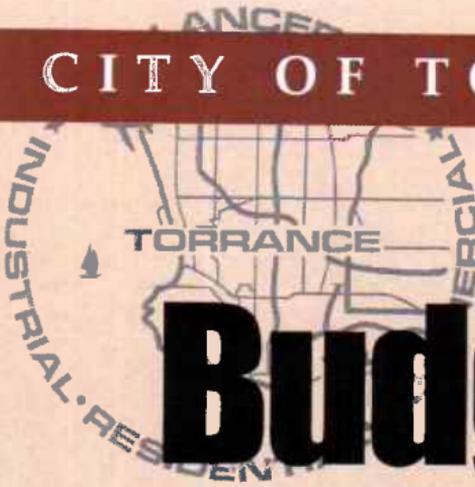
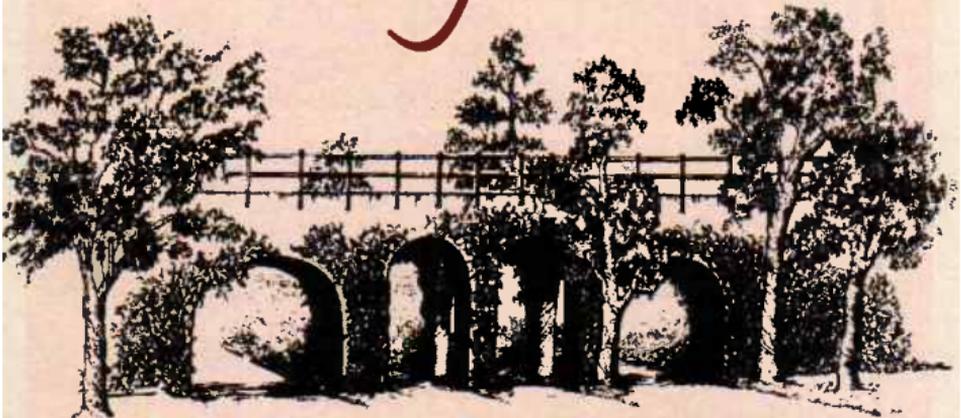


CITY OF TORRANCE



Budget

at a glance



2011-2013

Mission Statement

The Mission of the City of Torrance is to encourage and respond to community participation as we provide for an attractive, clean, safe, secure and enriching environment that assures a high quality of life.

We evaluate and act on the needs of the community within a complex, changing environment.

We provide quality service with integrity, professionalism and accountability in an efficient and cost-effective manner.

City of Torrance

FINANCE DEPARTMENT

3031 Torrance Boulevard
Torrance, California 90503
310-618-5850

Finance@TorranceCA.Gov

www.TorranceCA.Gov

Snapshot of Torrance

Population:	145,927 ¹
Peak Daytime Population (2 p.m.):	203,011
Area:	21 square miles
Full Time Employees:	1,289
Fire Stations:	6
Police Station:	1
Police Community Centers:	1
Sworn Police Employees:	223
Sworn Fire Employees:	145
Public Libraries:	6
City Trees:	47,000
Miles of Sidewalks:	550
Parks & Recreation Amenities:	46

¹ California Department of Finance, California Demographic Research Unit Price and Population Data for Local Jurisdiction, dated May 2011.

Key Highlights of the 2011-12 Budget

- ❖ General Fund Revenues for the City are slowly recovering. Revenues for the current fiscal year are projected to be \$162 million, a growth of 2.4% over the 2009-10 fiscal year. The \$162 million revenue level is similar to the 2006-07 fiscal year level of \$162.8 million, five years ago.
- ❖ Just under 70% of the General Fund's revenues are derived from three revenue sources: Property Tax (\$41.7 M), Sales Tax (\$36 M), and Utility Users' Tax (\$35.6 M).
- ❖ With regards to expenditures, Police and Fire comprise \$100 million, or 60.5% of the General Fund's total expenditures of \$165 million, including Emergency Medical Services and Animal Control.
- ❖ The budget, as adopted, is balanced for the 2011-12 and 2012-13 fiscal years and forecasts a balanced budget throughout the five-year forecast period.
- ❖ The five-year projection reflects revenues growing at an average rate of 2.8%:
 - 1.7% in 2011-12;
 - 2.3% in 2012-13; and
 - Approximately 3.3% for the remaining years of the forecast.
- ❖ The second year of the 2011-13 budget:
 - Continues funding for the Police Officer position funded by grant funds which expire during the 2011-12 fiscal year;
 - Restores self-insurance funding to the 2009-10 level of \$1.4 million;
 - Restores the \$1 million in funding on an actuarial basis for "post employment health benefits" from the current "pay as you go" basis;
 - Reduces the reliance on Tax Revenue Anticipation Notes (TRAN), a program that allows the City to save money by making pension payments early.

