



CITY OF LA MIRADA

DEDICATED TO SERVICE

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HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL AND CITIZENS OF LA MIRADA

The City of La Mirada's adopted budget for FY 2012-2013 allocates available resources to maintain La Mirada as a safe and vibrant community. Enhancing the high quality of life in La Mirada remains the City's strategic focus, which is supported by the goals set for each department. This budget reflects the ongoing efforts of the City Council and staff to meet major financial challenges, and provides detailed information about planned expenditures and projected revenues.

The City's worst financial challenge stems from State of California actions that have impacted the City's budget far more than the Great Recession. The State's elimination of redevelopment agencies, which was upheld in a December 2011 Supreme Court decision, will have far-reaching negative impacts on efforts to create jobs, repair infrastructure, eliminate blight, develop affordable housing, and stimulate economic recovery throughout California. The State's process for dissolving redevelopment was poorly conceived and executed, and has caused financial chaos and confusion for local governments throughout California. Unless the State legislature acts quickly to mitigate the harm it has caused, financial uncertainty will further cloud the State's prospects for economic recovery, and local governments will suffer severe economic hardships. La Mirada's financial position is better than most; but as a result of the State's actions, La Mirada's General Fund could lose nearly \$58 million, nearly twice the annual budget. Financial blows of this magnitude will have severe negative impacts on La Mirada's operating budget, and its ability to make critical infrastructure repairs.

Besides eliminating long term benefits from economic development and infrastructure improvements, the State's dissolution of redevelopment agencies has had immediate impacts on the City's ability to fund ongoing operations. Some dissolution provisions that cause the loss of financial and physical assets are retroactive to January 1, 2011. State actions invalidated legally made loans and other agreements between cities and their respective agencies. These actions will severely impact La Mirada. For example, through longstanding loan agreements, the La Mirada Redevelopment Agency (Agency) owes the City's General Fund in excess of \$29 million, and it annually contracted for City provided services for \$839,000. These lawful agreements, which were simply erased by the State, generated \$2.5 million in annual interest and service agreement

payments to the City's General Fund. This income is no longer available and the City's General Fund expenditures have had to be cut significantly to offset its loss. In addition to taking these General Fund revenues, the State froze locally held bond proceeds and seized assets that could otherwise stimulate the local economy, repair infrastructure and create jobs. In La Mirada, over \$11 million in tax-exempt and housing bond proceeds were placed in financial limbo and made unavailable for use. City staff is actively engaged with the legislative and legal communities to find ways to reverse or mitigate the effects of the State's ill-advised actions.

Despite the severe impacts of State actions and lingering recessionary effects, the City's FY 2012-2013 Adopted Budget is projected to have a modest surplus. This has been achieved by consistent, ongoing efforts to reduce expenditures. Staff anticipated and planned for the loss of revenues due to State actions and made operational adjustments accordingly. General Fund expenditures have been reduced by following the prudent financial course laid out in the Financial Contingency Options Plan, which was initially developed in 2009. This plan identified cuts to staffing, held other expenditures flat, maintained Public Safety as the highest priority, and largely spared the public from significant programming reductions. The most significant savings from the Financial Contingency Options Plan have been achieved through ongoing staffing reductions. In the last five years, budgeted full-time staffing has been reduced to 71 positions from 97, a reduction of 27 percent. Hourly staffing has been reduced by a similar amount. The remaining City staff has assumed the workload of their former coworkers. The FY 2012-2013 budget builds in another \$400,000 in salary savings that will be achieved from continued staff reductions.

The budget was balanced using a conservative approach to revenue forecasting. Unprecedented revenue losses experienced in recent years due to the Great Recession have slowed or stopped, and some revenue growth is anticipated in FY 2012-2013. However, many revenue sources are still projected to remain significantly below their peak levels in FY 2006-2007. The combination of significantly reduced expenditures with modest revenue growth will create a modest surplus for FY 2012-2013.

