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April 23, 2009

The Honorable Mayor and Councilmen:

Presented for your consideration is the Proposed Budget for FY (Fiscal Year) 2009-2010. This document includes the 1) City's, 2) Redevelopment Agency's, and 3) Financing Authority's detailed:

- a) Operating Revenues,
- b) Operating Expenditures,
- c) Vehicle and Equipment Replacements,
- d) Capital Improvement Projects and
- e) Fund Balances.

## SUMMARY

### FY 08-09

The City Manager and Deputy Treasurer have reviewed the current revenues and have estimated that by year's end we will receive \$10,196,420 in General Fund Revenues. Due to 1) lower amounts of sales tax revenue, 2) the slight decrease in County property taxes due to requested re-assessments, and 3) the decline of interest rates on investments, the anticipated revenue amount reflects approximately 3.5-5% lower than the original revenue estimate.

Based on the decrease of revenues, staff has worked hard on keeping expenditures to a minimum. The General Fund estimated operating expenditure total \$9,977,970, which includes subsidizing Lighting & Landscape in the amount of \$245,785. This is approximately 3% lower than the original budget expenditures.

The budget for FY 2008-2009 was adopted with an estimated General Fund surplus of \$292,057. The new estimate for the current year's General Fund surplus amount is now anticipated to be \$218,450\* for the current fiscal year.

*Please be aware that these figures are based on conservative amounts and apply only if there is no additional spending and/or no additional unanticipated loss of revenues. On the other hand, if additional expenditures are incorporated into the Council's final budget, the estimated surplus will be reduced, and if there are additional expenditures in the amount of \$200K, the surplus will be reduced to zero or there may even be a deficit.*

## FY 09-10

In recent years, revenues increase from one year to the next. Due to the changes in the economy, the City has been reducing the estimated revenues and will continue the same practice for FY09-10. The City has reduced its estimated General Fund revenues by approximately 5.8% for FY 2009-2010.

On the same practice staff has reduced its overall General Fund operating expenditures by approximately 3.8% and has suggested additional cuts in order to produce a balanced budget. Major reductions and suggested cuts are listed on Exhibit A.

General Fund surplus for FY 09-10 is estimated to be about **\$72,850**. The return of any other excluded items will reduce this small surplus, and could produce a deficit.

## REVENUES

The City of Temple City's Revenues are broken down primarily into two categories: General Fund Revenues and Special Revenues.

General Fund Revenues make up **65%** of the City's total revenue. This revenue provides nearly 70% of City services, which include law enforcement, code enforcement and other public safety programs, as well as planning, building, recreation/human services and administrative costs. The FY 09-10 General Fund Revenue is estimated at **\$9,956,250**. This is approximately \$600,000 (or 5%) less than last fiscal year's projections and is based on reasonable but conservative estimates.

Special Revenues are estimated based on past fiscal year's actual and information provided by the different entities that remit the funds to the City. The amount of annual revenues received in each Special Revenue area dictate to the extent of expenditures for program costs and Capital Improvement Projects. For FY 09-10, the total Special Revenue is estimated at **\$5,227,040**.

*The increase in Special Revenue Funds is based on grants the City will possibly be awarded. These grants include American Recovery and Reinvestment Act, Justice Assistance Grant and Cops Hiring Recovery Program.*

## EXPENDITURES

The City of Temple City's expenditures are funded by two main funding sources: General Fund and Special Revenue Funds. The General Fund program expenditures for FY09-10 total \$9,883,400. Special Revenue Fund program expenditures total \$4,189,435.

There is one Special Revenue Fund that needs to be mentioned in more detail at this time. The City's Lighting and Landscape District had major limitations placed on it when Proposition 218 passed. Any increase to the current assessment rate could only be done through a vote of the property owners. The General Fund in the past fiscal years has subsidized the Landscape District. During FY08-09 the General Fund will subsidize the Landscape District by approximately \$245,785. In order to produce a balance budget the City has proposed minor reduced landscaping services for FY2009-2010 (Exhibit A). The General Fund is estimating subsidizing \$219,615 during FY2009-2010. By the end of FY2009-2010 the General Fund will have subsidized a total of approximately \$1.4M to the Landscape District.

## VEHICLE AND EQUIPMENT REPLACEMENT

For the most part, the Vehicles and Equipment Budget requests are for items recommended for ongoing operations. Listed are a few of the major purchases that are being requested:

- Hybrid vehicle to be used primarily by the Public Services Department, Code Enforcement Program (AQMD)
- Technology upgrades
- Adjustable basketball goals

## CAPITAL IMPROVEMENT PROGRAM

The Proposed Capital Improvement Project Budget includes any carryover costs for Projects that were budgeted in FY 08-09. The CIP Budget also includes any recommended projects for the new fiscal year.

