



AGENDA ITEM

Item Number:

1

TO: CITY COUNCIL
FROM: CITY MANAGER

Submitted By:

Ellen Volmert, City Manager
Michael Solorza, Finance
Director

Meeting Date:

March 11, 2013

Subject: FY 2013-14 Budget Study Session and
Presentation of Staff Plan for a Balanced Budget

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- a) Receive the Staff presentation on a two year budget plan (FY 2013-14 preliminary General Fund budget and estimated FY 2014-15 General Fund budget)
- b) Provide direction on the Staff plan prior to the development of a draft FY 2013-14 budget to be presented to the City Council on May 7, 2013

SUMMARY:

One of the City Council goals adopted for 2013 was to have a balanced budget. This goal included reducing General Fund expenditures, reducing personnel costs, reviewing the City's reserves policy, adopting a plan to deal with Other Post Employment Benefits (OPEB) liabilities associated with retiree benefit costs, finalizing fees, and presentation of a staff plan by the end of February regarding the Fiscal Year 2013-14 budget.

Fees, reserves, and OPEB liabilities have been discussed or are scheduled for City Council discussion in the next few months. Staff presented an initial plan for the Fiscal Year 2013-14 budget to the City Council at a study session on January 28. While many elements of the plan were approved for further Staff work, some elements were rejected, leaving the plan unbalanced without further action. A second study session was therefore scheduled for March 11 to present a revised plan that responds to City Council direction and presents a basis for preparation of a balanced FY 2013-14 budget. Discussion on a proposed FY 2013-14 budget is scheduled for the City Council meeting of May 7.

Preliminary, updated estimates put the FY 2013-14 deficit at approximately \$1.335 million. Since the January 28 study session, Staff has had the opportunity to review current fiscal year spending and make additional (positive) adjustments to revenue and expenditure projections.

The Staff plan presents a preliminary FY 2013-14 budget that is 13.0% less than the FY 2012-13 adopted budget. Most importantly, it is balanced, showing a small surplus (\$3,000). This 13.0% reduction in expenditures is accomplished by using reductions in services and revisions to operations to close 68% of the gap (\$911,050), with 32% of the estimated deficit for next fiscal year proposed to be closed using new revenue (\$427,000). Furthermore, no reserves are utilized to fund ongoing operating expenditures. It should also be noted that the Staff plan maintains the City's General Fund reserves above the 100% level. Attachments 1 and 2 provide details on the two year staff plan and the proposed reductions and revisions to services.

Therefore, the estimated budget gap for FY 2013-14 has been eliminated through the 13.0% expenditure reduction and projection of additional revenue. Based on additional reductions which can reasonably be counted as occurring in FY 2014-15, the two year budget plan produces a budget in FY 2014-15 with a surplus of approximately \$247,000. Attachment 1 provides a detailed accounting of these amounts.

It should be noted that the Staff plan presents cuts that will impact residents directly. Staff attempted to propose reductions and revisions which would have a minimal impact on services. However, given the enormity of the task of closing a \$1.335 million budget gap, it was inevitable that services and programs would be cut that would negatively impact residents.

BACKGROUND:

The City of La Palma, for the past several fiscal years, has undertaken numerous cost containment efforts in order to keep ongoing revenue in line with ongoing, operating expenditures. Operating expenditures in all departments have been reduced considerably over the past three fiscal years, as can be seen with each adopted budget.

Most significantly, new employee contracts (effective July 1, 2011) have cut personnel costs by: increasing the amount employees contribute towards retirement, creating a second tier retirement program, and placing a moratorium on cost of living adjustments and tying future cost of living adjustments to revenue outcomes. In addition, the total employee count (FTE) has been reduced in FY 2012-13 from 64.0 to 60.0. All of these reductions have been accomplished without a significant reduction in services to residents.

However, in July, 2012, La Palma was informed that a major sales tax provider would be moving out of the City; taking along with it point of sales transactions utilized to apportion sales tax to the City. The provider was retained through December, 2012 as part of an operative agreement approved by City Council in September, 2012.

On February 5, 2013, the City Council approved an operative agreement with the new operators of the sales tax provider. Federal approval of the sale of the BP/Arco Carson refinery to Tesoro is still outstanding, which could delay the flow of sales tax to La Palma. However, forward progress is being made in relation to Tesoro setting up their business operations in the City, which indicates their commitment to beginning operations as soon as feasible. Some of the positive signs are: approval of building plans for remodeling and upgrading the facility which Tesoro will occupy, issuance of building permits, and, confirmation that actual construction work is underway.

Based on these developments, staff is assuming a small amount of additional revenue in FY 2013-14 and a full year of revenue in FY 2014-15 related to the operations of Tesoro. The FY 2013-14 staff plan assumes the receipt of one fiscal quarter of sales tax revenue, with half of that being returned to the retailer based on the approved operating agreement. Therefore, the full positive effect of the new operative agreement and the receipt of sales tax are not projected until FY 2014-15 (i.e., four full fiscal quarters of estimated sales tax revenue).

In addition, the Staff plan does not assume all of the revenue in FY 2014-15 would be pledged to ongoing General Fund operations. Instead the plan indicates one-half would be reserved for other initiatives (shown as a transfer to the Capital Outlay Reserve on Attachment 1). This transfer of revenue helps assure that the City does not again become as dependent upon a single source of revenue to support its General Fund operations. It also provides potential seed money for technology and infrastructure upgrades, or high priority economic development projects. It should be noted that a fair amount of uncertainty remains regarding ultimate revenue amounts and limiting the amount going to operations is a prudent response to that uncertainty.

The current fiscal year reductions, changes since the January 28 budget study session, and the assumptions surrounding additional sales tax all form the base upon which the FY 2013-14 and FY 2014-15 proposed budgets are built. The Staff plan proposes additional, significant reductions to services and programs over the next two years, as well as outlines revisions to services that will streamline operations and save additional costs over a longer period of time. Most importantly, no reserves are used to fund ongoing operating costs.

The following sections provide additional analysis of the Staff plan, beginning with an overview of assumptions utilized to build the FY 2013-14 "status quo" budget, as well as a discussion of changes made to the Staff plan since the January 28 study session.

ANALYSIS:

As part of developing the status quo budget for FY 2013-14, first presented at the January 28 budget study session, numerous assumptions were made in order to estimate the gap (deficit) to be addressed. All of the January 28 initial assumptions remain in this updated, two year plan:

- All vacant and eliminated positions (4.0 FTE) remain out of the budget

- The majority of reductions made in FY 2012-13 remain in place for next fiscal year
- The impact of employees picking up their full share of retirement costs will be realized, netting additional savings in personnel costs above those seen in FY 2012-13, even with an assumption of a 1.24% COLA effective July 1, 2013 per current MOUs
- Recently released PERS rates (November, 2012) are utilized for FY 2013-14, with PERS estimates used for FY 2014-15 planning purposes
- Overall revenue growth in all areas (except for sales tax) will be modest:
 - 2.0% in secured property tax
 - UUT remains at 5% for FY 2013-14
 - Holding other revenue flat (charges for services, license and permits, fines and forfeitures, etc.).
- Assumption of “residual” property tax from dissolution of redevelopment remains at FY 2012-13 levels (i.e., \$150,000)

This updated plan incorporates changes per City Council direction received at the January 28 budget study session (a summary of changes can be seen in Attachments 4 and 5). The Staff plan as presented includes additional projected revenue and additional expenditure reductions versus the January plan. A comparison between the plans, including the revised “status quo” budget amounts is presented in Figure 1 (the full detail of the updated two year Staff plan can be found in Attachments 1 and 2):

Figure 1

	FY 2013-14 "Status Quo" Budget	FY 2013-14 January Study Session Budget Estimate	FY 2013-14 March Study Session Budget Estimate
General Fund Operating Revenue	\$ 7,925,800	\$ 8,019,300	\$ 8,352,800
General Fund Operating Expenditures	\$ 9,260,490	\$ 8,122,530	\$ 8,349,440
Use of Reserves	\$ -	\$ 103,230	
Gap	\$ (1,334,690)	\$ -	\$ 3,360