State Budget

- ❖ The 2011-12 State budget, adopted July 1st, closed a \$26.6 billion budget gap through \$15 billion in expenditure reductions, \$0.9 billion in targeted revenue increases, \$2.9 billion of other solutions, and \$8.3 billion in changes from the improvement in the state's revenue outlook.
- ❖ The State budget includes a major realignment of public safety programs from the state to local governments. The State's goal is to move program and fiscal responsibility to the level of government best equipped to provide the service.
- ❖ The State has specified a funding source in its budget; however the City has a concern that many of these proposed shifts may not be fully funded. These proposed realignments put stress on local cities' resources. In addition, funding for State grants are always being discussed for reduction or elimination, which the City relies on for training and programs.
- ❖ The State's budget provides that if State revenues are projected to fall short of expectations by more than \$1 billion, this would trigger an additional \$600 million in cuts to be implemented beginning in January 2012. If revenues are projected to fall short by more than \$2 billion, an additional \$1.9 billion in reductions would be implemented. The impact to the City is unknown at this time.

State Retirement (PERS) Rate Hike

- ❖ The California Public Retirement System (PERS) reported investment earnings of 20.7%, which is above their valuation assumption of 7.75%, for the fiscal year ended June 30, 2011. The year-end market value of the portfolio was \$237.5 million. This compares to 5.6% earnings for the entire fiscal year ended June 30, 2010.
- ❖ The increase is positive; however, these earnings have not been enough to offset under-performance in FY 2009 and 2008 by -32.6% and -12.9%, respectively. The City's PERS cost for 2011-12 increased \$3 million over the prior year's projected cost.
- ❖ Since the start of the new fiscal year on July 1, PERS has reported a decline in portfolio values to \$227.1 billion on August 30, 2011.
- ❖ As there is a lag between PERS investment performance and its effect on the City's PERS rates, the portfolio's performance at the end of this year will not impact the City's rates until 2014.

Budget Balancing

- ❖ Since the adoption of the 2009-10 fiscal year budget just two years ago, the City has made the necessary adjustments to rebalance the budget. The City has reduced the budget by 56.8 positions (full-time equivalents) and both labor and management agreed to phase in the transferring of the employee portion of pension costs, 9% for safety employees, and 7% for general employees, as turn-over occurs.
- ❖ While the budget as adopted is balanced, it contained difficult choices. These choices were necessary to balance the budget over the next two years, over the five-year projection and to provide the ability to fund changes over the long-term. As the economic recovery

continues and revenues continue to grow, it is hoped that some of the program reductions that have occurred over the last two years can be gradually restored.

- ❖ The two-year budget eliminated a \$3.5 million General Fund revenue shortfall and is balanced through the end of the five year forecast, 2015-16.
- ❖ The revenues for the City's enterprise funds were not as dramatically affected by the recession, with the exception of the Parks and Recreation Enterprise Fund, which requires adjustments of \$400,000 to balance.



Subsidy of Certain Programs

- ❖ The Cultural Arts Fund and the Parks and Recreation Enterprise Fund are partially funded by the General Fund, referred to as a subsidy. The Cultural Arts Fund subsidy is \$713,000 and the Parks and Recreation Enterprise Fund subsidy is \$3.28 million, or about 33% and 39% of all costs, respectively.
- ❖ The Parks and Recreation Enterprise Fund is experiencing lower program and class participation than anticipated. Staff is currently in the process of developing a revised subsidy policy that will involve a review of program costs as well as fees. This subsidy proposal is expected to be implemented during 2011-12.

City Reserves

- ❖ The high level of uncertainty with regards to the State budget and the rate of any economic recovery limit the ability of accurate projections. Reserves are one mechanism the City uses to help deal with the uncertainties that face us in the upcoming years. The City continues to draw on reserves sparingly and supplement the reserves when possible.
- ❖ The primary reserves available to deal with the current economic uncertainty are, the Economic Anomaly Reserve, the Balancing Strategies Reserve, and the Benefit Rate Mitigation Reserve.
- ❖ The funding goal for the Economic Anomaly Reserve is 10% of the combined General Fund, Parks and Recreation Fund, Cultural Arts Center Fund, Animal Control Fund, and Emergency Medical Services Fund expenditures, or about \$17.7 million. The current balance is \$10.1 million. The Balancing Strategies Reserve balance is currently \$1.6 million and the Benefit Rate Mitigation Reserve balance is \$5.2 million.
- ❖ These reserves provide some flexibility to smooth out economic swings, buffer the loss of State and Federal revenues, and to support the City operations during emergencies such as natural disasters.

