,400
<b>0000-400 Expenditures</b>	<b>307,449</b>	<b>287,259</b>	<b>378,100</b>	<b>375,104</b>	<b>348,232</b>

<b>CITY MANAGER</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	1,130,421	1,283,678	1,355,612	1,389,113	1,398,886
4200-400 EMPLOYEE BENEFITS	414,232	501,592	573,900	500,409	540,835
5200-400 SUPPLIES	28,802	29,910	31,300	6,932	25,000
6200-400 SERVICE CHARGES	399,012	426,718	414,838	550,264	265,950
8104-400 Equipment	-	3,331	-	-	-
8108-400 Computer Hardware	58,930	518,106	270,900	139,304	-
<b>0000-400 Expenditures</b>	<b>2,031,397</b>	<b>2,763,335</b>	<b>2,646,550</b>	<b>2,586,022</b>	<b>2,230,671</b>

<b>CITY ATTORNEY</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
6200-400 SERVICE CHARGES	430,156	392,398	442,950	400,106	448,550
<b>0000-400 Expenditures</b>	<b>430,156</b>	<b>392,398</b>	<b>442,950</b>	<b>400,106</b>	<b>448,550</b>

<b>PLANNING, BUILDING &amp; SAFETY</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	1,121,742	1,439,302	1,579,900	1,549,165	1,507,719
4200-400 EMPLOYEE BENEFITS	501,838	617,816	641,900	573,357	583,218
5200-400 SUPPLIES	30,429	23,209	27,500	12,286	27,500
6200-400 SERVICE CHARGES	1,392,484	716,117	1,326,550	479,794	547,150
8108-400 Computer Hardware	-	-	2,000	-	2,000
<b>0000-400 Expenditures</b>	<b>3,046,493</b>	<b>2,796,444</b>	<b>3,577,850</b>	<b>2,614,602</b>	<b>2,667,587</b>

<b>FINANCE</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	1,107,308	1,130,049	1,163,800	1,058,208	1,121,808
4200-400 EMPLOYEE BENEFITS	479,826	463,843	548,600	383,672	471,730
5200-400 SUPPLIES	20,653	15,905	22,800	13,254	22,800
6200-400 SERVICE CHARGES	345,121	248,771	226,300	207,935	214,900
8104-400 Equipment	6,504	-	-	-	-
<b>0000-400 Expenditures</b>	<b>1,959,412</b>	<b>1,858,568</b>	<b>1,961,500</b>	<b>1,663,069</b>	<b>1,831,238</b>

**CITY OF EL SEGUNDO  
SUMMARY OF GENERAL FUND EXPENDITURES  
FISCAL YEAR 2010-2011 PRELIMINARY BUDGET**

<b>HUMAN RESOURCES</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	294,408	393,517	386,300	471,251	478,144
4200-400 EMPLOYEE BENEFITS	119,729	146,646	186,400	121,414	153,503
5200-400 SUPPLIES	2,198	1,967	2,840	2,200	2,200
6200-400 SERVICE CHARGES	231,778	223,310	188,510	167,514	152,700
8108-400 Computer Hardware	-	481	-	-	-
<b>0000-400 Expenditures</b>	<b>648,113</b>	<b>765,921</b>	<b>764,050</b>	<b>762,379</b>	<b>786,547</b>

<b>NON-DEPARTMENT</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	-	-	-	173,649	30,598
4200-400 EMPLOYEE BENEFITS	1,831,344	1,940,923	1,621,000	1,946,628	2,004,483
4900-400 DEBT SERVICE	692,011	647,174	509,150	509,150	536,200
5200-400 SUPPLIES	2,486	2,600	-	1,593	-
6100-400 PUBLIC UTILITY CHARGES	-	4,726	-	35,463	-
6200-400 SERVICE CHARGES	1,467,637	1,961,049	1,228,100	2,054,248	1,468,000
6400-400 COMMUNITY PROMOTION	671,335	835,271	770,000	708,410	552,000
8104-400 Equipment	38	-	-	-	-
8108-400 Computer Hardware	17,264	-	-	-	-
<b>0000-400 Expenditures</b>	<b>4,682,115</b>	<b>5,391,743</b>	<b>4,128,250</b>	<b>5,429,141</b>	<b>4,591,281</b>

<b>POLICE DEPARTMENT</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	9,093,180	9,902,199	10,325,998	9,457,673	9,745,168
4200-400 EMPLOYEE BENEFITS	5,393,648	5,732,897	4,855,055	5,287,512	5,207,248
5200-400 SUPPLIES	75,252	80,310	73,171	36,177	72,850
6200-400 SERVICE CHARGES	1,376,866	1,155,058	1,071,496	1,063,873	1,049,200
6400-400 COMMUNITY PROMOTION	-	554	-	-	-
8105-400 Automotive	-	487	-	-	-
8106-400 Communication	16,587	-	-	-	-
8109-400 Computer Software	-	19,490	-	-	-
<b>0000-400 Expenditures</b>	<b>15,955,533</b>	<b>16,890,995</b>	<b>16,325,720</b>	<b>15,845,235</b>	<b>16,074,466</b>