Significant changes from the January 28 Staff Plan are summarized as follows and can be found in detail in Attachments 1, 4, and 5:

- Use of Reserves:
 - No use of reserves to fund ongoing operating expenditures

- Revenue:
 - Additional sales tax (per February 5 City Council approval of operative agreement) -- \$250,000
 - Reimbursement revenue from local school districts for crossing guard cost sharing – \$16,000

- Expenditures:
 - Eliminate two (2.0) full-time equivalent (FTE) personnel in Community Development and Recreation and Community Services Departments (vs. the prior job share and elimination of 1.0 FTE)
 - Reduction from full-time to part-time of one (1.0) Maintenance Worker position
 - Hold vacant one (1.0) Police Officer position and the part time Parking Enforcement Officer position for the entire fiscal year as pilots (parking enforcement duties are being absorbed by the Code Enforcement position, in addition to their regular duties)
 - Elimination of the Fit N Fun program
 - Reduce assumption of energy savings for FY 2013-14 (\$75,000 versus \$150,000)
 - Reduce Brea IT service to only two days per week (\$23,000 savings)
 - Assumption of furlough of all employees (safety and non-safety) for 36 hours during fiscal year (subject to meet and confer)
 - Elimination of Fitness Run for Fun (cut in FY 2014-15, too late to eliminate for FY 2013-14)

It should be noted that the table of organization, based on the two year Staff plan, would be 9.4% smaller (58.0 FTE vs. 64.0 FTE) by FY 2013-14 when compared to the adopted FY 2012-13 budget. While most of these FTE reductions were of vacant positions, the Staff plan does require layoffs.

The major impacts of these proposed reductions and revisions can be summarized as follows:

- Direct loss of service to La Palma residents through the closure of City Hall for four (4) days during the fiscal year
- Decreased service to residents and increased workload of remaining staff due to the elimination of two (2.0) FTE affecting two departments: Community Development and Recreation and Community Services and reduced part time staff hours

- Closure of the Community Development “permit window” to walk in traffic in the afternoons (service would be by appointment only)
- Decreased service to residents and increased workload of remaining staff due to the reduction from full-time to part-time (40 hours/week to 27 hours/week) of one Maintenance Worker position in Public Works
- Loss of available after school fitness programs for local youth
- Reduction in availability of technology services by twenty six days, resulting in potential loss of productivity due to network or computer downtime
- Loss of a community event that has become an important part of the City (Fitness Run for Fun, FY 2014-15)

Added to the plan which was presented on January 28, are revenue and expenditure estimates for FY 2014-15 which show how the FY 2013-14 assumptions move forward beyond the first year. The second year of the Staff plan also shows the anticipated results of other factors such as changes to capital improvement project needs based on lower street maintenance costs, the potential impact of labor negotiations which will not take place until next year, and, the estimated positive impact of a full year’s worth of additional sales tax and energy savings. These factors explain why, with no additional reduction in services in the second year of the Staff plan, there is a projected surplus of ongoing revenue over ongoing expenditures.

Additional assumptions are important to remember in evaluating the Staff plan:

1. The City Council has yet to review its reserves policy, including what should be the proper level of internal service fund balances. Any changes to the reserve policy could impact the Staff plan and affect overall fund balance levels. However, continuing the current level of internal service fund allocations to Departments in excess of what is needed for the internal service funds also artificially inflates the costs of direct services. For example, more contributions to the vehicle replacement and maintenance internal service fund beyond what is needed to replace and maintain the current fleet of vehicles has the impact of higher than necessary contributions from Departments, in particular Police. Maintaining allocations beyond what is necessary to adequately and safely maintain the City’s patrol fleet inflates the cost of patrol services. This will be one of the issues addressed in the proposed reserve policy update.
2. The City Council has begun a plan to deal with OPEB liabilities, with the intent of establishing an “irrevocable trust.” The initial discussions surrounding OPEB liabilities have not yet provided a determination of the initial or ongoing funding which should be devoted to a trust. This decision will impact the dedication of resources and expenditures for projected annual retiree costs, which will have an effect on fund balances and operating expenses in subsequent fiscal years.

3. Several assumptions that influence both revenue and expenditure estimates could change prior to presentation of a proposed budget in May. These include estimated partial year energy cost savings, projected additional advertising revenue, and assumed personnel cost reductions which must be negotiated such as the proposed FY 2013-14 furlough days and staff reductions (i.e. position elimination). While not an impact to the FY 2013-14 budget, it is also appropriate to point out that the projected Memorandum of Understanding (MOU) savings for FY 2014-15 (Attachment 1) represents neither a target nor the savings for any specific proposals, but simply a reasonable placeholder for potential savings once MOU's are re-negotiated.

Most of the proposals in the Staff plan represent ongoing versus one-time changes in revenues, reductions in service, and revisions to operations. Where items are one-time, they are so specified in the plan (i.e., assumed savings from furloughs would be in FY 2013-14 only) and identified in Attachment 2. The Staff plan therefore moves dramatically in the direction of not only a balanced budget for FY 2013-14, but a sustainable one as well, where on-going costs and revenues are in alignment. This movement towards sustainability can be seen with the FY 2014-15 proposed budget reflecting a \$247,000 surplus.

Figures 2 and 3 below present a summation of the Staff plan, showing the effects the reductions, revisions and additional revenue have on the budget gap. Figure 2 is the FY 2013-14 plan and Figure 3 is the FY 2014-15 plan. Additional schedules attached to this agenda report show line-item detail of the proposed Reductions to services, Revisions to operations, Revenue enhancements, and use of Reserves (Attachments 1, 2 and 3). Also, Attachments 4 and 5 present a "post-January 28 study session" reconciliation of the changes made to the set of reductions, per City Council direction.

Figure 2

FY 2013-14 GENERAL FUND PRELIMINARY GAP ANALYSIS		
Total Expenditure Reductions/Revisions		\$ (911,050)
Total Revenue Enhancements		\$ 427,000
One-Time Use of Reserves ("Bridge Amount")		\$ -
Estimated FY 2013-14 GF Expend		\$ 8,349,440
Estimated FY 2013-14 GF Revenue		\$ 8,352,800
Variance		\$ 3,360
Transfer of Excess ISF Fund Balance to COR		\$ -
Initial OPEB Trust Funding		\$ -
Transfer to COR		\$ (400,000)
Triple-Flip Over-Allocation		\$ (162,500)
One-time Use of Reserves		\$ (2,130,000)
TOTAL RESERVES USE		\$ (2,692,500)
Projected GF Fund Balance 06/30/2014	<4>	\$ 9,991,060
06/30/2014 FB as % of Expend		119.7%
Dollar Amount Reserves above 100%		\$ 1,641,620
<i><4> Using projected 06/30/2013 fund balance, net of COR transfer, triple-flip over-allocation reserve, and deficit of operating (expenditures over revenue for FY 2013-14)</i>		

Figure 3

FY 2014-15 GENERAL FUND PRELIMINARY GAP ANALYSIS		
Total Expenditure Reductions/Revisions	\$	(812,250)
Total Revenue Enhancements	\$	739,500
One-Time Use of Reserves ("Bridge Amount")	\$	-
Estimated FY 2014-15 GF Expend	\$	8,494,950
Estimated FY 2014-15 GF Revenue	\$	8,741,500
Variance	\$	246,550
Add'l Transfer to COR (set-aside sales tax revenue)	\$	(500,000)
Initial OPEB Trust Funding	\$	-
Transfer to COR	\$	(100,000)
Triple-Flip Over-Allocation	\$	-
One-time Use of Reserves	\$	(450,000)
TOTAL RESERVES USE	\$	(1,050,000)
Projected GF Fund Balance 06/30/2015	\$	9,187,610
06/30/2015 FB as % of Expend		108.2%
Dollar Amount Reserves above 100%	\$	692,660

Figure 2 is a reconciliation of the FY 2013-14 status quo budget. It shows the impact on the deficit and fund balance of the proposed reductions and revenue enhancements included in the two year Staff plan. The net effect of the reductions, revisions and increases to revenue helps close the \$1.335 million estimated deficit in FY 2013-14, showing a small surplus of \$3,400.

