

Inglewood California

OFFICE OF THE CITY ADMINISTRATOR

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CITY ADMINISTRATOR

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TO: MAYOR AND CITY COUNCIL

FROM: CITY ADMINISTRATOR

SUBJECT: 2004-2005 FY BUDGET

In the pages that follow, you will find the proposed consolidated annual operating budget for Fiscal Year 2004-2005, which is once again balanced, as is required by law.

Previous budget messages have chronicled political, social, and economic conditions, which have for more than a decade challenged local governments to do more with less. This is not yet a bygone era. In fact, early this year local government elected and non-elected leaders described decreasing federal and state revenues, an economic slowdown, and rising operating costs (pensions, insurance, and liability costs) as the "perfect storm" that threatens the very viability and future of California's cities.

The result was unprecedented grass roots political activism. After years of the state grabbing local funds, the local government coalition was successful in getting bipartisan agreement to place Proposition 1A on the November, 2004 statewide ballot. Proposition 1A *does not* provide cities with immediate relief, nor does it prohibit the state from interrupting the flow of funds to local government. However, importantly, it restricts the legislature's ability, beginning in

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FY 2006-2007, to raid local government shares of property tax, sales tax, and vehicle license fees to pay for state programs. If approved, Proposition 1A will be historic for the constitutional revenue protections it provides to local government, but it does not represent a financial windfall for cities. Nevertheless, by its very nature, it will afford cities predictability and newfound stability as we plan funding of needed police, fire, and other essential local services.

FY 2004/05 BUDGET BY THE NUMBERS

Last year, the City Council approved a budget that reduced the General Fund 8% from \$72.6 million to \$66.9 million to slow the rapid depletion of its unobligated fund balance.

Community Beautification & Economic Development

Reductions were planned through flattening the organization, eliminating positions, implementing a non-paid employee work furlough, and through a host of administrative actions and operating efficiencies. For the most part, furloughs have yet to be enacted, and revenues are down slightly for the year. Efforts to reduce workforce size without layoffs tempered anticipated savings. Nevertheless, overall expenditures are down and by the year's end it is likely the actual operating deficit will be \$0.8 million, compared to the \$3 million structural deficit as budgeted.

This year's proposed budget contains no organizational changes, and no position eliminations. It maintains or improves existing program and service levels. Three new non-general fund positions have been added to the workforce: in Community Development and Block Grant (CDBG), Information Technology & Communications, and Redevelopment. Only one new net full-time position is being added to the General Fund, and that is a Police Lieutenant who must be absorbed following the elimination of grant funding for his current position. Two positions were added in the Engineering Division of the Public Works Department, offset by the elimination of positions in the Finance Department and the City Council Support section.

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The proposed FY 2004/05 budget is remarkable, indeed, for being perhaps the most "status quo" year-to-year budget in memory. And yet, it is not without some measure of risk; our General Fund, as well as many of our special funds such as Sanitation, Sewer, and Water, remains structurally unbalanced. Once again, the City must draw on its unobligated fund balances, or reserves, to achieve a balanced budget.

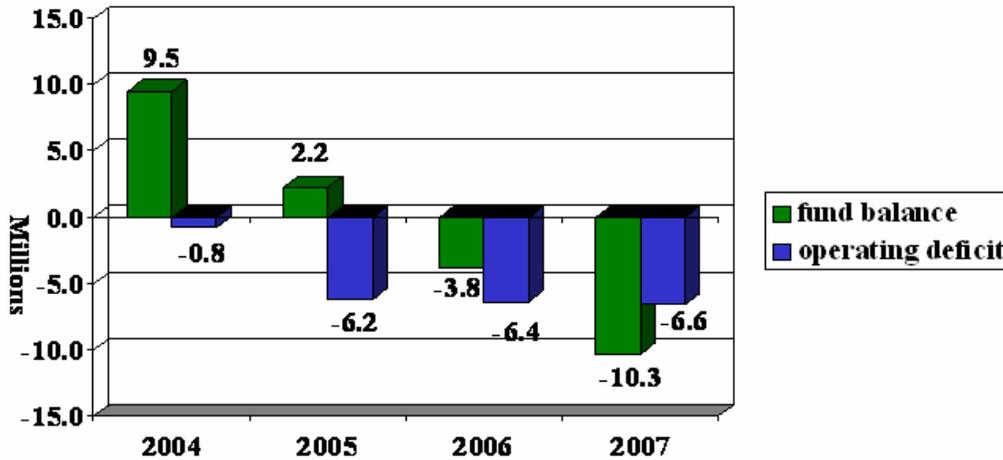
The combined FY 2004/05 budget for the City, its agencies, authorities, and special funds is \$192,724,328, down 6.0% compared to the current modified FY 2003/04 budget of \$205,125,696. A total of \$33,265,923 is devoted to capital improvement projects, of which only \$250,000 is General Fund financed. The budget also includes \$20,126,877 in federal, state, and local grants.

