

May 13, 2004

Honorable Mayor and Members of
The Hermosa Beach City Council

Adjourned Regular meeting of
May 18, 2004

PRELIMINARY BUDGET PRESENTATION

The following is intended to highlight various issues, proposals and projects that are contained in the 2004-05 Budget. These items will be covered in the budget study session but I wanted to provide some additional background that may be helpful to the City Council in considering these items.

During the budget study session last year, staff was able to provide a forecast of the cost increases that the City would be facing as a result of the very large increases in the cost of the retirement programs and the loss of sales tax as a result of the two new car dealerships leaving the City. As directed by the City Council, a number of cost saving actions were taken, some have been implemented during the present fiscal and others are set for City Council consideration during this budget study session. As you know, we set up a special fund to save up funds for the increase in retirement costs which will hopefully get us through this period of increasing costs as the retirement system begins earning is stated actuarial goal. We have set aside funds that will cover the known increases for the 2005-06 fiscal year. Staff has also provided information and changed the fleet fund and extended the useful life of a number of vehicles and dropped a number of vehicles, which will reduce the cost to the general fund. The Recreation Department fees have been reviewed and set at market rates and these were approved by the Parks Commission. There are some additional fees that are proposed in the budget that the City Council needs to review and approve. These proposed changes are the result of City Council direction to balance the cost and revenue of the Community Resources Department. There is a proposal to increase the encroachment fees for the outdoor dining on Pier Plaza. The proposal is the same as we recently approved for the Loreto Plaza lease arrangement. This is proposed to increase to \$2.00 per square foot from the present \$1.00. There are a number of other fee and revenue ideas that will be presented in order to maintain the present level of service provided to residents, businesses and visitors. Other proposals to increase revenue are being suggested to allow for additional effort in repairing and replacing residential streets, sewers and City building and other facilities.

Streets - Staff has completed and we will present the Pavement Management Report, which details the present conditions of the City streets. The Plan recommends that the City spend \$16,506,367 over the next five years. This would be in excess of over \$3,000,000 per year. The plan, however, clearly shows that we are not spending enough on repair and maintenance of streets. This is not news to anyone, however, it does give us a target to work towards in bringing the street system up to reasonable standard. This amount is by itself is not unreasonable as this is typical of the effort that other cities are able to spend on a per mile basis. Some of our neighboring cities spend a great deal more. There are a number of ways that we could get that number including an

assessment district approach or transferring general funds to the capital improvement fund. During the last several years, a great deal of money has been spent on streets and it is beginning to show, however the backlog is fairly large and, based on the rate we have been able to proceed, it will be 15 to 20 years at the present spending rate.

Sewers - As you will see in the sewer fund, the past and current projects have used the funds set aside and the cost of the ongoing maintenance and operation takes most of the amount that we have transferred to the fund. There are virtually no capital funds for repair and replacement of major sewer lines. In addition, the sewer condition study, completed in 1996 needs to be updated to ensure that we are spending on the most needed lines and also to get updated cost projections for those lines next in the repair cycle. It is recommended that the City Council consider authorizing a sewer condition update and a sewer fee that would be charged on a parcel basis to cover the cost of the maintenance, operation and capital needs of the sewer system. Redondo Beach just completed such a study and implemented a user fee and I understand that Manhattan Beach is also considering such an effort. If we were to do such a study, it would be done during the fiscal year.

Street Sweeping Charge - A number of cities have added the cost of street sweeping to the refuse bills. Torrance and Redondo Beach have implemented such a fee and others are considering it. This would move this cost from the general fund and free funds for other activities. The cost of street sweeping this year will be \$209,154. If the City Council is interested in this idea, staff will develop an implementation plan for consideration and approval.

Parks - The effort over the last 10 years to add or improve the major parks has been successful. This years' budget has some choices for the City Council to consider in the allocation of Park Fund revenues and the efforts of the Friends of the Park will assist the City in making these improvements. As additional funds becoming available, we should be able to keep up the existing parks and make improvements to our smaller parks, as they are needed. Parks are also generally in good shape and if we are able to continue the present maintenance effort they should stay in good condition.

City Building and Facilities - The effort that has been made on the community center and City Hall have allowed these facilities to continue to serve the residents. The City Yard needs some attention and the first step included in this budget will be the removal of the oil well. The work that was done with the school district architect has provided an overview of a plan to begin a project to improve the facility in a phased approach. The budget also contains improvement to the existing fire station, which will be funded from the Fire Protection Fund. The major needs now are replacement roofs on most of the buildings. Staff will be developing a phased approach to deal with this need. Funding for this project will be presented along with the overall plan.

Policy Initiatives - These items are often where the City Council and staff spend a great of deal time. The current list of issues includes the Working Group on the General Plan that is largely being handled by a subcommittee of the Planning Commission and a

number of interested residents. This approach was taken because of the high cost of having a consulting team employed to update the General Plan. There will likely be some cost associated with this effort, beyond the use of staff time, once the effort is further along. The same can be said for the Select Committee working on the Historic Preservation Plan. Again, this work will most likely need some kind of an appropriation beyond the effort being expended by the residents involved and staff time dedicated to it. The proposed budget presently does not contain any funding for these efforts.

Respectfully submitted,

Stephen R. Burrell
City Manager