Figure 2 also shows the transfer to the Capital Outlay Reserve (COR) of \$400,000 as part of the City's commitment to infrastructure maintenance. The \$162,500 amount labeled "triple-flip over-allocation" is an estimate of the over apportionment of sales tax the City will receive in FY 2013-14 based on FY 2012-13 receipts. Reserving this amount will help smooth the effects in FY 2014-15.

The net effect of using reserves for the transfer to COR, setting aside funds for the triple-flip over-allocation, investing in energy and technology upgrade projects, and funding City Council goal projects, is a General Fund reserve balance of approximately 120% of expenditures. This reserve percentage equates to \$1.642 million above projected FY 2013-14 expenditures. Even if this \$1.642 were to be utilized, the City would still have General Fund reserves of 100%.

Figure 3 shows the second year of the plan, with an estimated budget surplus of \$247,000 in FY 2014-15. A transfer of \$100,000 to COR is shown, as well as a one-time use of reserves in the amount of \$450,000 for infrastructure projects and required upgrades to the City's 800 Mhz radio system. In addition, there is a transfer of \$500,000 shown which represents the amount of additional sales tax to be committed to potential infrastructure projects. This transfer is an attempt to show that not all of the estimated sales tax would be utilized for ongoing operations.

Attachment 2 provides detailed descriptions of the amounts listed in the "Total Expenditure Reductions/Revisions" line in Figures 2 and 3 above, showing the citywide and Department specific cuts. Furthermore, those proposed reductions which are one-time versus ongoing are so noted on Attachment 2. Also, the reductions and revisions which are new to this plan (versus what was presented on January 28) are highlighted for ease of reference in Attachment 2.

Attachment 3 is a detailed treatment of the proposed one-time use of reserves for items that are intended to provide long-term, ongoing, operating savings. For example, per City Council direction at the January 28 budget study session, Staff is continuing to investigate various infrastructure improvement projects that would provide considerable energy savings on an annual basis.

CONCLUSIONS:

Overall, Staff believes this plan is sustainable and achievable. Each Department took the task of producing a balanced budget seriously and worked hard to build a realistic plan that supports the City Council's 2013 goal of adopting a balanced budget. Wherever possible, Staff attempted to propose reductions and revisions which would have a minimal impact on services. Unfortunately, in order to meet City Council's direction to present a balanced budget, there will be direct service reduction impacts. Whether it is a reduction in availability of City Staff due to the elimination of positions or the closure of City Hall from furloughs, or the loss of special events, La Palma residents will be directly impacted by the proposals in this plan.

The goal of retaining services where possible over the two year period is threefold:

- Provide sufficient time in order to gauge the full impact of the new sales tax provider;
- Provide Staff with sufficient time to gauge the impacts which the reductions in employees and programs will have on normal operations; and,
- Provide additional time to continue exploring and researching additional ways to reduce and/or revise operations in order to gain operational efficiencies and reduce expenses

This two year plan also provides transition time for more financial analysis of ongoing versus one-time revenues and expenditures, as well as the costs and priorities for City services.

Two particularly important questions raised in the Staff plan require City Council direction for the preparation of a draft budget. The first question is:

- *Should a portion of sales tax revenue generated, which could reasonably be associated with the Tesoro operating agreement, be set-aside (i.e., transferred to the Capital Outlay Reserve fund or reserved in some manner) to fund future infrastructure projects (as show in the FY 2014-15 portion of the staff plan)?*

As Attachment 1 indicates, Staff has assumed any additional revenue generated in FY 2013-14 will be fully allocated towards ongoing operations (a net amount of \$250,000). For FY 2014-15, Attachment 1 indicates a net amount of \$1,000,000 in net sales tax revenue, with \$500,000 of this amount transferred to the Capital Outlay Reserve (COR) fund, leaving \$500,000 for ongoing operations. Figure 4 illustrates these assumptions:

Figure 4

	FY 2013-14	FY 2014-15
Revenue Estimate	\$ 500,000	\$ 2,000,000
50% Share Amount	\$ 250,000	\$ 1,000,000
Net (Recognized Revenue)	\$ 250,000	\$ 1,000,000
Utilized for Reserves	\$ -	\$ 500,000
Net (Utilize for Operations)	\$ 250,000	\$ 500,000

Any changes to the assumed use of sales tax revenue for ongoing operations would dramatically impact the longer term fiscal sustainability of the proposed level of operations and change the overall complexion of the two year Staff plan.

The second question to be addressed is:

- *If the City Council decides to remove any of the proposed revenue enhancements, reductions to service, or revisions to operations assumptions in the Staff plan, would City Council support a one-time bridge (i.e., use of reserves) for FY 2013-14 in order to meet operating expenditures for that fiscal year only?*

The Staff plan shows a balanced budget for FY 2013-14. However, should the City Council not want to pursue any piece of the proposal, then the budget could be out of balance (i.e., expenditures exceeding revenue). Funding for a one-time “bridge” could come from lower internal service fund allocations where excess fund balances exist or from the direct use of General Fund reserves. Availability of either is subject to the upcoming City Council discussion regarding reserves.

Since the Staff plan shows a larger surplus in FY 2014-15 than in FY 2013-14, utilizing a bridge would allow time for staff to find additional reductions to services, revise operations further, or find new sources of revenue during the course of the 2013-14 fiscal year. Staff understands the City Council financial policy of not using reserves for ongoing operations. However, if necessary, sufficient reserves exist to fund a one year bridge. Alternatively, staff would need to identify additional expenditure reductions to maintain a balanced FY 2013-14 budget.

Therefore, Staff is seeking direction on the two questions posed above as well as overall guidance and direction on the recommended Staff plan, as summarized in Figures 2 and 3 above and shown in detail in Attachments 1, 2, and 3.

The next steps are as follows:

1. Staff receives direction at the March 11, 2013 study session on all aspects of the Staff Plan for closing the budget gap for FY 2013-14.
2. Staff begins budget development for FY 2013-14 immediately following this study session, incorporating City Council guidance on each element of the Staff plan.
3. Staff presents to City Council on April 16, 2013 a proposed FY 2013-14 through FY 2018-19 Capital Improvement Plan (CIP) and preliminary General Fund Budget.
4. Staff presents a proposed budget to the City Council on May 7, 2013.
5. Public hearings are held to discuss, review and modify the draft budget on May 21 with anticipated adoption of the FY 2013-14 budget on June 4.

- Attachments:**
1. Two Year Staff Plan Summary: FY 2013-14 and FY 2014-15
 2. Proposed FY 2013-14 and FY 2014-15 Reductions and Revisions, Detail by Department and Citywide
 3. Proposed Infrastructure/Technology Investments, FY 2013-14 and FY 2014-15 Use of Reserves Project Detail
 4. Reconciliation of Changes, March 11 vs. January 28 Staff Plans: Dollar Amounts
 5. Changes from January 28 to March 11 Staff plan (Summary)

FY 2013-14 PRELIMINARY DRAFT BUDGET RECONCILIATION

FY 2012-13 BUDGET AND FUND BALANCE PROJECTIONS

GF Fund Balance, 06/30/2012 CAFR	\$	14,746,953
Nonspendable	\$	(915,758)
Assigned	\$	4,541,983
Unassigned	\$	9,289,212
Total Available Fund Balance	\$	13,831,195
GF FY 2012-13 Projected Revenue	\$	9,648,405
GF FY 2012-13 Projected Expenditures <1>	\$	(9,099,400)
Transfer to COR	\$	(1,700,000)
Variance Surplus / (Deficit)	\$	(1,150,995)
Projected GF Fund Balance 06/30/2013	\$	12,680,200
06/30/2013FB as % of Expend		139.4%
"Surplus" FB over 100%	\$	3,580,800