The budget provides \$6.1 million in General Fund support for ongoing infrastructure needs. Consistent with past practice, the budget uses a "save first, spend second" fiscal philosophy for major infrastructure improvements. Funding for more than \$67 million in vital infrastructure needs, identified by the Citizen's Task Force on City Finances and Operations has yet to be identified. For FY 2012-2013, a number of infrastructure improvements are planned; however, much of the funding for these projects is from savings that have accrued over time and will not be available again once drawn down.

There remains a significant gap between the long-term costs needed in infrastructure repairs and the funding available to fix the City's aging infrastructure. Without additional revenue, infrastructure needs will not be met and the City's streets, sidewalks, sewers and other facilities will deteriorate faster than the City is able to repair them. These repairs will become more costly in the future.

The La Mirada City Council and staff have successfully managed City finances through the Great Recession and achieved modest operating budget surpluses in the last two fiscal years despite the onslaught of negative State financial actions. Operating budgets have been balanced through significant staffing and expenditure reductions. Unfortunately, the State's negative actions have largely offset the progress made by the City's locally controlled financial management and decision making. The City Council's declaration of a fiscal emergency recognized the financial difficulty created by outside forces and directed focus to critical questions about enhanced local control of the City's finances. A Citizen's Task Force has reviewed the City finances and operations and made recommendations on revenue measures to enhance local control.

As a result of this process, the City Council has scheduled an election for November 2012 for voters to consider adoption of a one cent supplemental sales tax to fund repairs to local streets, roads, sewers and other infrastructure, as well as other general City services.

Recap of FY 2011-2012

During FY 2011-2012, the City continued to keep crime levels low through its strong public safety program, provided first-class recreational and cultural facilities and services, and maintained the City's physical environment. The City continued to invest in programs and projects to enhance the quality of life that La Mirada citizens and businesses expect and enjoy. A few years ago, La Mirada was named the 34th Best Place to Live in America and third Best in California by CNN *Money Magazine*. Contributing to these high ratings was the City's safe environment, the variety of cultural and recreational opportunities for citizens of all ages, and the quality of the City's physical infrastructure. The City has also received high marks from its business community. A survey of businesses indicated 79 percent perceived La Mirada as a business friendly city and 88 percent of those who interacted with staff reported receiving good customer service.

La Mirada can be proud of some notable accomplishments by City departments during the past year:

Public Safety

The City remained one of the safest cities in southeast Los Angeles County and northern Orange County. La Mirada's crime rate was its third lowest in the past decade and decreased 16 percent from ten years ago. This excellent record was attributable to a strong partnership between residents, businesses and the City's Public Safety team. Public Safety worked cooperatively with other agencies to reduce crime and enhance the quality of life in La Mirada. Community participation in the City's Neighborhood Watch, Business Watch, HAM Watch and Volunteers on Patrol programs was encouraged throughout the year. These programs trained residents how to observe and report suspicious activity in their neighborhoods. The community's vigilance was key to deterring crime. With the recent development of E-Watch, residents became better informed of criminal incidents and crime prevention techniques.

response to numerous requests for financial information and audits. Staff also coordinated a new approach to the Capital Improvement Program (CIP) process, supported Citizen Task Force programming, reviewed and updated personnel and safety policies and procedures, and coordinated citywide staff training. Staff continued to manage the La Mirada Transit service contract, focusing on system productivity and customer service. Staff also prepared and submitted numerous financial reports to local, state, and federal agencies in order to comply with various funding requirements.

Goals for FY 2012-2013

Public Safety

Public Safety will continue to utilize a comprehensive and proactive law enforcement program to deter crime, monitor offenders and arrest suspects. Neighborhood Watch meetings will be used to encourage community involvement and enhance communication with residents and businesses. Public Safety will pursue grant opportunities, and will continue to provide Community Emergency Response Team (CERT), HAMWatch and community disaster preparedness training.

Community Services

Community Services will continue to evaluate programs and events, and strive to lower reliance on the General Fund by offsetting expenditures through partnerships, corporate sponsorships, effective planning and grant opportunities. Community Services will strive to make Splash! operations self sufficient by increasing revenues, increasing facility reservations, and controlling costs. With new reservation policies in place, Community Services will strive to increase facility reservations at many of the City's facilities. Community Services will also work toward increasing participation in recreation programs such as the Tiny Tots and Summer Day Camp programs, and will introduce a variety of adaptive programming.

