

Budget

at a glance



2014-2015
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:	147,706 ¹
Peak Daytime Population:	182,159 ²
Area (in sq. miles):	21
Full Time Employees:	1,322
Sworn Fire Employees:	145
Sworn Police Employees:	228
Fire Stations:	6
Police Stations:	1
Police Community Centers:	1
Public Safety Center:	1
Public Libraries:	6
Parks & Recreation Amenities:	49
Parks Acreage:	285
Miles of Sidewalks:	550
City Trees:	47,000

1 California Department of Finance, May 2014.

2 2006 - 2010 5-year American Community Survey Estimates, U.S. Census Bureau

Budget Summary

- ❖ The operating budget is balanced for the 2014-15 fiscal year and forecasts balanced budgets throughout the next five years.
- ❖ This budget reflects a continuing effort to use the economic resources of the City to address the primary needs of the community. It preserves necessary reserves and lives within the boundaries of current revenue sources.
- ❖ One-time funding sources are used for one-time budget modification requests, capital outlays, and capital projects.

General Fund Revenues

- ❖ 71% of General fund revenues are derived from three revenue sources: Sales Tax (\$48.7 million), Property Tax (\$45.2 million) and Utility Users' Tax (\$32.6 million)
 - Sales Tax – represents approximately 27% of General Fund revenue. Two-thirds of the economy is driven by consumer spending and Torrance is the 4th largest producer of sales tax in the county.
 - Property Taxes – Torrance continues to have a strong property tax base. The City's property and economic base includes a mix of high-end residential properties and sizable industrial, commercial, and retail components. The City had a large property tax base of \$22.9 billion in fiscal year 2013.
 - Utility Users' Tax (UUT) – UUT revenues have not recovered like other General Fund revenues and are projected to grow modestly in the future. The increase in cost of electricity has not benefitted City revenues as businesses and residents become environmentally friendly resulting in reduced power consumption. Past increases in UUT revenues were from cellular telephones, but more and more consumers are switching from "voice" plans to "texting" and "data" plans, which are not subject to UUT.
- ❖ There are no new proposed fee increases included in this budget; however, there are provisions for consumer price index (CPI) increases for most of the fees the City charges, with the exception of the Cultural Arts Center which will be excluded for the upcoming fiscal year.

Balancing the 2014-15 Budget

The fiscal year 2014-15 budget is balanced, requires no reductions, and continues to address long-term strategies. It is a reflection of City policies and goals and is consistent with the City's Strategic Plan. Here are some highlights of the budget:

EMPLOYEE COMPENSATION

This budget includes compensation increases for City employees, the first wage package since 2009 for most rank-and-file employees.

POLICE

This budget adds an additional police officer in January 2015, the fifth sworn position added since 2011.

ENERGY CONSERVATION

Completed energy conservation projects are generating \$260,000 in savings to date and include:

- LED lighting for City Hall parking lot
- Street security lighting replacements
- HVAC replacements
- Irrigation control upgrades
- Phase 1 of lighting retrofits and upgrades
- Low flow plumbing fixtures
- Solar Heating for the City Plunge

Phase 2 of lighting retrofits is scheduled to generate \$40,000 in utility savings.

TOYOTA SPORTS COMPLEX

The grand opening of the Toyota Sports Complex was celebrated on March 26, 2014. This state-of-the-art 6.2 acre facility is designed to serve youth and adults through long-term user groups, camps, clinics and tournaments. Operating costs are projected to be fully offset by user fees, grants, and donations.

STRATEGIC PLAN

Public opinion surveys of residential and business communities, conducted as part of the City's 10-year Strategic Plan, reflected a positive view of Torrance; however, there was growing concern over the maintenance of local streets and sidewalks. The 2014-15 budget sets aside \$1M in one-time and \$450,000 in ongoing funding to address these concerns. The five-year Capital Plan also includes \$700,000 in funding for local streets and sidewalks in 2014-15, for a \$2.2 million impact.

BOX OFFICE TICKET FEE

The \$2.50 per ticket fee has been eliminated. Box office hours have been reduced in order to create savings to offset the fee elimination.

CULTURAL ARTS CENTER

A one-year pilot program of a pricing structure based on "peak" and "non-peak" hours will be implemented. "Non-peak" hours will be Monday through Thursday, 10am to 10pm. Rates will be reduced by 15-30% in hopes of increasing activity during those times.

VANPOOL

An additional \$70,000 in Prop C funding was provided to the Vanpool Program to offset cost increases.