<1> FY 2012-13 projected expenditures and revenue as per 2nd Quarter Operating Report, 02/19/2013

FY 2013-14 GENERAL FUND PRELIMINARY GAP ANALYSIS

EXPENDITURES	\$	9,260,490
REVENUE	\$	7,925,800
VARIANCE	\$	(1,334,690)
TRANSFER TO COR	\$	400,000
Projected GF Fund Balance 06/30/2014	\$	10,945,510
06/30/2014 FB as % of Expend		118.2%

CLOSING THE GAP, USING THE FOUR "R's"

REVENUE CHANGES

Increased interest earnings		\$ 10,000
Increased Corporate Connection funding		\$ 6,000
Fee revisions	<A>	\$ 100,000
Summer Concerts Food Trucks/Beer and Wine		\$ 5,000
Additional advertising/alternative advertising		\$ 40,000
Share Crossing Guard Services (reimbursement)		\$ 16,000
Tesoro Additional Sales Tax		\$ 250,000
		\$ 427,000

<A> Estimated revenue based on 02/11/2013 fee study session presentation and assumes one full fiscal year of additional revenue from updated fees

 On 02/05/2013, City Council approved a cooperative agreement with Tesoro Energy to share 50% of sales tax generated from their fuel sales (for first \$3 million, ratio is 70/30 for any amount over \$3 million). Based on various timing issues and regulatory hurdles, this additional \$250,000 in revenue assumes Tesoro would have one fiscal quarter of operations and generate \$500,000 in sales tax for that one fiscal quarter, split 50/50 nets the \$250,000 for FY 2013-14. This is an estimate based on the assumption that the Tesoro operation would generate roughly the same amount of annual revenue as did BP/Arco (approximately \$2.0 million/year, or \$500,000/quarter).

REDUCTIONS TO SERVICES - DEPARTMENT SPECIFIC AND CITYWIDE

<i>Department Specific</i>		
Administration		\$ (15,600)
Community Development		\$ (82,250)
Finance		\$ (8,000)
Police		\$ (244,300)
Public Works		\$ (44,500)
Recreation and Comm Services		\$ (227,300)
		\$ (621,950)

<i>Citywide</i>		
Energy Savings	<2>	\$ (75,000)
Reduce Brea IT Service (2 days/week)		\$ (23,100)
Eliminate Management Wellness benefit		\$ (4,500)
City Manager COLA Elimination		\$ (2,500)
Potential Safety Furlough (36 hours Holiday Pay)		\$ (80,000)
Potential Non-Safety Furlough (36 hrs @\$26,000/9 hrs)		\$ (104,000)
		\$ (289,100)

REVISED OPERATIONS

<i>One-Time reduction of ISF allocations</i>		
Building Maintenance	\$	-
Vehicle Maintenance/Replacement	\$	-
	\$	-

USE OF RESERVES

Reserve for triple-flip over allocation		\$ (162,500)
<i>One-Time Use of Reserves <3></i>		
Purchase of Street Lights from SCE	<3A>	\$ (600,000) GF
Energy Capital Projects	<3A>	\$ (1,280,000) GF
800 Mhz Radio Upgrade (Police)	<3B>	\$ (200,000) Comp Maint ISF
City Council 2013 Goals (Start-up Expend)	<3C>	\$ (50,000) GF
		\$ (2,130,000)

<2> Any anticipated savings from energy upgrade projects will most likely not be realized as of July 1; therefore the projected \$75,000 in savings assumes at least half of a year of energy savings from proposed projects

<3> City Council, at the 01/28/2013 Budget Study Session, approved the continued research and exploration of use of reserves for these projects.

<3A> Estimated cost of solar panel installation, replacement of City Hall HVAC, upgrade City Hall climate control systems and replace Central Park lighting with more energy efficient LED lighting

<3B> The Countywide radio system is requiring an upgrade of all radios and communication systems (hardware); the required contribution towards this project for the City of La Palma totals approximately \$700,000 over the various phases of the project (through 2018). Approximately \$200,000 will be due for the initial phase of this project in FY 2013-14. The proposal would be to utilize excess fund balance from the Technology Maintenance fund to cover these required replacement/upgrade costs.

<3C> Assumed same amount would be needed for any goals adopted in 2014 (SEE FY 2014-15 RECONCILIATION)

FY 2013-14 GENERAL FUND PRELIMINARY GAP ANALYSIS

Total Expenditure Reductions/Revisions	\$	(911,050)
Total Revenue Enhancements	\$	427,000
One-Time Use of Reserves ("Bridge Amount")	\$	-
Estimated FY 2013-14 GF Expend	\$	8,349,440
Estimated FY 2013-14 GF Revenue	\$	8,352,800
Variance	\$	3,360
Transfer of Excess ISF Fund Balance to COR	\$	-
Initial OPEB Trust Funding	\$	-
Transfer to COR	\$	(400,000)
Triple-Flip Over-Allocation	\$	(162,500)
One-time Use of Reserves	\$	(2,130,000)
TOTAL RESERVES USE	\$	(2,692,500)
Projected GF Fund Balance 06/30/2014	<4> \$	9,991,060
06/30/2014 FB as % of Expend		119.7%
Dollar Amount Reserves above 100%	\$	1,641,620

<4> Using projected 06/30/2013 fund balance, net of COR transfer, triple-flip over-allocation reserve, and deficit of operating (expenditures over revenue for FY 2013-14)

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FY 2014-15 GENERAL FUND PRELIMINARY GAP ANALYSIS

Projected GF Fund Balance 07/01/2014	\$	9,991,060
EXPENDITURES	\$	9,307,200
REVENUE	\$	8,002,000
VARIANCE	\$	(1,305,200)
TRANSFER TO COR	\$	100,000
Projected GF Fund Balance 06/30/2015	\$	8,585,860
06/30/2015 FB as % of Expend		92.2%

CLOSING THE GAP, USING THE FOUR "R's"

REVENUE CHANGES

Increased interest earnings		\$ 10,000
Fee revisions		\$ 100,000
Summer Concerts Food Trucks/Beer and Wine		\$ 5,000
Additional advertising/alternative advertising		\$ 40,000
Share Crossing Guard Services (reimbursement)		\$ 28,000
Tesoro Additional Sales Tax		\$ 500,000
Increase TOT to 11% (from 8%)	<5>	\$ 44,000
UUT Updated (remove exemption)	<6>	\$ 12,500
		\$ 739,500

<5> Assumes November 2014 General Election item to increase TOT from 8% to 11% (38% increase). Based on assumed TOT revenue for FY 2014-15, this amount represents 1/2 of potential increase, assuming new rate would come into effect January 1, 2015.

<6> Assumes November 2014 General Election item to remove UUT exemption for businesses generating \$25,000 or more in annual sales tax. This is the estimated amount of additional UUT if the exemption were removed (assume 1/2 of a year of savings in FY 2014-15).

REDUCTIONS TO SERVICES - DEPARTMENT SPECIFIC AND CITYWIDE <7>

	<i>Department Specific</i>	
Administration		\$ (15,600)
Community Development		\$ (82,250)
Finance		\$ (8,000)
Police		\$ (117,300)
Public Works		\$ (44,500)
Recreation and Comm Services		\$ (246,000) <8>
		\$ (513,650)

	<i>Citywide</i>	
Energy Savings		\$ (150,000)
Reduce Brea IT Service (2 days/week)		\$ (23,100)
Eliminate Management Wellness benefit		\$ (4,500)
City Manager COLA Elimination		\$ (2,500)
2% Personnel Cost Reduction (potential MOU changes)		\$ (121,000)
		\$ (301,100)

REVISED OPERATIONS

<i>One-Time reduction of ISF allocations</i>	
Building Maintenance	
Vehicle Maintenance/Replacement	
	\$ -

USE OF RESERVES

Reserve for triple-flip over allocation		\$ -
	<i>One-Time Use of Reserves</i>	
Add'l Transfer to COR (set-aside sales tax revenue)		\$ (500,000) <9>
Energy Capital Projects		\$ -
800 Mhz Radio Upgrade (Police)	<3B>	\$ (400,000) Comp Maint ISF
City Council 2014 Goals (Start-up Expend)	<3C>	\$ (50,000)
		\$ (950,000)

<7> The majority of reductions proposed for FY 2013-14 are ongoing vs. one-time. Therefore, the assumption is these reductions would carry forward to FY 2014-15 (and beyond). Attachment 2 provides detail of which reductions/revisions are one-time.