La Mirada Theatre for the Performing Arts

La Mirada Theatre will continue to evaluate and restructure marketing and outreach efforts with an emphasis on reaching new audiences and filling unused capacity. Educational outreach will continue to be a priority to better connect with younger audiences and local families, while audience development strategies will be targeted towards converting single ticket buyers into repeat customers and subscribers.

Public Works

Public Works will work to maximize the efficiency and effectiveness of its maintenance operations by adjusting the scope of contractor services, strategically adjusting personnel schedules and duties in response to tightened resources, and utilizing Federal, State, and regional funding to the greatest extent feasible. Public Works will also undertake a full slate of Capital Improvement Projects, taking advantage of the current low cost environment for many construction contracts.

Community Development

Community Development will continue working to identify methods to shorten the time needed for County plan checks and to streamline the entitlement process. The

Department will increase the effectiveness of the Development and Permits Tracking System (DAPTS) by connecting additional databases and GIS to expand the current system's potential. Staff will also identify areas where impact fees can underwrite future infrastructure costs, and continue to explore where new technologies such as the Southern California Association of Government's (SCAG) sustainability tool in conjunction with Geographic Information Systems (GIS) can assist staff with future land use planning. Staff will also explore opportunities for partnerships with adjacent cities to coordinate planning to address green house gas requirements.

Administration

Administration will work to ensure an effective, responsive, and efficient City organization, implement the programs and policies established by the City Council, and oversee day-to-day City operations. Administration will actively support legislation that "unfreezes" redevelopment bond proceeds for infrastructure and affordable housing projects; provides for the repayment of the City's loan to the former Redevelopment Agency; protects local control of local funds and former Redevelopment Agency properties, and offers new economic development opportunities. Administration will complete a Strategic Plan developing goals, objectives, and actions to guide La Mirada into the future. Administration will continue efforts to improve the community's retail opportunities by implementing the actions identified in the Retail Study and developing partnerships with key property owners and tenants to encourage business development. The City will complete the sale of the Alondra properties to Brandywine Homes and construction will begin on "The Orchards" neighborhood development. The City will explore the potential benefits of becoming a Charter City. The City Clerk's office will conduct the 2013 election.

Administrative Services

Administrative Services staff will help implement numerous budget reductions in response to negative State actions, as well as approved changes to the City's compensation and benefits model. Staff will conclude the User Fee Study and develop recommendations to adjust user fees in accordance with the City's cost recovery policies. Staff will analyze the current transit contract, which expires in October 2013, and propose modifications to facilitate an extension, or seek a new contract through a request for proposals process. Staff will continue to implement La Mirada Transit's Limited English Proficiency (LEP) plan by informing residents about the available services through community presentations in English and Spanish.

Contingency Options

In FY 2008-2009, City staff began developing a series of Financial Contingency Options Plans to identify General Fund operating and structural changes that would mitigate the impacts of significant revenue losses from the recession and State raids of local revenues. These plans are updated annually, and during FY 2012-2013 alone, the net fiscal impact exceeds \$1.9 million in savings. This net savings takes into account

added costs for the 2013 municipal election, and for special consultant studies on the City's business license tax structure and possible adoption of a City Charter.

The following table summarizes the changes which are already incorporated into the adopted budget.