Capital Budget

- ❖ At this time, staff is deferring action on the 5-year Capital Budget to November. This will allow staff to see where expenditures and revenues are at "pre-close" of the 2010-11 fiscal year in August. Until the Five Year Capital Budget is adopted, capital projects will be brought forward to the Council individually.

Department Revisions

- ❖ The budget has been rebalanced through department reductions and some use of one-time monies for the 2011-12 fiscal year as budget modifications approved in June 2010 continue to be implemented.
- ❖ Departments were asked again to look at their department personnel, materials and vacant positions. Fire and Police also submitted like scenarios. The City Manager has again worked with these two high-priority departments to achieve some reductions while attempting to minimize the impact to the community. The revisions avoid layoffs and focus on functions and positions that are vacant.
- ❖ The adopted position changes throughout the City have an impact to the budget of approximately \$2.7 million dollars.

Adopted 2011-12 Position Changes

- (1.0) Account Clerk (vacant)
- (3.0) Firefighters (defund 3 vacant positions)
 - 1.0 Intern
- (1.0) IT Specialist (vacant)
- (1.0) Library Assistant I (vacant)
- (1.0) Library Assistant II (vacant)
- (1.0) Library Page (vacancy pending)
- (0.5) Maintenance Worker (shift certain duties to Public Works)
- (2.0) Maintenance Workers (vacant)
- (1.0) Mechanic (reducing/leasing fleet & vacancy pending promotion)
- (1.0) Pending position deletion to be determined by staffing reorganization in Human Resources
- (1.0) Police Captain (vacancy pending)
- (1.0) Public Safety Dispatcher (pending implementation of new schedule)
- (1.0) Secretary (vacancy pending)
- (1.0) Systems Analyst (vacant)
- (1.0) Transportation Planning Manager (vacancy pending)

(16.5) Total Deletions

2011-13 OPERATING BUDGET SUMMARY

General Fund Revenues:	2011-12	%	2012-13	%
Sales Tax (includes triple flip)	35,970,000	22%	37,213,000	22%
Utility Users Tax	35,600,000	22%	36,743,000	22%
Property Taxes	41,690,000	25%	43,217,000	25%
Business License Tax	8,220,000	5%	8,467,000	5%
Occupancy Tax	7,660,000	5%	7,890,000	5%
Other Taxes	7,610,000	4%	7,814,000	4%
Grants and Subventions	2,020,000	1%	1,837,000	1%
Use of Money and Property	3,360,000	2%	3,429,000	2%
Charges for Services	5,130,000	3%	5,201,000	3%
Transfers *	10,392,000	6%	9,577,000	6%
Other Revenues **	7,740,000	5%	7,791,000	5%
Total General Fund Revenues	\$165,392,000	100%	\$169,179,000	100%

General Fund Expenditures:				
Public Safety ***	100,053,000	60%	100,816,000	60%
Public Works	11,743,000	7%	11,771,000	7%
Community Development	7,147,000	4%	7,169,000	4%
Community Services	14,047,000	9%	14,089,000	8%
General Government	23,071,000	14%	22,816,000	14%
Transfers/Non-Departmental ****	9,331,000	6%	12,518,000	7%
Total General Fund Expenditures	\$165,392,000	100%	\$169,179,000	100%

* Includes transfers primarily from Airport Fund and Redevelopment Fund.

** Includes liquidation/use of fund balance.

*** Includes operational support funding for the Emergency Medical Services (Paramedic) Fund and Animal Control Fund.

**** Includes operational transfers to Parks and Recreation, Cultural Arts Center, and Self Insurance Funds.

Internal Service Funds:	2011-12 Revenues	2011-12 Expenditures	2012-13 Revenues	2012-13 Expenditures
Fleet Services **	\$ 5,890,000	\$ 5,890,000	\$ 5,901,000	\$ 5,901,000
Self Insurance **	3,996,000	3,996,000	3,999,000	3,999,000
Total Internal Service Fund	9,886,000	9,886,000	9,900,000	9,900,000

Enterprise Funds:				
Airport **	11,657,000	11,657,000	11,840,000	11,840,000
Transit *	25,498,000	25,052,000	25,498,000	25,103,000
Water	32,976,000	31,536,000	32,976,000	31,555,000
Emergency Medical Services Fund	10,685,000	10,685,000	10,768,000	10,768,000
Sanitation **	12,226,000	12,226,000	12,229,000	12,229,000
Sewer **	2,465,000	2,465,000	2,470,000	2,470,000
Parks & Recreation (fee activities) **	8,502,000	8,502,000	8,515,000	8,515,000
Cultural Arts Center **	2,162,000	2,162,000	2,168,000	2,168,000
Total Enterprise Funds	106,171,000	104,285,000	106,464,000	104,648,000
Other External Funds:	35,994,000	33,942,000	35,758,000	33,517,000
Less Internal Services/Transfers ***	(43,239,000)	(43,239,000)	(45,002,000)	(45,002,000)
TOTAL CITY BUDGET	274,204,000	270,266,000	276,299,000	272,242,000