TORRANCE CULTURAL ARTS CENTER FOUNDATION (TCACF)

City support for TCACF has been increased by \$69,980 on a one-time basis:

- Increase of cash-payment of \$26,220
- Increase of \$3,760 for labor charges at the Cultural Arts Center
- Increase of \$5,000 in in-kind support (Central Services work, printing/mailing)
- \$25,000 for facility use for other Cultural Arts Center venues for Gala, Interactive theatre piece and local talent competition
- \$10,000 for Marley dance floor

EMPLOYEE PENSIONS

Several key policy changes have been implemented over the last several years to mitigate pension costs. Anticipated rate increases from CalPERS' recent "actuarial" changes have been incorporated into this budget and the City's five-year forecast.

PENSION REFORM

❖ FY 2010-11 – Increased Employee Contribution (EPMC)*

The City negotiated to require new employees to contribute to EPMC costs to the pension plan.

- 9% for Fire and Police safety employees
- 7% for Miscellaneous employees
- This change has saved the City \$1.3M to date
- This is projected to save \$760,000 annually

Employer Paid Member Contributions

❖ FY 2013-14 – Revised Pension Plan Formulas (PEPRA)

The 2013 Public Pension Reform Act (PEPRA) affects new employees hired after January 1, 2013 who are new to the CalPERS system. It reduces pension formulas and City's cost.

- New retirement formulas
 - From 3% at 50 to 2.7% at 57 for Fire and Police safety employees
 - From 2% at 55 to 2% at 62 for Miscellaneous employees
- Employees responsible for half the "normal costs" of benefits
 - Fire safety employees contribute 12.5%
 - Police safety employees contribute 15%
 - Miscellaneous employees contribute 6.75%
 - Normal costs are not in addition to EPMC costs
- These changes will reduce City costs as current employees retire and new employees are hired with new reduced benefit formulas.

❖ FY 2013-14 – Industrial Disability Cost Reduction

The Industrial Disability Allowance has been reduced from 90% to 50% for all Fire and Police safety employees hired after January 1, 2014.

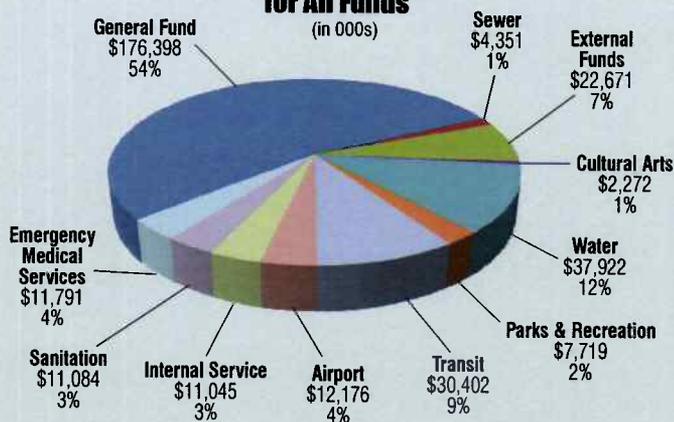
- This will reduce the City's and employees' current share of normal pension costs for new hires:
 - From 12.5% to 11.25% for Fire
 - From 15.0% to 12.75% for Police

- ❖ **Water Operations** - Higher requirements for Water Operations Superintendent and Water Services Supervisor were established. All senior level positions now require a Grade 5 level Water Distribution certification.
- ❖ **Fire Prevention Division** - A career ladder was developed for positions within the Fire Prevention Division by expanding the scope of the division, modifying job classifications, and adding Certified Unified Program Agency (CUPA) responsibilities to Fire and Senior Fire Prevention Officer positions.
- ❖ **Public Works – Capital Projects** - 2.0 Public Works-Capital Projects positions were created to assist with increased projected workload related to Measure R – the half-cent sales tax increase to fund transportation projects and improvements.

PENDING REORGANIZATIONS

- ❖ **Library** - The City is looking at staffing changes to better meet the needs of library patrons of the City's 6 libraries.
- ❖ **Transit** - This will transition current Transit Dispatchers to Dispatch Coordinators and create 3.0 Transit Mechanic positions in the Maintenance Division to increase support for the addition of two expansion services and 12 new buses.
- ❖ **Clerical Series Study** - The objective of the study is to update job titles, knowledge and skills to reflect the current job market.
- ❖ **Water Apprenticeship Program** - Public Works Department is developing a Water Apprenticeship Program to prepare participants for Water Tech I positions.