<8> Reductions to Recreation and Community Service assume all FY 2013-14 cuts remain as well as additional cuts related to eliminating Run for Fun (this program cannot be cut in FY 2013-14 since planning for it has already begun).

<9> Assumes some of "new" revenue from Tesoro fuel sales would be directed for one-time or infrastructure use

FY 2014-15 GENERAL FUND PRELIMINARY GAP ANALYSIS

Total Expenditure Reductions/Revisions	\$	(814,750)
Total Revenue Enhancements	\$	739,500
One-Time Use of Reserves ("Bridge Amount")	\$	-
Estimated FY 2014-15 GF Expend	\$	8,492,450
Estimated FY 2014-15 GF Revenue	\$	8,741,500
Variance	\$	249,050
Add'l Transfer to COR (set-aside sales tax revenue)	\$	(500,000)
Initial OPEB Trust Funding	\$	-
Transfer to COR	\$	(100,000)
Triple-Flip Over-Allocation	\$	-
One-time Use of Reserves	\$	(450,000)
TOTAL RESERVES USE	\$	(1,050,000)
Projected GF Fund Balance 06/30/2015	\$	9,190,110
06/30/2015 FB as % of Expend		108.2%
Dollar Amount Reserves above 100%	\$	697,660

City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
 Detail by Department, With Notation for "One-Time" Reductions/Revisions

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount	Total Dept Reduction	One-time (FY 2013-14) Savings?
CITYWIDE REDUCTIONS							
Energy savings (annual savings would be predicated on approval of one-time infrastructure expenditures)	Depending on the proposal, savings could be generated if the City purchased street lights from SCE, with anticipated savings from lower electricity (tariff) rates; additional proposals could include savings from the installation of photovoltaic cells (solar energy), installation of a "green roof" on City Hall/Police building, upgrade of the HVAC and climate control savings	Revision	N	N	\$ 75,000		
Furlough of non-Safety employees, 36 hours (9 hrs / 4 days)	City Hall would be closed to the public (safety would not be affected) on 4 days throughout the fiscal year, affecting full-time and part-time employees	Reduction	Y	Y	\$ 104,000		One-time
Furlough Safety Employees, 36 hours	Public Safety would no be impacted; savings would be realized through reduction in annual holiday pay amount (annual holiday pay would be provided as per MOU, but would be net of 36 hours of furlough) as well as other shift changes that would net 36 hours of unpaid time for all safety employees	Revision	Y	Y	\$ 80,000		One-time
Eliminate Executive Management annual wellness benefit (\$500/management employee)	Benefit was given in lieu of other compensation given to other groups so there is a small drop in total compensation. There is also some administrative time savings since no other group has this benefit.	Revision	N	N	\$ 4,500		
City Manager to forfeit COLA (July 1, 2013)		Revision	N	N	\$ 2,500		
Reduce Brea IT service to only Monday/Wednesday each week	Potential impacts would be felt if network and/or computer outages/problems were incurred on the "non-dark" Friday where Brea IT would no longer be present at City Hall; effects could impact resident customer service if permit, water billing or other services were to have problems	Reduction	N	N	\$ 23,100		
						\$ 289,100	

**City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
Detail by Department, With Notation for "One-Time" Reductions/Revisions**

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount	Total Dept Reduction	One-time (FY 2013-14) Savings?
ADMINISTRATION							
Revised City Attorney Contract	Savings on contract as discussed w/ City Attorney	Revision	N	N	\$ 10,500		
	No minutes clerk at City Council meetings; reduced service to the public, City Manager, and City Council from Administrative Services Manager at meetings; minutes are strictly action only and formatted differently to take advantage of technology efficiency	Reduction	Y	N	\$ 1,500		
Eliminate Minutes Clerk							
City Council savings from members declining the stipend	Individual Council members have declined the stipend	Revision	N	N	\$ 3,600		
FY 2013-14 Council supplies are lower assuming no new Councilmembers	\$2400 is budgeted in election years but only \$900 in non-election years	Revision	N	N	\$ 1,500		
Added labor attorney costs for contract negotiations year	all 3 employee MOU's are up for negotiation in 2013/14	Revision	N	N	\$ (15,000)		
City Tiles not ordered in FY 2013-14	10 year supply ordered in 2012-13	Reduction	N	N	\$ 4,000		
Eliminate Wi-Fi costs		Reduction	N	N	\$ 6,500		
Civic Expo	Eliminate tents and promotional advertising	Revision	N	N	\$ 3,000		
							\$ 15,600
COMMUNITY DEVELOPMENT							
Eliminate Admin. Secretary/Permit Technician	Limited staffing would lead to fewer building counter hours, limiting ability for "walk-in" servicing of building and planning customers at front counter; proposal would be to eliminate one Full-time position.	Reduction	N	Y	\$ 82,000		
Training/Meetings	California Building Officials Annual Conference. Building Official is contracted service and training no longer necessary.	Revision	N	N	\$ 250		
							\$ 82,250

City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
 Detail by Department, With Notation for "One-Time" Reductions/Revisions

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount	Total Dept Reduction	One-time (FY 2013-14) Savings?
FINANCE							
Reduce training	Decreased opportunity for staff to receive annual updates on GASB changes/pronouncements, payroll tax changes, and other related matters; potential for service impacts should critical/vital updates be missed and Staff is unaware of important changes to accounting, tax or labor laws/policies	Revision	N	N	\$ 1,000		
Reduction in printing	Fewer "hard copies" of City's budget and CAFR available to staff and the public; require increased use of web available version	Revision	N	N	\$ 1,000		
Eliminate property tax consulting service	Loss of expertise/assistance with property tax analysis	Revision	N	N	\$ 6,000		
						\$ 8,000	
POLICE							
Explore cost sharing of Crossing Guard Contract expenditures with affected School Districts	Discussions with involved school districts involve a combination of service reductions (Cypress) and cost sharing; the reduction shown here (\$8,000) would be from reduced crossing guard services affecting Cypress SD schools	Revision	N	N	\$ 8,000		
Contract Police Dispatch Services	All calls for service would go to an outside agency police dispatcher (i.e. Buena Park PD, West Cities Communications, La Habra PD, etc) and not directly to La Palma PD, potential for delayed response times. Current dispatchers crossed trained and perform records functions, their absence would create a need to hire a second fulltime records clerk to maintain work flow and accuracy in reporting crimes per DOJ mandates and OCDA's filing requirements. The front counter would be closed for 4 hours Monday-Thursday (and every working Friday) and completely closed every other (Dark) Friday and every weekend. Vehicle and property releases and other normal business transactions would not occur on off hours. Citizens would have to utilize a "callbox" located outside the police department to initiate a call for service and an officer would have to be dispatched to the front counter	Revision	Police Communications is required for all police agencies whether in-house or outsourced	(4) Non-Sworn FTE's, but add (1) Non-Sworn FTE in Records for net reduction of 3 FTE	\$ 90,000		

**City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
Detail by Department, With Notation for "One-Time" Reductions/Revisions**

