

June 3, 2004

Honorable Mayor and Members of
The Hermosa Beach City Council

Regular meeting of
June 8, 2004

**ADDITIONAL BUDGET INFORMATION REQUESTED AT THE STUDY
SESSION MEETING OF MAY 18, 2004.**

Recommendation:

That the City Council review the attached information in conjunction with the 2004-05 Fiscal Year Operating and Capital Budget.

Background:

Staff was directed to provide additional information on a number of items that came up during the May study session and others comments that we received as a result of questions that you have asked. The attached materials have been developed in response to that direction. Let me know if you have any additional questions and we will attempt to have any additional information available at the meeting on Monday.

Respectfully submitted,

Stephen R. Burrell
City Manager

**QUESTIONS/REQUESTS FOR INFORMATION
FROM BUDGET WORKSHOP,
5/18/04**

Q1. How many storm drains do we have?

A1. The City has roughly 1 mile of storm drains and 34 miles of sanitary sewers.

Q2. What is the priority for Park and Recreation CIPs, according to the Park and Recreation Commission?

A2. See the attached staff report given to the Park and Recreation Commission on 5/4/04. (Page 8)

Q3. Are market rate comparisons used, when possible, for recommended fee increases in the budget (recreation fees, encroachment permits)?

A3. Attached is a table (Page 9) from the 4/26/2004 Los Angeles Business Journal which shows Class-A Asking Rent (per-square-foot-rents) for the South Bay at \$2.03 for the 1st quarter of 2004. (The first column titled "1st Qtr. 2003" under "Class-A Asking Rent" is mislabeled and should read "1st Qtr. 2004".

Reports submitted to the Parks and Recreation Commission regarding market rates for recreation fee increases are also attached starting on page 10.

Q4. Provide information on implementing a 1% improvement fee on building permits.

A4. Generally speaking, impact fees can be implemented on new development when a need is created for new facilities. There must be a nexus between the fee collected and the purpose for which it is spent. These fees cannot be used to correct existing deficiencies.

Some cities are implementing refuse vehicle impact fees based on deterioration caused by vehicle size and weight. See attached marketing piece from Hilton, Farnkopf & Hobison, LLC on page 23. It is likely that such fees would be passed on to taxpayers in the case of a refuse franchise.

Construction taxes may also be passed by voters as a tax on the business of development. This type of revenue may be used for any purpose since it is a general tax. Voters may be receptive to the increase in some cases because they are not the ones paying the tax.

Q5. What is the process for street assessment districts?

A5. Attached are Streets and Highway Codes sections (Page 25) pertaining to assessment

districts, however, since Prop 218 was passed, it is difficult to assign specific benefit for a citywide district, according to the City Engineer. More often a general tax is used for street purposes.

- Q6. The utility user tax (UUT) should be used entirely for sewer purposes, as originally intended. Contributions for sewer have declined over time since the UUT was implemented.
- A6. Background on Use of Funds The UUT was implemented by a vote of the City Council in October 1985 and earmarked for sewer, police foot patrol and bootleg removal. In September 1999, the City Council passed a resolution designating that funds to be used for sewer maintenance and renovation, public safety and capital projects. In November 1999 and November 2001, voters rejected initiatives, by 60 and 69% respectively, to repeal the UUT. The arguments against repealing the tax generally indicated that UUT funds were spent in the same manner as the resolution passed by the City Council.

Contributions for Sewer

Year	Amount	Year	Amount
1985-86	440,000	1995-96	800,000
1986-87	565,000	1996-97	800,000
1987-88	800,000	1997-98	800,000
1988-89	800,000	1998-99*	700,000
1989-90	800,000	1999-00	700,000
1990-91	800,000	2000-01	700,000
1991-92	800,000	2001-02	700,000
1992-93	800,000	2002-03	700,000
1993-94	800,000	2003-04	700,000
1994-95	800,000	2004-05	700,000

*Capital Improvement Fund created

If the City were to decide to use the UUT entirely for sewer purposes, this would be equivalent to cutting the General Fund by \$1.67million, excluding the \$700,000 for sewer purposes. The City’s reports prepared in response to the two initiatives repealing the UUT pointed out several facts: 1) elimination of the UUT would cause a significant reduction in services provided by the City 2) personnel costs represent a significant portion of General Fund costs (72% in the 04-05 Preliminary Budget) 3) Since Police and Fire represent such a large portion of General Fund expenditures (64% in the 04-05 Preliminary Budget), it would not be possible to hold those departments harmless on cuts that would have to be made and still have a full service city 4) A staffing reduction of over 30 positions would be necessary to eliminate use of the UUT for General Fund purposes.