2014-15 Expenditure Budget Summary for All Funds**



** Based on an adopted 2014-15 gross budget of \$327,831,000.

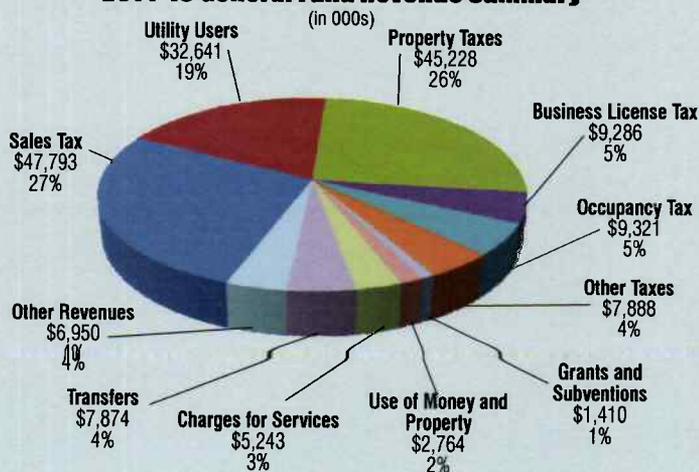
Reorganizations

To maintain a balanced budget, a series of internal reorganizations have occurred over the past several years. These difficult and necessary changes have been focused on maintaining high quality, efficient service delivery and include the following:

INTERNAL REORGANIZATIONS

- ❖ **Airport Operations** - 1.0 Lead Airport Worker was added to provide front line guidance in the field.
- ❖ **Community Services Department** - A Senior Recreation Supervisor position and the Farmers Market Program were reassigned to the Cultural Services Division. The Madrona Marsh Program was reassigned to Park Services Division. A vacant Program Coordinator was reallocated to a full-time Aquatics Program Coordinator, resulting in the deletion of a part-time Pool Manager.
- ❖ **Civil Service** - Upgraded 1.0 Human Resources Technician to 1.0 Human Resources Analyst, added 0.2 Human Resources Technician, and added 0.5 Intern II.
- ❖ **Human Resources** - The HR Department was transitioned to a division within the City Manager's Office with two major divisions: HR Operations and Department Support. The Risk Management Division was moved to the Finance Department.

2014-15 General Fund Revenue Summary



2013-15 OPERATING BUDGET SUMMARY

General Fund Revenues:	2013-14	%	2014-15	%
Sales Tax (includes triple flip*)	45,731,000	26%	47,793,000	27%
Utility Users' Tax	32,017,000	18%	32,641,000	19%
Property Taxes	43,415,000	24%	45,228,000	26%
Business License Tax	9,286,000	5%	9,286,000	5%
Occupancy Tax	8,962,000	5%	9,321,000	5%
Other Taxes	7,720,000	4%	7,888,000	4%
Grants and Subventions	1,410,000	1%	1,410,000	1%
Use of Money and Property	2,717,000	2%	2,764,000	2%
Charges for Services	5,158,000	3%	5,243,000	3%
Transfers	13,843,000 **	8%	7,874,000	4%
Other Revenues	7,029,000	4%	6,950,000	4%
Total General Fund Revenues	\$177,288,000	100%	\$176,398,000	100%

General Fund Expenditures:				
Public Safety ***	104,747,000	59%	107,425,000	61%
Public Works	11,571,000	7%	11,696,000	6%
Community Development	7,369,000	4%	6,958,000	4%
Community Services	14,739,000	8%	15,273,000	9%
General Government	23,322,000	13%	22,934,000	13%
Transfers/Non-Departmental ****	15,540,000	9%	12,112,000	7%
Total General Fund Expenditures	\$177,288,000	100%	\$176,398,000	100%

* In 2004, the California Economic Recovery Bond Act, (commonly referred to the Triple Flip), changed the distribution of sales and use taxes to schools and local governments, reducing local government's share of sales tax by 0.25%. Diverted sales taxes were replaced with property taxes shifted from the school district's Educational Revenue Augmentation Funds (ERAF), then school district ERAF losses were offset by increased state education aid under proposition 98 minimum guarantee.

** Includes transfers primarily from Airport Fund, and for 2013-14, a \$6 million transfer (\$4.5 Measure R, \$1.5 RDA reserve) to defease a 1998 bond issue.

*** 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. 2013-14 includes a \$6 million transfer to defease a 1998 bond issue offset by a \$3 million employee compensation package reserve.

