

Budget

at a glance



2010-2011

Second year

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

Snapshot of Torrance

Population:	149,717 ¹
Peak Daytime Population (2 p.m.):	203,011
Area:	21 square miles
Full Time Employees:	1,297
Fire Stations:	6
Police Station:	1
Police Community Centers:	1
Sworn Police Employees:	224
Sworn Fire Employees:	148
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 2010.

Key Highlights of the 2010-11 Budget

- ❖ The operating budget is balanced for the 2010-11 fiscal year, the 2nd year of the 2009-11 two-year budget.
- ❖ At the time of adoption (June, 2010), the 2010-11 budget eliminated a \$8.9 million General Fund projected structural deficit through position deletions, forgone salary increases, operational changes, the use of year-end savings from the expenditure side, and through the deferment of certain fund transfers to close the fiscal year balanced.
- ❖ As the 2009-10 fiscal year ended and all year-end accounts were closed, an additional \$5.6 million shortfall became evident (October, 2010). This was primarily due to revenues falling short of budget estimates for the prior fiscal year (2009-10).
- ❖ In October, the City took steps to modify the adopted budget to offset this reduction and to rebalance the operating budget through internal adjustments to operating transfers, holding certain positions vacant, and further position reductions. The figures in this publication are inclusive of these budget changes.

City Revenue Shortfall

- ❖ The City of Torrance wrestled with a projected budget deficit of \$8.9 million to balance the 2010-11 budget. This deficit was primarily driven by the economic recession, which resulted in a projected shortfall of revenues of \$8.9 million at the time of budget adoption, and an additional \$5.6 million after first quarter revenues were received.
- ❖ While the core revenues of the City's General Fund were within 2% of budget projections, the forecast for the non-core revenue categories were too optimistic. Core revenues are property, sales, and utility users' taxes, which account for about 70% of the General Fund.
- ❖ Historically, the non-core revenues (business license tax, occupancy tax, investment earnings, and miscellaneous revenues) generally offset each other at year-end, with some revenues exceeding budget and others coming in below budget. This past year, however, substantially all revenues were below budget.

Major Areas of General Fund Revenue Concerns	Projected Budget Shortfall
Property Tax	<\$2.4 million>
Sales Tax	<6.0 million>
Utility Users' Tax	<0.6 million>
Occupancy Tax	<1.6 million>
Investment Earnings	<2.4 million>
All Other Revenues	<1.5 million>
Total	<\$14.5 million>

- ❖ Property taxes are based on a property's assessed value. In the City of Torrance, this tax is 1% of assessed value, of which the City receives 12.2%. As real estate values have fallen locally, as well as throughout the state and nation, property owners are seeing their assessed values decrease, which in turn affects the amount of revenue the City receives through this tax. As such, projections for this revenue have been reduced by \$2.4 million.
- ❖ Sales tax revenue comes from taxes on retail goods sold in the City of Torrance, of which the City receives 1%. This revenue source is highly sensitive to the local economy. As people spend less in tough economic times, less sales tax revenue is generated. Torrance's projected sales tax revenues were reduced by approximately \$6.0 million to more closely reflect the state of the economy.
- ❖ Utility Users' Tax (UUT) is a city tax applied on the use of utilities. UUT revenues were reduced by approximately \$0.6 million to more closely reflect the receipts from this revenue source.
- ❖ Occupancy Tax revenue is a city tax on room rentals charged by hotels and motels that operate within the city. Due to the recession, both business and personal spending is down and as a result, hotels and motels are experiencing a reduction in room revenue.
- ❖ Investment Earnings represents interest earned on the City's investments. Due to a decreasing revenue base, there is less money available to the city for investments which, when combined with low interest rates, results in lower interest earnings.

Balancing the Budget

- ❖ City Council had two main goals when deciding on the needed budget actions: minimize impact to the citizens and avoid layoffs. The City Council met these goals through major operational efficiencies, energy savings, selective reduction of positions, modifications to City programs, and the use of one-time monies.