The FY08-09 Budget included \$3,592,710 for Capital Improvement Projects. Of this amount, \$3,320,520 is being carried over to FY09-10. New projects for FY09-10 are estimated to cost \$210,000. New projects for FY09-10 are as follow:

- Painting of Performing Arts Pavilion and Picnic Shelters (General Funds)
- New Walkway Lighting for Temple City Park (Park Acquisition Funds)
- Renovation of Circular Planter at Live Oak Park (Park Acquisition Funds)
- New Playground Equipment (General Funds)
- Council Chambers Upgrades for Videotaping (General Funds)

The total amount for FY09-10, which includes carryover funds and new monies, is **\$3,530,520**. Of this amount, \$1,328,525 is estimated to be General Fund monies; \$258,400 Prop C; \$300,000 Sewer Reconstruction; \$60,000 Park Acquisition Funds; \$1,074,000 American Recovery and Reinvestment Act of 2009 (ARRA); \$94,470 Lighting & Landscape District and \$415,125 in Highway Safety Improvement Funds.

### COMMUNITY REDEVELOPMENT AGENCY

The Agency is sustained mainly by Tax Increment monies and interest on investments. Tax Increment monies are allocated 80% to the Debt Service Fund and 20% to the Low and Moderate Fund. These revenues are used to repay loans and to provide handyworker assistance to eligible homeowners. For FY2009-2010 the Agency is anticipating approximately \$690,000 in tax increment monies and \$60,000 in interest on investments.

#### Capital Project Fund

The majority of this program's expenditures are the administrative charges paid to the City of Temple City for staff and non-staff support for running the Agency. This fund includes \$150,000 for possible Redevelopment Agency area studies. Total proposed expenditures for FY2009-2010 are \$273,500.

#### Low and Moderate Income Housing Fund

The housing program consists of providing housing rehabilitation assistance to eligible homeowners. For FY2009-2010, the primary emphasis will continue to be a home improvement program. Total proposed expenditures are \$409,810 for FY2009-2010.

#### Debt Service

This fund accounts for the principal and interest payments on the Agency's debt. The Agency's revenues will allow for a \$200,000 principal repayment to the City of Temple City on the outstanding loan from the City. As of June 30, 2008, the remaining balance on the City to Agency loan is \$1,926,979 for principal and \$2,433,469 in accrued interest.

### FINANCING AUTHORITY

The Temple City Financing Authority was created in 1993 for the purpose of providing financing for public capital improvements and other local debt obligations. The Financing Authority issued 1993 Revenue Bonds to provide a loan to the Temple City Community Redevelopment to refund outstanding Parking Lease Revenue Bonds. During FY2005-2006 the Agency refinanced the bonds. During FY2009-2010 the Financing Authority is estimating to pay \$295,000 in principal and \$324,045 in interest toward the 2005 Revenue Bonds.

## RECOMMENDATIONS

It is recommended the City Council:

- Review & Amend the Proposed Budget document for FY2009-2010.
- Approve/Disapprove reductions and cuts listed on Exhibit A.

## CONCLUSION

The City of Temple City is currently receiving General Fund Revenues and Special Revenues to continue to pay for the approved programs. As in the past, staff has proposed conservative budget figures and has completed the year with a surplus. Based on the economy and the declining revenues received by the City, in order to continue the same amount of services, the City Council may need to approve an unbalanced budget by funding programs with its reserve funds.

Reserve funds are an accumulation of surplus funds that are used for one-time expenditures. These funds are used mainly for Capital Improvement Projects.

Respectfully submitted,



Charles Martin  
City Manager



Monica Molina  
Deputy City Treasurer



## ADDITIONS, DELETIONS & MAJOR REDUCTIONS

In order to produce a balance budget – which as Staff, we are required to do - each department head has reviewed their programs and have suggested the following cuts and reductions. They have selected items that they feel may have the least amount of negative impact to the community. Minor reductions have also been made to most departments and are not listed in this exhibit.

Each item will need to be approved, denied or revised by the City Council and additional items may be discussed during the Budget Study Session. These items only impact the General Fund.

### City Council

On December 2, 2008, the City Council approved the San Gabriel Valley Economic Partnership membership. Staff has eliminated the membership cost in the amount of **\$5,000** for FY09-10. As predicted, the membership has netted us absolutely nothing

### City Manager

The City is currently recruiting the position of City Manager. Closing date for this position is June 18, 2009. Staff has included salary and benefits for the entire fiscal year in the amount of \$245,100. In comparison to FY08-09 this item will increase the budget by **\$148,410** and more because the current City Manager has been working as a volunteer since 2008.

### Council Support

City staff has been receiving quotes for the videotaping of Council meeting and/or Commission meetings. An amount of **\$75,000** has been added to FY 09/10 budget. This amount can be adjusted during the Budget Study Session depending on the Council's decision on the April 21, 2009 meeting in regards to videotaping meetings.