FY 2012-2013 CONTINGENCY OPTIONS	SAVINGS / (COST)
COMMUNITY SERVICES	\$ 141,600
Eliminate Basement Youth Center	16,000
Eliminate Community Calendar	30,000
Eliminate FSC (move Homework Club/Computer Lab to Resource Center)	35,900
Modify LMAC hours to 7:30-6pm except Tuesday	21,000
Reduce Uniforms	2,000
Reduce Store Costs	13,000
Reduce Hourly Staff	12,000
Vacant admin intern and eliminate holiday hours	11,700
PUBLIC WORKS DEPARTMENT	443,090
Contract Services	140,000
Holiday Rentals	24,400
Overtime	7,690
Rentals	1,000
Repair and Maintenance (Street Sweeping)	238,000
Supplies	32,000
CITY CLERK	(95,000)
Municipal Election	(95,000)
PUBLIC SAFETY	314,335
Assign the Safety Education Officer to Teach 7th Grade, reduce PT hours	3,792
Contract service level adjustment- 2.23% rate increase with 2 motor positions eliminated	310,543
PERSONNEL	40,400
Reduce "Other Service" Budget from \$29,500 to \$15,000	14,500
Reduce "Professional Services" Budget from \$18,500 to \$5,000	13,500
Transfer Tuition Reimbursement from Personnel Budget to Employee Benefits Fund	12,400
FINANCE	(50,000)
Business License Study	(50,000)
INFORMATION TECHNOLOGY	17,241
Reduce Brea IT expenditures	17,241
CITY WIDE	841,246
Line item reductions	841,246
COST SAVINGS SUBTOTAL	\$ 1,652,912

REVENUE ENHANCEMENTS	FY 2012-2013 REVENUES
THEATRE DEPARTMENT	80,000
Ticket price adjustment	80,000
COMMUNITY SERVICES	\$ 191,880
Adjust contract fees from 75/25 to 70/30	8,800
Increase day camp fees by \$10	14,000
Increase gym membership rates	3,180
Increase Splash! season passes, swim lessons, and daily admission fees	143,000
Increase sponsor donations	7,500
Increase Tiny Tots fees by 10%	15,400
REVENUE ENHANCEMENTS SUBTOTAL	271,880
TOTAL - FY 2012-2013 CONTINGENCY OPTIONS	\$ 1,924,792

Capital Projects

Capital improvements are required to maintain the City's physical infrastructure. The City's FY 2012-2013 Capital Improvement Projects (CIP) Budget appropriates \$20,399,372. Capital improvements are funded by the City's General Fund, the former Redevelopment Agency and outside sources. It should be noted that the CIP budget is approximately \$7 million higher than in previous years due to the intentional use of remaining available fund balances. In the current economic climate, construction bids are very competitive and the City anticipates receiving good value on contracts awarded in FY 2012-2013. City staff will continue to pursue grant opportunities to assist in funding capital projects. Should additional funding become available, additional CIP projects will be slated for City Council approval. The table below summarizes the major CIP project categories for FY 2012-2013.

Streets, Sidewalks and Storm Drains	\$ 11,697,381
Park and Rec Areas	1,682,933
Signals and Lighting	981,200
Medians and Panels	1,617,464
Public Facilities	1,075,000
Special Projects	3,345,394
Total	<u>\$ 20,399,372</u>

Reserves

The City's General Fund reserve balance at the end of FY 2012-2013 is currently projected to be \$46,215,007 which includes the RDA loan. Staff is working to maintain and replenish reserves for all funds. These reserves serve as a buffer in difficult economic times and as a savings account for future needs. Ongoing State actions, including retroactive adjustments to Redevelopment Agency financial transactions, could have extremely negative impacts on General Fund reserve levels.

Summary

The City's budget presents a balanced approach to delivering City services. Revenue forecasts show moderate growth which, combined with significant ongoing cost containment measures, will achieve a balanced operating budget with a modest surplus for the second consecutive year. The budget provides public safety services at a high level, maintains most City programs at basic levels, and schedules an ambitious slate of capital improvement projects. A concerted effort will be made to maximize the use of available capital improvement project funds in FY 2012-2013 to take advantage of relatively low construction pricing in the current economic climate. Once these funds are used for these projects, however, new funding will need to be identified for future projects.

The City's General Fund operations have undergone four consecutive years of significant expenditure reductions. Basic services are now delivered with a very lean staffing complement with minimal funds budgeted for contingencies. Negative State actions have further reduced the City's ability to provide for future infrastructure needs. Without more local control and additional funding, the City's long-term infrastructure needs will largely go unfunded. In the current environment, much work needs to be done to maintain services, address future needs and defend the City from more negative State actions. Going forward, new service delivery methods, including the expanded use of contracted services, will be necessary.