- Q7. Safety and condition of facilities is a concern.

- A7. Funds are budgeted in CIPs for renovation of the CityYard (removal of the oil well, which is Phase One), the Fire Station and the Community Center.
- Q8. Staff was directed to come back with an analysis of Councilmember Keegan’s suggestion to charge \$4 per square foot for Plaza commercial dining encroachments for businesses open past midnight.
- A8. The increase from \$1 per square foot to \$2 per square foot for businesses on the Plaza is included in the budget and represents an additional \$69,794. An additional \$107,616 would be generated by charging businesses open past midnight at the \$4 per square foot rate. Two spreadsheets are attached, one showing the original increase of \$69,794 included in the budget and the other showing the scenario that results in an additional \$107,616. (Page 68)
- Q9. Will there be a recommendation on fees for tennis court lighting?
- A9. An item will be taken to the Parks and Recreation Commission.
- Q10. Staff was asked to explore the costs savings of changing the frequency of street sweeping to every other week and use of AB939 fees for payment of costs.
- A10. Several cities are recovering the cost of street sweeping by adding the fee to the Refuse bill. The contractual cost of the sweeping is \$209,000. Switching the frequency to every other week would roughly cut the cost in half. Staff can approach the contractor if the City Council so desires.

It appears from a cursory review of the AB939 law (Public Resources Code 40191(a) that street sweeping could be paid from this source. Approximately \$59,000 is received, with \$39,000 being spent on staff time and the consultant who does the compliance work. The AB939 fee was originally \$.50 and was reduced to \$.25 in 1996. The fee could be raised by a vote of the City Council to \$.75 to generate an additional \$118,000.

- Q11. Staff should analyze reduction of the street lighting budget to coincide with the levy amount, including removal or reduction of lights
- A11. There is a difference of \$206,000 between the levy amount of \$455,000 and operations of \$661,000. Revisions below shows reductions to be made over a two year period.:

Salaries and Benefits:	Reduce 1 Maintenance II Position	(59,482)
Reduction in Transfer	Administration reduced for above	(4,831)
Utilities	Estimate too high	(28,000)
Reduction of Lights	1 st Year Savings	(23,650)
	2 nd Year Savings	(82,000)
	Two-Year Reduction	(197,963)

The balance of the reduction, \$8,037, could be made by reallocating salaries to the General Fund, however the current budget includes no funds for capital improvements or replacement of the light poles of any kind so is not realistic from a business standpoint.

Q12. Look at special events budgeted. Consider having businesses contribute or discontinuing city contribution.

A12. The following are amounts budgeted for special events or donations. The items that indicate 03/04 in parenthesis are how unspecified amounts were spent in the 03-04 budget.

<u>City Council</u>	
Employee/Commission Holiday Party	\$4,000
Engraving Service/Plaques	\$600
Donations	
Mira Costa Grad Night	\$1,000
Redondo High Grad Night	\$1,000
Chamber Full Page Ad (03/04)	<u>\$1,900</u>
Total	\$8,500
<u>Downtown Enhancement</u>	
Install/Remove Holiday Flags/Decorations	\$8,540
Holiday light strings (03/04)	\$193
New Years Celebration	\$26,000
Triathlon Cleanup (03/04)	\$450
American Flags & Flag Poles (03/04)	\$1,357
Donations	
Aloha Days	\$2,500
St. Patrick's Day Parade	<u>\$15,000</u>
Total	<u>\$54,040</u>

The following are questions from Councilmember Keegan:

Q13. Consider implementation of a 1% development tax on new construction, to be used for historic preservation and public art.

A13. Manhattan Beach has such a tax used for public art. It applies to certain development projects based on the valuation of the improvement or new construction. Staff can provide more information if so directed. This is the same tax referred to in A4.

Q14. Finance: page 156
Why did this area drop so much?