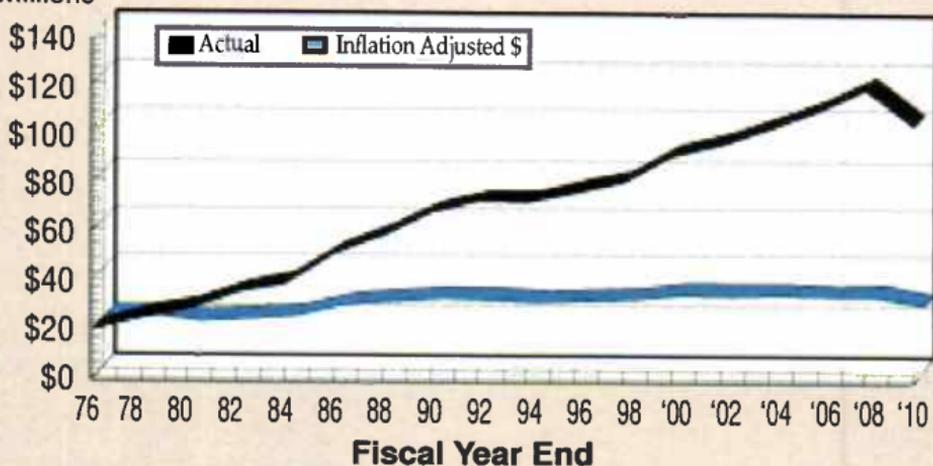
* Includes depreciation of \$2,376,000 in revenue estimate for 2011-12 and 2012-13.

** Includes liquidation/use of fund balance.

*** To offset transfers between funds such as the General Fund subsidy to Parks and Recreation Fund.

Sales, Utility Users', Secured Property Business License, Motor Vehicle & Occupancy Taxes

Millions

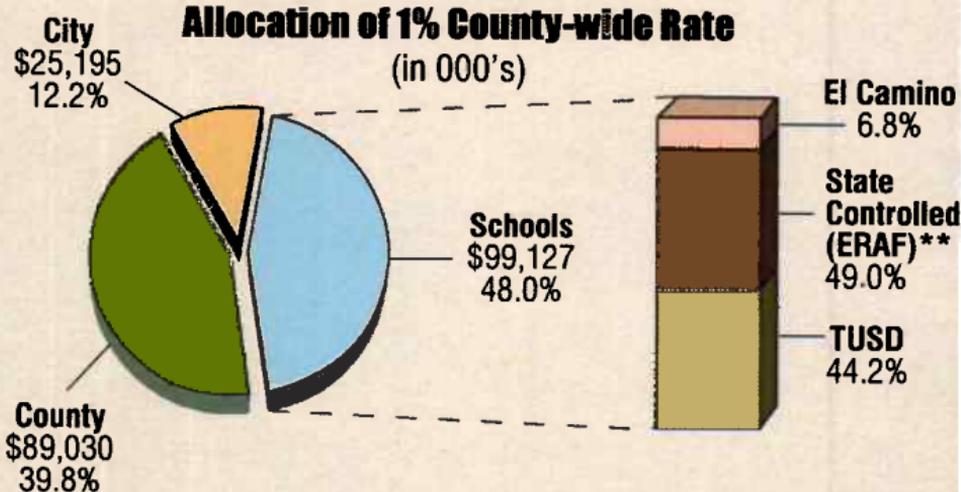


Actual average annual growth rate is 5.0%

Inflation adjusted average annual growth rate is 0.8%

*Constant dollar figure adjusts for inflation (base year = 1976).

Secured Property Tax* Allocation of 1% County-wide Rate (in 000's)



* Secured Property Tax - levied on real properties in the City which are secured by liens on the properties.

** The State transfers 49% of property tax collected for schools to a general account for all schools. This is referred to as the Education Revenue Augmentation Fund (ERAF).

Allocation based on 2009-2010 actual secured property tax of \$25,194,743.

Distribution of Property Tax*

Assessed Value = \$341,100

County 1% rate \$3,410

Schools
TUSD, El Camino, Other
48.0% (\$1,637)

City of Torrance
12.2% (\$416)



County
39.8% (\$1,357)

2011-12 General Fund Operating Budget by Function

(in 000s)