### Support Services

On March 17, 2009 City Council approved extending the agreement with Temple City Tribune until June 30, 2009. Proposed budget for Publication has decreased by **\$12,225** for FY09-10 which only includes extending the contract for an additional six (6) months.

### Insurance/Benefits

The City has received preliminary figures for Worker's Compensation and General Liability Insurance. The preliminary figures indicate a reduction in the amount of **\$25,890** in comparison to FY08-09. This means that the injury rate for our employees continues to be very low.

The City pays the Employment Development Department (EDD) on a "pay as we use" basis for unemployment compensation. Based on the City's low unemployment rate, the budget has been reduced by **\$20,000**. This means that the present group of employees, as a group, continues without any major firings.

As an additional benefit, the City provides employees an Education/Tuition reimbursement program. Based on past year's expenditures, this budget has been reduced by **\$20,000**. We have a program for those employees who wish to take courses on their work duties. We have had very little turn-over, and the requested courses have been reduced to a minimum.

#### Planning

The Housing Element document is expected to be completed during FY09-10. A budget in the amount of \$30,000 was proposed during FY08-09. Half of this amount will be carried over to FY09-10 leading to a **\$15,000** reduction.

The Façade Improvement Program provides business owners a grant not to exceed \$25,000 to improve the Façade of their business. The proposed budget has been decreased from \$175,000 to \$125,000 with a total reduction of **\$50,000** for FY09-10.

#### Community Relations

On June 18, 2008 the City Council approved the agreement with the San Gabriel Valley Small Business Development Center. This agreement will renew every year starting July 1<sup>st</sup> until canceled in writing. Staff has eliminated the membership fee of **\$10,000** for FY09-10. – based on the Chamber's acknowledgement that the service is not worthwhile.

The City of Temple City was incorporated in 1960. To celebrate the City's 50<sup>th</sup> anniversary, staff has included a budget in the amount of **\$50,000** for various celebratory activities.

#### Parks & Recreation

Youth Excursions were removed from FY09-10 budget. These excursions will not be eliminated but will be offered through the Stars Club and/or Teen Zone programs and is reflected on its corresponding budgets. Based on the decrease in attendance of recreation classes, the budgets for the Recreation Specialist and revenue have been reduced by **\$15,650**.

The City works with the County and the School District to offer a swim program during the summer. This program has seen a decrease in the overall attendance during the past years. This is one program that the City offers that does not cover even ¼ of expenses. The City is unable to increase the swim program fee in order to cover the expenses without majorly impacting enrollment. Based on the fact that the City of Rosemead, the City of El Monte and two facilities in Arcadia offer swim programs to the public, the City feels that the removal of the pool program will not greatly impact the community. The removal of the pool program reduced the proposed budget for FY09-10 by **\$69,600** and has reduced revenues by **\$16,200**.

#### Law Enforcement

This program is approximately 30% of the total budget. The deletion of the Law Enforcement Technician has been proposed during the April 21<sup>st</sup> City Council meeting.

Reduction: **\$83,650**. This may be contrary to some of the Council, but our job is to put together a balanced budget – and this we have done.

The Proposed Budget is being presented to the City Council with the assumption that the City will be awarded the JAG Formula grant and CHRP grant. General Fund expenditures will increase up to **\$350,000** if these grants are partially or not awarded at all. At this time we are working with the Sheriff's Department to apply for CHRP grant funds. It is unknown when and if these grants will be awarded. These grants are expected to supplement two deputy positions. The City Council would need to decide if grants are not awarded whether one or two of these positions should be suspended for FY09-10. The City Council can also authorize keeping these positions and funding them with reserve funds.

#### Code Enforcement

Based on the fact that the Gabriel case is closed, the Code Enforcement budget has decreased by **\$30,000**.

#### Trees & Parkways

(Lighting & Landscape District partially subsidized with General Fund monies)

Tree trimming is usually scheduled for 25% of citywide tree maintenance. For FY 09-10, staff is suggesting to reduce the trimming to 15%. A decrease in Tree Removal and Planting is also being recommended for FY09-10. This is recommended for one year only and will impact the General Fund by **\$46,230**. We recognize that most of our liability claims involve falling tree limbs and encroaching roots, and we have been very successful in keeping these claims to a minimum – so successful in fact that our liability premiums are again being reduced.

PERSONNEL

Most cities are now engaging in personnel reductions, either by lay-offs, furloughs, or pay cuts – because Staff and the Council four years ago foresaw the need for conservatism, we made our cuts in 2005 and 2006.

Therefore, we are able to keep our Staff intact with no lay-offs, furloughs or pay reductions.

In fact, our employees have gained a total of 15.3% over the past four years, and with the suffering of our neighboring cities, Staff feels that they are not really expecting a cost of living increase at this time. Due to the economic condition there has been no inflation over the last 12 months. Each 1% COLA for the entire staff costs about \$32,000. If mid-year, the recession seems to be broken; we will reconsider COLA, if necessary, at that time.