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount	Total Dept Reduction	One-time (FY 2013-14) Savings?
Continue suspension of Police Services Dog assignment/program	Police Services Dog program suspended in FY 2012-13 when the handler's 3 year rotation ended, proposal is to keep program suspended through FY 2013-14	Reduction	N	N	\$ 6,500		
Police Officer -- potential near-term vacancy (by April, 2013); could hold position vacant for entire FY 2013-14 and utilize Corporal to fill daily patrol duties; savings would be net of required OT to backfill certain shifts (i.e., ASB duties)	Near-term impacts would be increase to overtime and reserve expenditures as vacant position would require back filling; estimated savings for a police officer vacancy (3 months) net of estimated increased overtime expenditures	Revision	N	Y	\$ 127,000		One-Time
Parking Enforcement (part-time position)	Potential to take advantage of an impending vacancy of the Parking Enforcement Office position by assigning these duties to the Code Enforcement Officer (Community Development); savings would come from elimination of part-time parking enforcement officer and reduction in fleet expenses.	Revision	N	Y	\$ 10,800		
Reduce professional services amount for background checks (personnel hires)	With anticipated reduction in hiring, proposal is reduce (not eliminate) amount set aside for background checks on Police Department new hires	Reduction	Y	N	\$ 2,000		
						\$ 244,300	
PUBLIC WORKS							
Reduce 1.0 Maintenance Worker position from 80 hours/pay period to 54 hours/pay period (3 days/week, 9 hours/day)	Anticipating a vacancy in FY 2012-13, this change would reduce the hours of a Maintenance Worker position and assumes it is filled at Step A;	Reduction	N	Y	\$ 37,500		
Reduce tree service contract (West Coast Arborists)		Reduction	N	N	\$ 2,000		
Reduce fuel costs related to fleet usage; anticipated savings from utilizing alternative fueling opportunities	Staff is exploring possibility of contracting with neighboring cities to gain benefit of cheaper fuel pricing; this amount reflects initial (conservative) estimate of potential savings across the City's fleet related to fuel costs.	Revision	N	N	\$ 5,000		
						\$ 44,500	

**City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
Detail by Department, With Notation for "One-Time" Reductions/Revisions**

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount	Total Dept Reduction	One-time (FY 2013-14) Savings?
RECREATION AND COMMUNITY SERVICES							
Administration							
Eliminate Sr. Office Assistant	Eliminate FT position, new FT position created to meet shared work capacity with Community Development; reduction of public counter customer service, longer wait times to register for classes or reserve facilities; phone assistance limited or delayed	Reduction	N	Y	\$ 68,500		
Eliminate overtime	No authorized overtime	Revision	N	N	\$ 500		
Reduce Training	Less external training available to FT staff	Revision	N	N	\$ 1,000		
Reduce office supplies	No use of mileage, employees must use City vehicles	Revision	N	N	\$ 200		
Reduce supplies	Extend use of office supplies	Revision	N	N	\$ 1,500		
	Extend use of current supplies	Revision	N	N	\$ 400		
Youth & Family Services							
Reduce Day Camp PT staff hours Close The Hub	Reduce Day Camp staff to meet enrollment demands	Reduction	N	N	\$ 3,000		
	No drop-in facility for older adults and teens afterschool; older adult advanced computer classes eliminated unless contracted out; Teen special events/dances maintained; non-profit evening meetings maintained until the property is sold due to Redevelopment elimination; eliminates 1 PT Recreation Specialist Program not provided by PT staff, will attempt to contract out (estimated \$4,000 needed to pay for contractor)	Reduction	N	Y	\$ 30,200		
Eliminate Pee Wee Sports	Scheduled or emergency overtime only	Reduction	N	N	\$ 4,200		
Reduce overtime	Less external training available to FT staff	Revision	N	N	\$ 1,800		
Reduce Training	Limited access to professional organization and dues	Revision	N	N	\$ 700		
Reduce publications & dues	Reduce costs, no impact to participants extend use of current supplies; ask participants to bring in supplies or charge supply fee	Revision	N	N	\$ 600		
Reduce cost of Day Camp program t-shirts	extend use of current supplies; ask participants to bring in supplies or charge supply fee	Reduction	N	N	\$ 500		
Reduce Tiny Tot Supplies	Go to less expensive venues for day camp excursions or implement an excursion surcharge for expensive locations	Reduction	N	N	\$ 700		
Reduce Day Camp Supplies	Eliminates program; could charge program fee to continue program; possibility to contract with alternate provider;	Reduction	N	N	\$ 53,000		
Reduce costs of Day Camp excursions							

**City of La Palma
FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
Detail by Department, With Notation for "One-Time" Reductions/Revisions**

INDICATES NEW OR REVISED ITEM SINCE JANUARY 28, 2013 STUDY SESSION

<u>Service / Task / Program to be Reduced or Eliminated DESCRIPTION</u>	<u>Impacts (External and Internal)</u>	<u>REDUCTION in Service or REVISION to Operations?</u>	<u>Mandated Service?</u>	<u>FTE Reductions / Impacts?</u>	<u>Reduction Amount</u>	<u>Total Dept Reduction</u>	<u>One-time (FY 2013-14) Savings?</u>
<u>Neighborhood & Community Services</u>							
Reduce PT hours for events	Less staff for events	Revision	N	N	\$ 2,600		
Reduce overtime	Overtime for July 4th only	Revision			\$ 3,100		
Eliminate Volunteer Recognition	Eliminate Volunteer Recognition, volunteers to be acknowledged during or at end of service, program, or event by each department	Reduction	N	N	\$ 5,100		
Reduce Concerts In The Park to 6 (currently 8)	Shorter concert season	Reduction	N	N	\$ 3,700		
Eliminate rental services for tree lighting	No rental of sleigh or special chair for Santa's photo area	Revision	N	N	\$ 400		
Reduce printing	Reduce Concerts in the Park program printing,	Revision	N	N	\$ 200		
Arbor Day, Concerts in the Park, Memorial Day, Tree Lighting reduced supplies	Extend life of supplies, and/or solicit donations for supplies	Revision	N	N	\$ 1,300		
Halloween Carnival reduced supplies	Extend life of supplies, and/or solicit donations for supplies	Revision	N	N	\$ 500		
Eliminate Halloween Carnival Costume Contest Awards	Little impact, contests could still be held with donated awards	Revision	N	N	\$ 200		
Reduce expense of Fitness Run Awards	Provide less expensive award to participants	Revision	N	N	\$ 1,300		
<u>Health & Wellness</u>							
Eliminate overtime	No authorized overtime	Revision	N	N	\$ 500		
Reduce Training	Less external training available to FT staff	Revision	N	N	\$ 300		
Eliminate publications & dues	Limited access to professional organization and dues	Revision	N	N	\$ 300		
Reduce supplies	Eliminate Hub Supplies (transfer utilities to Facilities Maintenance until sold)	Revision	N	N	\$ 6,000		
<u>Facility Operations</u>							
Central Park Hours: Park Office open 1 hour less (3-10pm Sept-May), 1 PT shift eliminated M-F (year round), reduced training hours,	Both: small impact to community as FT staff available; reduced available works hours for pt staff	Reduction	N	N	\$ 18,600		
Reduction in overtime	Facility emergencies overtime only	Revision	N	N	\$ 1,000		
Eliminate use of helium	External - no use of helium balloons at city programs & events	Revision	N	N	\$ 1,000		
Employee Training	Less external training available to FT and PT staff	Revision	N	N	\$ 1,000		
Eliminate graphic service, periodical publications	More use of online publications and royalty free graphics/photos	Revision	N	N	\$ 1,300		
Reduce community center quarterly refrigeration inspection/services to bi-annual	Reduces preventative maintenance	Revision	N	N	\$ 400		
Reduce Central park supplies	extend use of current supplies	Revision			\$ 1,500		
Reduce furniture & fixture replacement	extend use of current furniture	Revision	N	N	\$ 3,000		
							\$ 227,300

GRAND TOTAL, PROPOSED FY 2013-14 REDUCTIONS => \$ 911,050

City of La Palma
FY 2013-14 AND FY 2014-15 PROPOSED ONE-TIME USE OF RESERVES
Use of Reserves Project Details: Infrastructure and Technology Investments / City Council 2013 Goals Start-up Costs