Internal Service Funds:	2013-14 Revenues	2013-14 Expenditures	2014-15 Revenues	2014-15 Expenditures
Fleet Services	\$ 6,519,000	\$ 5,895,000	\$ 6,473,000	\$ 5,958,000
Self Insurance	4,985,000	4,985,000	5,087,000	5,087,000
Total Internal Service Fund	11,504,000	10,880,000	11,560,000	11,045,000

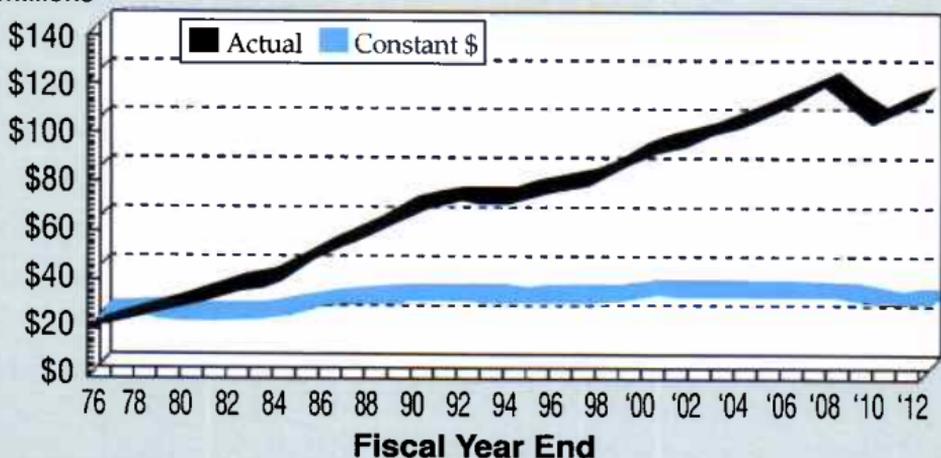
Enterprise Funds:				
Airport	12,197,000	12,197,000	12,605,000	12,176,000
Transit	31,389,000	31,389,000	30,402,000	30,402,000
Water	37,193,000	35,572,000	38,643,000	37,922,000
Emergency Medical Services Fund	11,447,000	11,447,000	11,791,000	11,791,000
Sanitation	11,098,000	11,098,000	11,299,000	11,084,000
Sewer	4,093,000	4,093,000	4,351,000	4,351,000
Parks & Recreation (fee activities)	7,446,000	7,410,000	7,719,000	7,719,000
Cultural Arts Center	2,178,000	2,178,000	2,272,000	2,272,000
Total Enterprise Funds	117,041,000	115,384,000	119,082,000	117,717,000
Other External Funds:	33,839,000	33,421,000	23,027,000	22,671,000
Less Internal Services/Transfers *	(54,270,000)	(53,646,000)	(43,683,000)	(43,168,000)

TOTAL CITY BUDGET	\$285,402,000	\$283,327,000	\$286,384,000	\$284,663,000
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* Transfers of cash from one fund to another. Examples include transfers to the Emergency Medical Services Fund, the Self Insurance Fund and to replacement funds. Fiscal year 2013-14 includes one-time \$10.5 million bond defeasance transfers, \$6 million from General Fund and \$4.5 million from Measure R.

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

Millions



Actual average annual growth rate is 5.0%

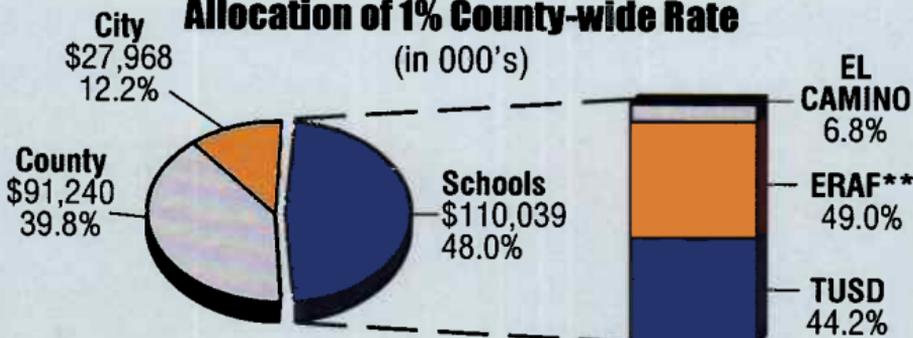
Constant dollars (real growth) average annual growth rate of 0.9%

Note: Constant dollar figure adjusts for inflation using 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.

** Education Revenue Augmentation Fund (ERAF)

Note: Allocation based on 2012-13 actual secured property tax of \$27,967,161.

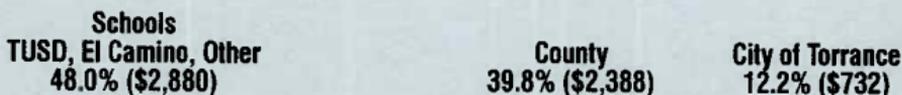
Distribution of Property Tax Assessments

Example:

Assessed Value = \$600,000

County 1% rate = \$ 6,000

Allocated to:



2014-15 General Fund Operating Budget by Function

(in 000s)