Summary of Budget Reductions by Category

Position reductions (non-safety)	<\$2.6 million>
Position reductions (safety)	<3.2 million>
PERS Employee Contribution	<0.6 million>
Non-expansion of wages/materials	<3.8 million>
Program Revisions	<0.4 million>
Operational Efficiencies	<0.9 million>
Fees	<0.2 million>
Internal Adjustments	<2.8 million>
Total	<\$14.5 million>

Budget Balancing Strategies

- ❖ **Public Employee's Retirement System Contribution**
 - One of the major balancing strategies is the phase-in of transferring the employee portion of pension costs back to employees. Employee pension cost is a major cost driver particularly in the past several years due to poor or below average investment earnings. The proposed phase-in impact is 9% of wages for police and fire positions and 7% for all other positions.
 - Savings are estimated at \$2.5 million over the next four years, or \$630,000 annually.
 - This change requires the City to meet and confer with affected employee organizations.
- ❖ **Non-expansion of Wages and Materials** – While the budget includes funding for agreed to wage packages for public safety personnel, and automatic step and longevity increases for all employees, due to revenue downturns, the budget does not provide for potential wage and material increases. The non-expansion of wages and materials for the 2009-10 and 2010-11 fiscal years was \$1.5 million and \$2.25 million, respectively.
- ❖ **Program Revisions** – Changes to programs that were affected by budget cuts include: reductions to the number of concerts held for Concerts in the Park and Wild Wednesdays, the elimination of the Oodles of Noodles event, and the elimination of the 4th of July fireworks celebration.

Furthermore, funding for the Rose Parade Float was eliminated. The float will be funded through 2012 from the use of one-time money but could potentially be eliminated if a new funding source is not found.

The Police Department was able to offset the funding of a Police Services Officer through the receipt of a Recovery Act Grant. This allowed the City to preserve Sunday Library services for 2010-11 on a one-time basis and provides staff with the opportunity to identify an ongoing funding source.
- ❖ **Operational Efficiencies** – Budget reductions were achieved through operational efficiencies such as energy savings from projects, extending the replacement cycles of certain CIT equipment, reductions in departmental overtime, reductions to the Service Awards Dinner, and conversion of internal and external newsletters from print to digital formats.
- ❖ **Fees** – The increase in fee revenue is attributable to an increase class fees based on a market study, increased picnic fees at additional parks, DVD rental and late fees, reduction to the Aquacade program, and the expansion of a short-term permit fee to include additional park facilities.



Position Reductions

- ❖ Over 42 city positions were converted, deleted, or placed on temporary hold to deal with the revenue decline.
- ❖ Fire and Police realized savings of roughly \$2.9 million through position reductions, while non-safety position reductions realized a like amount of nearly \$2.9 million.
- ❖ The position reductions are outlined in the chart below:

Adopted 2010-11 Position Changes

POSITION DELETIONS:

City Attorney	Deletion	(0.5)	Deputy City Attorney I
	Convert	(1.0)	Deputy City Attorney III
		1.0	Deputy City Attorney II
	Convert	(1.0)	Deputy City Attorney II
		1.0	Deputy City Attorney I
	Deletion	(1.0)	Deputy City Attorney II
	Deletion	(1.0)	Legal Secretary
		(2.5)	
City Manager	Deletion	(1.0)	Intern
Community Services	Deletion	(0.9)	Sr. Recreation Leader
	Deletion	(1.0)	Library Assistant I
	Deletion	(1.0)	Maintenance Worker
	Deletion	(1.0)	Typist Clerk
	Temp. Hold	(1.0)	Library Assistant I
		(4.9)	
Community Development	Deletion	(1.0)	Public Works Inspector (50% reimbursed from capital projects)
	Deletion	(1.0)	Building Inspector
	Deletion	(1.0)	Engineering Technician I
	Deletion	(1.0)	Building Permit Technician
		(4.0)	
Finance	Deletion	(1.0)	Account Clerk
	Deletion	(1.0)	Buyer
	Temp. Hold	(1.0)	Accountant
		(3.0)	
Fire	Deletion	(2.0)	Driver/Aides (Fire Fighters) to fill current vacancies/ convert 1.0 position to 40 hr
	Convert	(1.0)	Admin. Battalion Chief to non-sworn
		1.0	Operations Manager
	Convert	(1.0)	Fire Captain to non-sworn
		1.0	Sr. Business Manager
	Deletion	(1.0)	Ops. Specialist (Fire Fighter)
Deletion	(3.0)	Fire Engineer (two by attrition)	
Temp. Hold	(1.0)	Fire Prevention Specialist	
		(7.0)	
General Services	Deletion	(1.0)	(1.0) Sr. Custodian
	Deletion	(1.0)	Central Services Coordinator
	Temp. Hold	(1.0)	Custodian
		(3.0)	
Human Resources	Deletion		(1.0) Sr. Admin. Assistant
	Deletion	(1.0)	Personnel Technician
	Convert	(1.0)	Worker's Comp Examiner
		1.0	Claims Technician
Deletion	(1.0)	Typist Clerk	
		(3.0)	
Police	Deletion	(1.0)	Public Safety Dispatch Supv.
	Deletion	(1.0)	Secretary
	Deletion	(1.0)	Police Services Officer
	Temp. Hold	(4.0)	Police Officer
		(7.0)	
Public Works	Deletion	(1.0)	Cement Finisher
	Deletion	(1.0)	Equipment Operator
	Deletion	(3.0)	Maintenance Worker
	Convert	(1.0)	Public Works Supervisor
		1.0	Lead Maintenance Worker
	Temp. Hold	(1.0)	Maintenance Worker
	Deletion	(1.0)	Associate Engineer
		(7.0)	
Total Deletions		(42.4)	

2010-11 OPERATING BUDGET SUMMARY

General Fund Revenues:	2009-10	%	2010-11	%
Sales Tax (includes triple flip)	38,732,000	23%	34,584,000	21%
Utility Users Tax	36,542,000	21%	37,000,000	22%
Property Taxes	40,932,000	24%	40,200,000	24%
Business License Tax	8,242,000	5%	7,900,000	5%
Occupancy Tax	8,329,000	5%	7,400,000	4%
Other Taxes	8,603,000	5%	7,560,000	4%
Grants and Subventions	1,457,000	1%	2,020,000	1%
Use of Money and Property	5,327,000	3%	3,311,000	2%
Charges for Services	5,106,000	3%	4,942,000	3%
Transfers*	11,162,000	6%	12,688,000	8%
Other Revenues**	9,363,000	4%	11,118,000	6%
Total General Fund Revenues	\$173,795,000	100%	\$168,723,000	100%

General Fund Expenditures:

Public Safety***	98,841,000	57%	97,525,000	58%
Public Works	12,343,000	7%	11,674,000	7%
Community Development	8,372,000	5%	7,630,000	5%
Community Services	14,584,000	8%	14,271,000	8%
General Government	24,371,000	14%	22,633,000	13%
Transfers/Non-Departmental****	15,284,000	9%	14,990,000	9%
Total General Fund Expenditures	\$173,795,000	100%	\$168,723,000	100%

* Includes transfers primarily from Airport Fund and Redevelopment Fund.

** Includes liquidation/use of fund balance.

*** Includes operational support funding for Emergency Medical Services (Paramedic) Fund.

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

Internal Service Funds:	2009-10 Revenues	2009-10 Expenditures	2010-11 Revenues	2010-11 Expenditures
Fleet Services	\$ 6,228,000	\$ 6,006,000	\$ 6,229,000	\$ 5,950,000
Self Insurance	4,023,000 **	4,023,000	3,972,000 **	3,972,000
Total Internal Service Fund	10,251,000	10,029,000	10,201,000	9,922,000

Enterprise Funds:

Airport	11,727,000 **	11,727,000	11,623,000 **	11,623,000
Transit*	23,754,000 **	23,754,000	23,721,000 **	23,722,000
Water	28,879,000	28,272,000	29,368,000	29,175,000
Emergency Medical Services Fund	10,107,000	10,107,000	10,868,000	10,868,000
Sanitation	11,541,000 **	11,541,000	11,958,000 **	11,957,000
Sewer	2,324,000 **	2,324,000	2,424,000 **	2,424,000
Animal Control	461,000 **	461,000	462,000 **	462,000
Parks & Recreation (fee activities)	8,212,000	8,178,000	8,155,000 **	8,155,000
Cultural Arts Center	2,525,000	2,198,000	2,178,000 **	2,178,000
Total Enterprise Funds	99,530,000	98,562,000	100,756,000	100,564,000
Other External Funds:	33,529,000 **	31,549,000	38,214,000 **	37,788,000
Less Internal Services/Transfers***	(48,270,000)	(48,047,000)	(51,307,000)	(51,029,000)
TOTAL CITY BUDGET	268,835,000	265,888,000	266,587,000	265,968,000

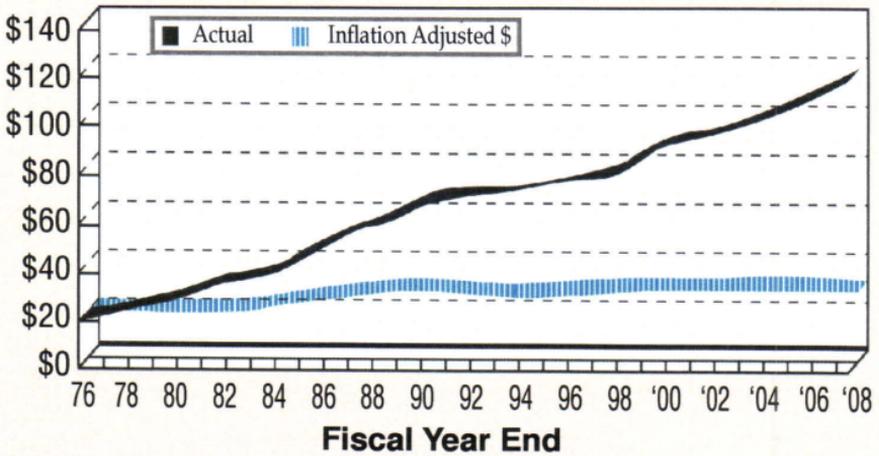
* Includes depreciation of \$2,148,000 in revenue estimate in 2009-10 and \$2,513,000 for 2010-11.

** Includes liquidation/use of fund balance.

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

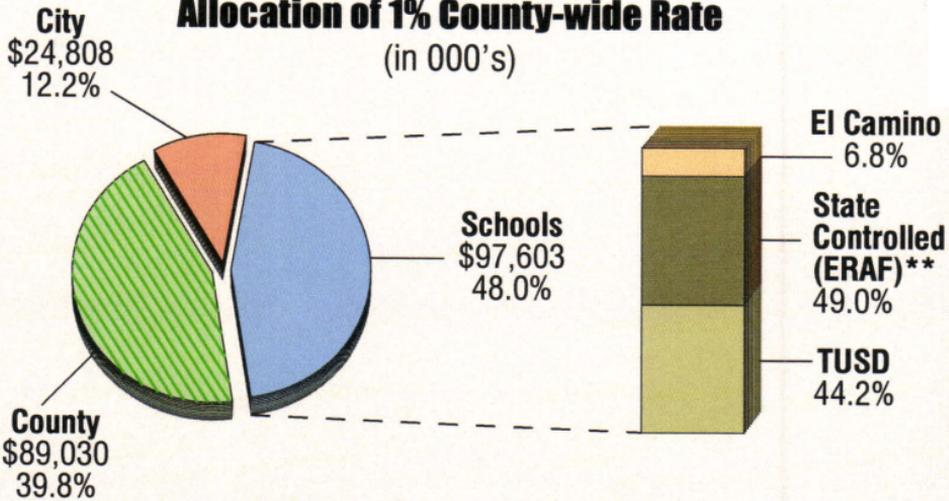
Sales, Utility Users', Secured Property Business License, Motor Vehicle & Occupancy Taxes

Millions



Actual average annual growth rate is 5.8%
 Inflation adjusted average annual growth rate is 1.2%

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 2008-2009 actual secured property tax of \$24,807,565.

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)

2010-11 General Fund Operating Budget by Function

(in 000s)