Energy Savings and Infrastructure Projects

Project	Scope	Justification	FY 2013-14 One-Time Cost	FY 2014-15 One-Time Cost	On-going Cost	FY 2013-14 Annual Projected Savings	FY 2014-15 Annual Projected Savings
Purchase of Street Lights from SCE	City would own majority of 900 street lights located within city limits	City charged lower "tariff" rate for electricity (LS2 vs. LS1)	\$ 600,000		To Be Determined	\$ 50,000	\$ 50,000
Installation of photovoltaic panels (solar) in Civic Center	Lower cost of solar energy lowers electric bills for Civic Center (City Hall and Police buildings); energy audit by Chevron identified potential placement areas for solar panels	Assumption is electrical needs of Civic Center satisfied by energy supplied by solar panels	\$ 1,190,000		Minor, regular maintenance		<1>
Replacement of HVAC system at Civic Center	Project was budgeted for FY 2012-13, deferred in order to possible combine with other energy conservation projects to maximize energy savings; recent "energy audit" by Chevron provides information on host of	Annual savings in energy from more efficient HVAC system	\$ 15,000		Minor, regular maintenance		<1>
Upgrade climate control system throughout City Hall	Recent "energy audit" by Chevron provides information this project; possibility to combine with other energy savings projects to maximize annual savings	Annual savings in energy from more efficient climate control system	\$ 25,000		Minor, regular maintenance		<1>
Lighting upgrade at Central Park	Upgrade lights at Central Park (parking lot, softball field, etc.) to more energy efficient LED lights	Electricity savings would be realized (lower bills) as well as better lighting (safer environment)	\$ 50,000		Minor, regular maintenance	\$ 25,000	\$ 100,000 <1>
Capital Outlay Reserve (COR) funded projects	Purpose of this transfer is to capture some of the estimated sales tax revenue generated from the City's primary retail sales tax generator.	Provide additional source of funding for COR projects		\$ 500,000	To Be Determined		<2>
			\$ 1,880,000	\$ 500,000			

Technology Investment Projects

Project	Scope	Justification	FY 2013-14 One-Time Cost	FY 2014-15 One-Time Cost	On-going Cost	FY 2013-14 Annual Projected Savings	FY 2014-15 Annual Projected Savings
Required upgrade of 800 MHz communications system (OC Sheriff's Communication upgrade project, countywide)	The Countywide Communications System (coordinated through OC Sheriff's Department) will be upgraded between 2015 and 2018. There are various project milestones, with the initial payment milestone in FY 2013-14 and additional payments through the life of the entire project.	Required since La Palma utilizes countywide 800 MHz system for radio communication (impacts Police and Public Works operations)	\$ 200,000	\$ 400,000			
			\$ 200,000	\$ 400,000			

City of La Palma
FY 2013-14 AND FY 2014-15 PROPOSED ONE-TIME USE OF RESERVES
Use of Reserves Project Details: Infrastructure and Technology Investments / City Council 2013 Goals Start-up Costs

City Council 2013 and 2014 Goals Start Up Costs

Project	Scope	Justification	FY 2013-14 One-Time Cost	FY 2014-15 One-Time Cost	On-going Cost	FY 2013-14 Annual Projected Savings	FY 2014-15 Annual Projected Savings
Update and Implement Economic Development Plan	As part of the City Council's goal to attract and retain business, update the Economic Development plan	City Council Goal: Attract and Retain Businesses to increase revenues and employment opportunities	\$ 44,000		None	Potential for additional sales and/or property	
Conduct a statistically valid resident survey	As part of the City Council's communication and outreach goal, conduct a resident survey to help gauge priorities and attitudes while having data to compare to similar cities across the nation	City Council Goal: Implement engagement /outreach plan re: financial situation	\$ 6,000		None	Potential for new cost savings ideas	
Assumption of continued need for funding in 2014 for new City Council goals		City Council goals for 2014 could require some funding in order to carry out/complete		\$ 50,000	None		
			\$ 50,000	\$ 50,000			

	FY 2013-14 One-Time Cost	FY 2014-15 One-Time Cost
Total Proposed One-time Reserves Expenditures ==>	\$ 2,130,000	\$ 950,000

<1> The initial estimate of energy savings plans from Chevron indicates \$100,000 in annual (12 months) electricity savings if the solar panels, roof, HVAC system, climate control system and lighting upgrades projects were all completed. Given the timing of the completion of these projects, only a partial amount of savings is assumed for FY 2013-14, with a full year of savings beginning with FY 2014-15.

<2> The purpose of showing this transfer is to indicate the use of some of the sales tax generated by the City's primary retail sales tax provider to fund ongoing infrastructure and capital projects.

PROPOSED REDUCTIONS AND REVISIONS: MARCH 11 vs. JANUARY 28 STUDY SESSION
REDUCTIONS AND REVISIONS RECONCILIATION (What Changed?)

Proposed FY 2013-14 Reductions vs. Revisions: MARCH 11 STUDY SESSION

REDUCTIONS	\$	462,600
REVISIONS	\$	909,550
TOTAL	\$	1,372,150
CHECK SUM	\$	461,100

	REDUCTIONS	REVISIONS	TOTAL
CITYWIDE	\$ 127,100	\$ 162,000	\$ 289,100
INTERNAL SERV FUND ALLOCATIONS	\$ -	\$ -	\$ -
ADMINISTRATION	\$ 12,000	\$ 3,600	\$ 15,600
COMMUNITY DEVELOPMENT	\$ 82,000	\$ 250	\$ 82,250
FINANCE	\$ -	\$ 8,000	\$ 8,000
POLICE	\$ 8,500	\$ 235,800	\$ 244,300
PUBLIC WORKS	\$ 39,500	\$ 5,000	\$ 44,500
REC & COMMUNITY SERVICES	\$ 193,500	\$ 33,800	\$ 227,300
	\$ 462,600	\$ 448,450	\$ 911,050

Proposed FY 2013-14 Reductions vs. Revisions: JANUARY 28 STUDY SESSION

REDUCTIONS	\$	402,800
REVISIONS	\$	819,550
TOTAL	\$	1,222,350
CHECK SUM	\$	-

	REDUCTIONS	REVISIONS	TOTAL
CITYWIDE	\$ -	\$ 182,400	\$ 182,400
INTERNAL SERV FUND ALLOCATIONS	\$ -	\$ 461,100	\$ 461,100
ADMINISTRATION	\$ 12,000	\$ (4,400)	\$ 7,600
COMMUNITY DEVELOPMENT	\$ 82,000	\$ (37,350)	\$ 44,650
FINANCE	\$ -	\$ 2,000	\$ 2,000
POLICE	\$ 79,000	\$ 215,000	\$ 294,000
PUBLIC WORKS	\$ 26,800	\$ -	\$ 26,800
REC & COMMUNITY SERVICES	\$ 203,000	\$ 800	\$ 203,800
	\$ 402,800	\$ 819,550	\$ 1,222,350

Proposed FY 2013-14 Reductions and Revisions: MARCH 11 STUDY SESSION

	REDUCTIONS & REVISIONS BY AREA	VARIANCE MARCH 11 vs. JANUARY 28
CITYWIDE	\$ 289,100	\$ 106,700
INTERNAL SERV FUND ALLOCATIONS	\$ -	\$ (461,100)
ADMINISTRATION	\$ 15,600	\$ 8,000
COMMUNITY DEVELOPMENT	\$ 82,250	\$ 37,600
FINANCE	\$ 8,000	\$ 6,000
POLICE	\$ 244,300	\$ (49,700)
PUBLIC WORKS	\$ 44,500	\$ 17,700
REC & COMMUNITY SERVICES	\$ 227,300	\$ 23,500
	\$ 911,050	\$ (311,300)

Proposed FY 2013-14 Reductions and Revisions: JANUARY 28 STUDY SESSION

Reconciliation Post-January 28 Study Session: <A>

	REDUCTIONS & REVISIONS KEPT	REDUCTIONS & REVISIONS REMOVED	TOTAL
CITYWIDE	\$ 150,000	\$ 32,400	\$ 182,400
INTERNAL SERV FUND ALLOCATIONS	\$ -	\$ 461,100	\$ 461,100
ADMINISTRATION	\$ 7,600	\$ -	\$ 7,600
COMMUNITY DEVELOPMENT	\$ 44,250	\$ 400	\$ 44,650
FINANCE	\$ 2,000	\$ -	\$ 2,000
POLICE	\$ 277,500	\$ 16,500	\$ 294,000
PUBLIC WORKS	\$ -	\$ 26,800	\$ 26,800
REC & COMMUNITY SERVICES	\$ 203,800	\$ -	\$ 203,800
	\$ 685,150	\$ 537,200	\$ 1,222,350

<A> These tables show the changes made after the January 28 budget study session. The "Reductions Kept" are those cuts which City Council indicated should be included in any proposed FY 2013-14 budget. The "Reduction Removed" column represents proposed reductions/revisions which the City Council did not want included in any proposed budget. The "Variance March 11 vs. January 28" shows the changes in each area's proposed reduction amount (increase vs. decrease).