<b>COMMUNICATION CENTER</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	965,910	1,165,408	1,218,600	1,184,048	-
4200-400 EMPLOYEE BENEFITS	479,731	516,366	544,100	460,563	-
5200-400 SUPPLIES	5,509	3,655	9,400	2,363	-
6200-400 SERVICE CHARGES	144,906	162,229	564,950	558,456	1,380,700
<b>0000-400 Expenditures</b>	<b>1,596,056</b>	<b>1,847,658</b>	<b>2,337,050</b>	<b>2,205,430</b>	<b>1,380,700</b>

<b>FIRE DEPARTMENT</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	9,568,386	10,192,524	10,065,800	9,045,752	8,742,250
4200-400 EMPLOYEE BENEFITS	4,067,813	3,981,302	4,716,750	3,920,561	4,476,913
5200-400 SUPPLIES	128,836	147,502	153,650	63,403	153,650
6100-400 PUBLIC UTILITY CHARGES	18,603	18,647	17,300	16,086	20,450
6200-400 SERVICE CHARGES	817,957	723,132	696,450	833,111	688,350
8104-400 Equipment	39,286	171,523	30,950	-	30,950
8106-400 Communication	2,844	13,497	-	-	-
8109-400 Computer Software	-	-	26,000	-	26,000
<b>0000-400 Expenditures</b>	<b>14,643,725</b>	<b>15,248,127</b>	<b>15,706,900</b>	<b>13,878,913</b>	<b>14,138,563</b>

**CITY OF EL SEGUNDO  
SUMMARY OF GENERAL FUND EXPENDITURES  
FISCAL YEAR 2010-2011 PRELIMINARY BUDGET**

<b>PUBLIC WORKS</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	1,993,229	2,206,943	2,364,784	2,194,876	1,855,964
4200-400 EMPLOYEE BENEFITS	932,193	1,013,808	920,100	826,623	874,212
5200-400 SUPPLIES	383,102	335,062	423,483	335,674	359,100
6100-400 PUBLIC UTILITY CHARGES	404,827	657,361	671,313	598,847	677,480
6200-400 SERVICE CHARGES	2,185,795	1,688,938	1,725,150	1,735,124	1,643,220
<b>0000-400 Expenditures</b>	<b>5,899,146</b>	<b>5,902,112</b>	<b>6,104,830</b>	<b>5,691,144</b>	<b>5,409,976</b>

<b>RECREATION AND PARKS</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	2,080,686	2,284,121	2,372,446	2,197,555	2,493,459
4200-400 EMPLOYEE BENEFITS	878,905	882,645	797,842	749,109	871,650
5200-400 SUPPLIES	166,638	176,218	193,900	139,442	152,700
6100-400 PUBLIC UTILITY CHARGES	287,995	266,356	249,000	218,630	247,700
6200-400 SERVICE CHARGES	930,133	965,833	997,212	1,084,842	742,800
8104-400 Equipment	-	4,981	-	-	-
<b>0000-400 Expenditures</b>	<b>4,344,357</b>	<b>4,580,154</b>	<b>4,610,400</b>	<b>4,389,578</b>	<b>4,508,309</b>

<b>LIBRARY SERVICES</b>	<b>2008 ACTUALS</b>	<b>2009 ACTUALS</b>	<b>2010 ADOPTED</b>	<b>2010 YE Project</b>	<b>2011 PRELIM</b>
4100-400 EMPLOYEE SALARIES	1,175,160	1,249,328	1,334,350	1,299,860	1,301,714
4200-400 EMPLOYEE BENEFITS	455,896	483,002	512,680	411,911	599,095
5200-400 SUPPLIES	21,646	23,629	24,283	15,802	23,000
5500-400 BOOKS/OTHER PRINTED MATERIAL	139,477	179,759	180,000	155,100	138,600
6100-400 PUBLIC UTILITY CHARGES	49,931	47,734	54,000	54,588	54,000
6200-400 SERVICE CHARGES	173,665	187,773	191,137	118,819	181,020
8104-400 Equipment	1,489	-	-	-	-
8108-400 Computer Hardware	-	-	-	41,224	-
<b>0000-400 Expenditures</b>	<b>2,017,264</b>	<b>2,171,225</b>	<b>2,296,450</b>	<b>2,097,304</b>	<b>2,297,429</b>

**Subtotal: 58,059,956 61,425,432 61,827,400 58,448,900 57,209,156**

**TRANSFERS OUT:**

Water Fund	-	6,000	-	-	-
General Liability Fund	255,000	-	-	-	-
CDBG	-	127,250	56,000	56,000	56,000
Capital Improvement Fund	750,000	885,000	350,000	350,000	150,000
Facilities Maintenance Fund	75,000	195,600	95,000	95,000	95,000
	<b>1,080,000</b>	<b>1,213,850</b>	<b>501,000</b>	<b>501,000</b>	<b>301,000</b>

**Less: 5% Salary Reductions: - - - - (1,500,000)**

**TOTAL GENERAL FUND EXPENDITURES \$ 59,139,956 62,639,282 62,328,400 58,949,900 56,010,156**