The City's FY 2012-2013 adopted budget responds to very difficult financial conditions with ongoing staffing and spending reductions while keeping public safety as the top priority. The budget may be amended as necessary to respond to changing conditions to ensure the City's ongoing fiscal stability. With the continued cooperative efforts of the City Council, City staff, and the community, we should be able to meet the challenges facing us in the coming year.

Respectfully submitted,

CITY OF LA MIRADA



Thomas E. Robinson
City Manager

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General Fund Trends and Resource Allocation

When preparing the Adopted Budget for FY 2012-2013, City staff researched and documented numerous financial trends. The following charts illustrate important factors affecting the City's Budget.

Chart 1 plots all General Fund expenditures and revenues from FY 2003 through FY 2013. From 2003 to 2005, revenues generally exceeded expenditures, as the City saved money to invest in infrastructure and capital projects. Beginning in 2006 through the end of 2008, General Fund expenditures exceeded revenues, as savings were used to pay for the expansion of the Sheriff's Station, the Splash! Aquatics Center, new City street signage and other infrastructure projects. With the completion of projects, the FY 2008-2009 Budget returned to a more historical relationship between expenditures and revenues, in which the City's operating revenues exceed operating expenditures.

CHART 1- GENERAL FUND EXPENDITURES AND REVENUES

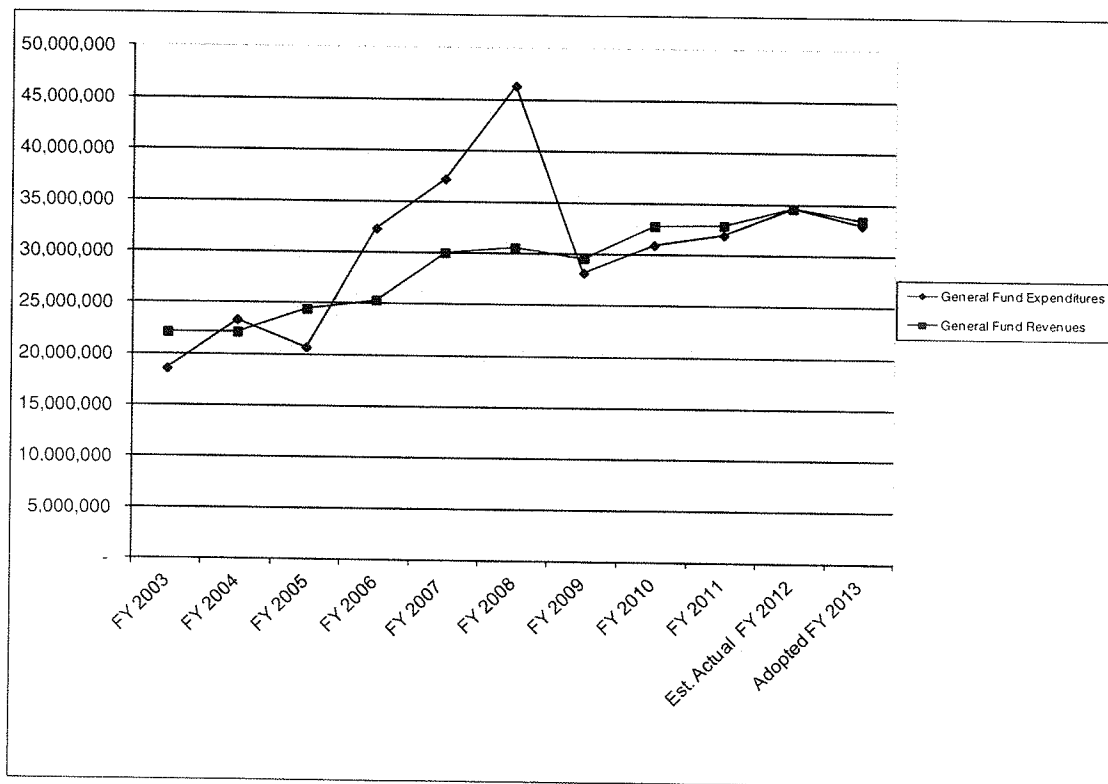


Chart 2 illustrates the City's sales tax and property tax receipts for the same period. Sales tax revenues, which again began a precipitous drop in FY 2008-2009, are projected to experience modest growth. Property taxes grew steadily from 2003 to 2009, but have fallen slightly since, and demonstrated much less volatility than sales taxes. However, property tax receipts are projected to remain relatively flat for FY 2012-2013.