City of La Palma
JANUARY 28 FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
Detail by Department, Showing Items Updated in March 11 Staff Plan

~~ITEMS REMOVED FROM CONSIDERATION PER CITY COUNCIL DIRECTION ON JANUARY 28~~

ITEMS REMAIN IN MARCH 11 STAFF PLAN, BUT MODIFIED FROM JANUARY 28 STAFF PLAN

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount
CITYWIDE REDUCTIONS					
Moratorium on merits, all bargaining units	Potential reduced employee morale and related effects	Revision	No	No	-\$ 32,400
Energy savings (annual savings would be predicated on approval of one-time infrastructure expenditures)	Depending on the proposal, savings could be generated if the City purchased street lights from SCE, with anticipated savings from lower electricity (tariff) rates; additional proposals could include savings from the installation of photovoltaic cells (solar energy), installation of a "green roof" on City Hall/Police building, upgrade of the HVAC and climate control savings	Revision	No	No	\$ 150,000
ADMINISTRATION					
Revised City Attorney Contract	4% savings on Miscellaneous Services	Revision	no	no	\$ 2,500
COMMUNITY DEVELOPMENT					
Eliminate Admin. Secretary/Permit Technician	Limited staffing would lead to fewer building counter hours, limiting ability for "walk-in" servicing of building and planning customers at front counter; proposal would be to eliminate one Full-time position, new Full-time position created to meet shared work capacity with Recreation and Community Services	Reduction	No	Yes	\$ 82,000
Create New FT Position	New FT position shared with Recreation for customer service/counter duties	Revision	No	Yes	\$ (38,000)
Uniforms	No longer provide uniform allowance for C.E. Officer	Revision	No	No	-\$ 400

City of La Palma
JANUARY 28 FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
 Detail by Department, Showing Items Updated in March 11 Staff Plan

~~ITEMS REMOVED FROM CONSIDERATION PER CITY COUNCIL DIRECTION ON JANUARY 28~~

ITEMS REMAIN IN MARCH 11 STAFF PLAN, BUT MODIFIED FROM JANUARY 28 STAFF PLAN

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount
POLICE					
Eliminate Crossing Guard Contract with All Cities	Primary, Middle and High School students will have to cross arterial streets unescorted or controlled by trained crossing guards and traffic signals. This is not a mandated requirement of the police department or the City and should be part of the individual impacted school's safety plan for routes to and from school. Increases potential liability to the City as there is an established past practice and assumption of responsibility and funding by the police department.	Reduction	No	Contract Services no reduction in actual FTE's	\$ 56,000
Eliminate the Administrative Support Bureau	The elimination of the necessary supplies and staff to conduct a formal crime prevention program; no officer in the schools presenting the Police Interaction with Youth program (PIY); cease to host a Red Ribbon Week, no longer participate in the National Night Out program, unable to provide a liaison or resources to participate in Prom/Grad Night DUI programs, reduction or elimination of Neighborhood Street Rallies, no longer a Cadre Member on West County (CERT) to represent the City of La Palma, R.A.C.E.S coordinator position eliminated, eliminate employee, volunteer, and citizen recognition, shutdown the VIP program and Explorer Post 437, unable to staff the City's Fitness Fun Run, or La Palma Days Parade and festivities without volunteer staff or mutual aid.	Reduction	No-Crime-Prevention is not mandated nor are volunteer development programs	No reduction in FTE; officer would rotate back to Patrol. Any previous assignments would have to be a collateral assignment for patrol officer incurring Overtime costs	\$ 16,500
Contract Police Dispatch Services*	All calls for service would go to an outside agency police dispatcher (i.e. Buena Park PD, West Cities Communications, La Habra PD, etc) and not directly to La Palma PD, potential for delayed response times. Current dispatchers crossed trained and perform records functions, their absence would create a need to hire a second fulltime records clerk to maintain work flow and accuracy in reporting crimes per DOJ mandates and OCDA's filing requirements. The front counter would be closed for 4 hours Monday-Thursday (and every working Friday) and completely closed every other (Dark) Friday and every weekend. Vehicle and property releases and other normal business transactions would not occur on off hours. Citizens would have to utilize a "callbox" located outside the police department to initiate a call for service and an officer would have to be dispatched to the front counter	Revision	Police Communications is required for all police agencies whether in-house or outsourced	(4) Non-Sworn FTE	\$ 215,000

*Approximately 150,000 in personnel costs; plus, if a new CAD/RMS was purchased there could be an additional net savings 65,000.00 in annual service fee; for a total estimated savings of \$215,000

City of La Palma
JANUARY 28 FY 2013-14 PROPOSED EXPENDITURE REDUCTIONS
 Detail by Department, Showing Items Updated in March 11 Staff Plan

~~ITEMS REMOVED FROM CONSIDERATION PER CITY COUNCIL DIRECTION ON JANUARY 28~~

ITEMS REMAIN IN MARCH 11 STAFF PLAN, BUT MODIFIED FROM JANUARY 28 STAFF PLAN

Service / Task / Program to be Reduced or Eliminated DESCRIPTION	Impacts (External and Internal)	REDUCTION in Service or REVISION to Operations?	Mandated Service?	FTE Reductions / Impacts?	Reduction Amount
PUBLIC WORKS					
Eliminate maintenance of block wall vines	Vines on block walls would no longer be maintained by contractor and will need to be removed as they die off (reduction estimate does not include water usage, which is currently not metered or monitored)	Reduction	NO	NO (\$5,600 labor worker to be assigned to other duties)	\$ 12,200
Eliminate maintenance frequency of trees	Public street tree maintenance and median maintenance frequency to be reduced by 1/2 (annual total is \$29,200)	Reduction	NO	NO	\$ 14,600
RECREATION AND COMMUNITY SERVICES					
Administration					
Eliminate Sr. Office Assistant	Eliminate FT position, new FT position created to meet shared work capacity with Community Development; reduction of public counter customer service, longer wait times to register for classes or reserve facilities; phone assistance limited or delayed	Reduction	N	Y	\$ 68,500
Create New FT Position	New FT position shared with Community Development for customer service/counter duties	Revision	N	Y	\$ (38,000)
Youth & Family Services					
Reduce PT staffing at Fit N Fun	Reduce FNF staff to meet enrollment demands	Reduction	N	N	\$ 2,600
Eliminate Fit N Fun Snacks	No snacks provided during program; charge snack fee or encourage participants to provide own	Revision	N	N	\$ 5,000
Reduce Fit N Fun Supplies	extend use of current supplies; ask participants to bring in supplies or charge supply fee	Reduction	N	N	\$ 400
Neighborhood & Community Services					
Eliminate La Palma Days	Eliminate one day event to preserve programs which have greater long-term impact on the community	Reduction	N	N	\$ 77,500
La Palma Days Revenue	Lost revenue if La Palma Days Cancelled	Reduction	N	N	\$ (18,000)
Reduce expense of Fitness Run Awards	Provide less expensive award to participants	Revision	N	N	\$ 1,300