A14. In 2002-03, additional funds were spent for upgrade of the financial system software (\$105,528), appraisal of infrastructure (\$4,050) and

implementation of the new accounting model (\$6,566). In 2003-04, additional funds were budgeted for the balance of the upgrade of the financial system (\$34,322), completion of the user fee study (\$5,293), completion of the infrastructure appraisal (\$9,450), completion of the new accounting model (\$6,604) and training on the report writer for the financial system (\$1,444).

Q15. Fire Department: page 167
Is this the City's website or something else?

Please lower the amount of overtime. How do we address in future years?

A15. It is the City's website, however all costs should be under Information Systems now so it will be changed on the final budget.
Overtime is a function of minimum staffing and vacation/leave usage.

Q16. Police Department: page 193
Why is the telephone bill for this group so much?
Should we be looking into doing IP telephony for the City to lower our costs of phones, or at least interview several phone consultants to develop an RFP and go out to bid on our local and long distance charges?

A16. Approximate annual phone costs for the Police Department are:

Private Lines - Includes dispatch circuit lines, JDIC line, live scan line, alarm co call-in line, fax lines	\$25,401
Direct Dial Service Charge	\$5,822
Telephone Call charges	\$7,940
Dispatch Circuit Lines - SBC share	\$4,184
Long Distance charges	\$1,131
Nextel Cell Phone Usage	\$12,924
Verizon Wireless Cell Phone Usage (Comm Serv & CM)	<u>\$2,786</u>
Total Expenditures	\$60,188

Staff has requested an estimate of cost from our carrier, Verizon, for a voice-over internet protocol system just to get an idea of the cost. If major changes are to be made to the phone system/service, staff agrees that hiring a consultant would be in the city's best interests.

Q17. Page 194 - \$40,000 for a digital patrol car camera system. I think we should look

closely at this purchase. Maybe there is a way to use this money to put up additional 80211a/g antenna nodes and put the police video on its own secure virtual private network (VPN) at least use some of this money to place cameras in areas like the parking structure and lots downtown with cameras on Pier and Hermosa Ave. Maybe multi-year approach we can use this money in the most productive manner. I like the camera idea; I would like to explore all avenues, so we have the best system available.

- A17. Digital camera systems for the patrol cars are becoming a standard piece of equipment on patrol cars in the area. The Police Department has delayed implementation to determine if the technology is ready to go totally digital. The department is receptive to the suggestion of using our own private network and perhaps gaining the ability to transfer data via wireless downloads to a computer with a large hard drive. Cameras could be quite useful in capturing interactions between our officers and suspects in the field. The department has always been interested in putting fixed cameras in the downtown area for a number of reasons, although there is a possibility of opposition to this idea from different groups.

OTHER REVENUE INCREASES

Sewer Use Fee

The day-to-day sewer operations of the Sewer Division consume the majority of funds transferred from the UUT. Sewer Division costs for 2004-05 are \$682,000 and \$700,000 is transferred from the UUT. With an unknown amount of needed capital improvements, in addition to the operational cost, it is unlikely that the City will be able to make significant progress toward that goal without another funding source.

Add Street Sweeping Charge to Refuse Bill

Several cities are recovering these fees through a charge on the refuse bill. Manhattan Beach is considering it, Redondo Beach recently implemented it and Torrance has charged it for some time.

Private Contractor for Ambulance Transport Service

Both Torrance and Redondo Beach use private contractors for ambulance service. Since there are a host of private companies in the market who can provide quality service, getting out of the ambulance transport business would allow our Fire Department to increase Fire Services without increasing costs. Currently, if one call is in progress, we cannot respond to a second call due to staffing constraints. . It is likely that revenue could remain the same or even increase. Staff can provide more in-depth information if the City Council is interested in looking at this option.

Increase Lighting and Landscape Fee

See the Questions and Answers

Implement City-wide User Fee Study for All Departments

This study is in the final stages and should be available for presentation soon.

Smart Parking Meters

Smart meters, which actually function in conjunction with the existing meters, employ technology that allows the city to optimize parking in high demand locations. Motorists gain from maximized availability of short-term parking. For the business community, turnover is promoted and space availability improved. Revenue streams can be increased enhanced and productivity of parking operations improved.

Consider Metering Lot A

Staff can bring back a report outlining the revenue estimates and other issues if the City Council is interested.