CHART 2 – SALES TAX AND PROPERTY TAX

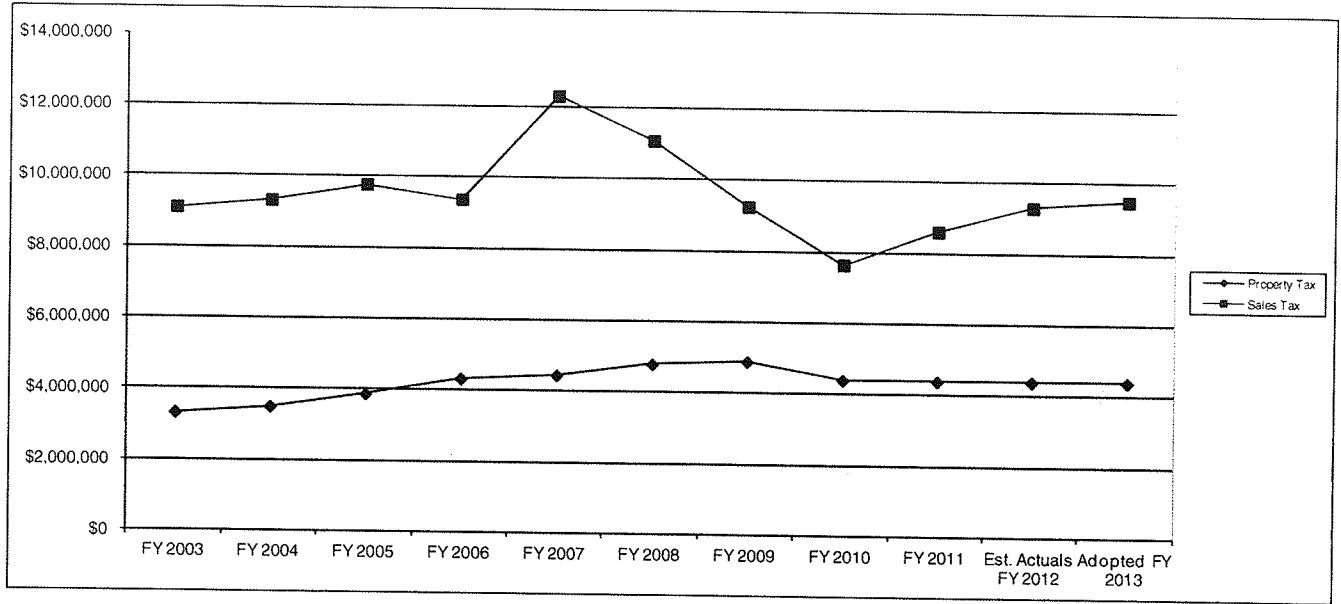


Chart 3 illustrates licenses and permits revenue since 2003. Although there have been some peak periods, this revenue source began a significant downward trend in 2006, which was especially evident in 2008. This downturn has been reversed and permit revenue for FY 2012-2013 is projected to remain relatively flat.

CHART 3 – LICENSES AND PERMITS

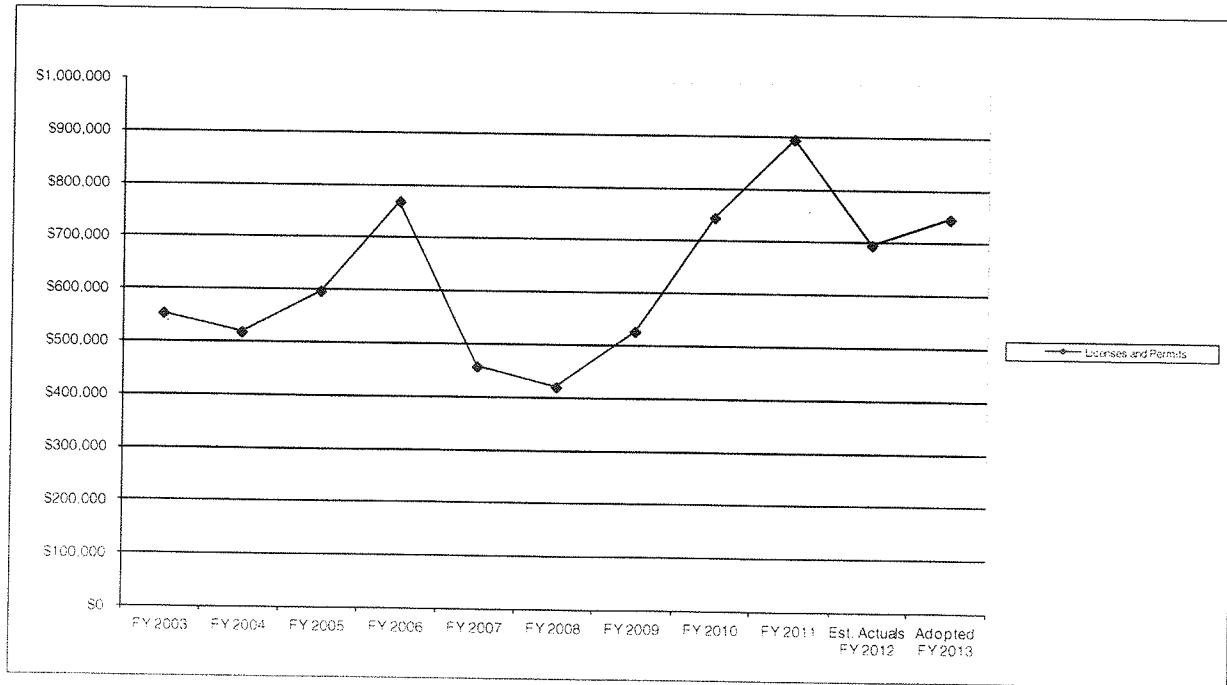


Chart 4 illustrates the percentage breakdown of the General Fund's revenue sources. While the City's revenue base is broad and diverse, Sales Tax and Other Taxes are volatile and can fluctuate significantly through various economic cycles.

CHART 4 - GENERAL FUND REVENUE

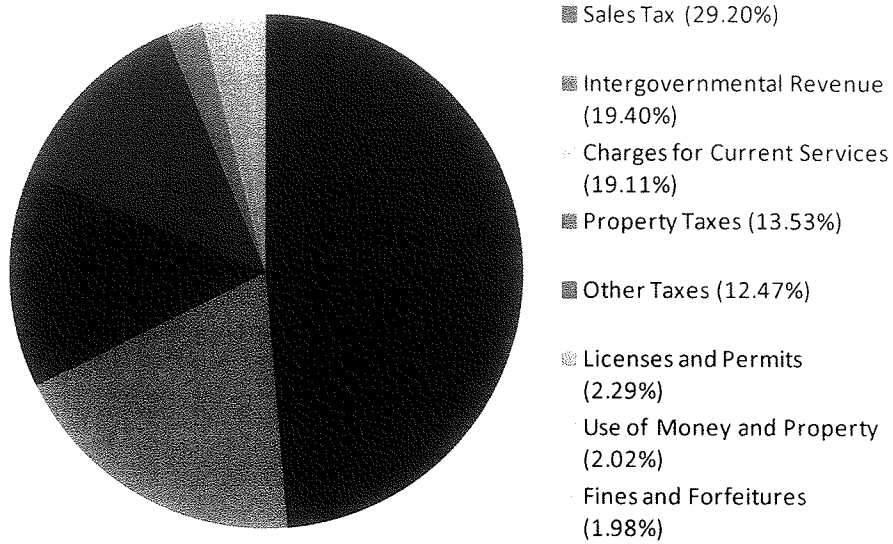


Chart 5 illustrates the resource allocation percentage breakdown by City department or function. Public Safety is the top priority and receives the largest resource allocation.

CHART 5 - CITY DEPARTMENTS