The City's General Fund accounts for \$75,801,419 of the consolidated budget, which is a 9.7% increase over the FY 2003/04 current modified budget. This increase of \$6.7 million can be attributed to a dramatic increase in the required contributions to the Public Employees Retirement System of \$4.6 million, an increase of \$900,000 in the required General Fund subsidy to operate the assessment districts, a decrease of \$1.8 million in savings from the elimination of the furlough, and offset slightly by \$600,000 in budget reductions. Public Safety comprises 58% of the total General Fund Budget.

It is anticipated that there will be a \$9.5 million unobligated General Fund balance to begin FY 2004/05. Due to a structural imbalance between revenues and expenditures of \$6.2 million, and an additional loss of \$1 million to the State, the ending unobligated General Fund balance for FY 2004/05 is projected at approximately \$2.3 million.



General Fund Balance and Operating Deficit Trend



A SMOOTH TRANSITION BELIES THE CHALLENGES AHEAD

Even given the promise of Proposition 1A, the City is assured it will suffer a \$1,045,000 loss in property tax each of the next two years. Similarly, our Redevelopment Agency will surrender \$925,000 annually through FY 2005/06. Based on the agreement negotiated between the state and local government coalition, the state can still borrow or reallocate funds from local governments in future years, but under much more restrictive circumstances.

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In the wake of ERAF beginning in 1992 and Proposition 218 approved in 1996, the City made a conscious decision to avoid painful service cuts by relying on one-time revenues intended to compensate for recurring expenditures that routinely exceeded revenues. It is not that we did not employ a plethora of strategies and best practices to control and reduce municipal

spending; we did. It is not that we failed to raise certain fees and taxes when needed; we did. The trouble is, as virtually any City in the state will attest, local government cannot make headway against a torrent of federal and state funding cutbacks, an

inefficient and irrational state local financing model, unfunded federal and state mandates, aging infrastructures, and escalating liability, health insurance, employee pension, and worker's compensation costs.

Each year that Inglewood approves a structurally imbalanced budget, it places itself in further jeopardy of exhausting all of its reserves and being confronted with the inescapable adverse consequences. Given the FY 2004/05 projected year-end General Fund balance of \$2.3 million, and an estimated \$6.4 million operating deficit in FY 2005/06, it is essential that some combination of revenue enhancements and plans for further cost reductions be achieved during the next twelve months.

The formidable challenge is not only to arrive at a structurally balanced budget, but also to free up funds to begin addressing unmet needs. Inglewood's discretionary (General Fund) capital improvement budget has been nearly erased in recent years. Many of the City's structures, including the City Hall, Police Department, Main Library, and Service Center require new mechanical systems, structural, and other upgrades to enhance comfort, safety, and accessibility. There is a shortage of public parking in and around our Civic Center. Parks, parkways, sidewalks, and alleyways all receive maintenance and improvements, however, much *much* more can be done in these areas. Better management and modest acquisitions notwithstanding, the City's aging motorized fleet needs a more vigorous overhaul. As we did two years ago with our payroll and personnel systems, we need to replace several of our proprietary core automated business applications with contemporary commercial software packages. The City is long overdue for a comprehensive General Plan update to ensure land use designations and usage support environmental, development, economic, and lifestyle goals.

ANSWERING THE CHALLENGES

In addition to the positive impact of Proposition 1A, there are at least two other ballot measures which will be placed before the voters on November 2, 2004 that can significantly alter Inglewood's financial future.

The L.A. County Board of Supervisors voted 4-1 last month to add Sheriff Lee Baca's sales-tax measure to the November 2nd ballot, which would raise the levy from 8.25% to 8.75%. The higher tax would generate about \$164 million for Los Angeles and \$256 million for other cities. If approved by 2/3 of the voters, the increased sales tax would begin being collected in April 2005, and Inglewood's estimated first-year share would be about \$5.4 million. These funds must be used for public safety expenditures, but may be applied to soaring pension costs and to backfill property taxes seized by the state.

If approved by the voters on November 2nd, State Proposition 68 has the potential to place Inglewood on exceptionally sound financial footing. Once approved, should Indian gaming tribes fail to "pay their fair share," Proposition 68 permits 30,000 additional slot machines to be located at 16 race tracks and card clubs currently in operation throughout California, including both Hollywood Park Race Track and Hollywood Park Casino. As much as \$1.5 billion in new taxes would be generated by the slots to pay for public safety, general government services, regulatory programs and social programs. Its share bolstered by the 1% "host city" provision, Inglewood could

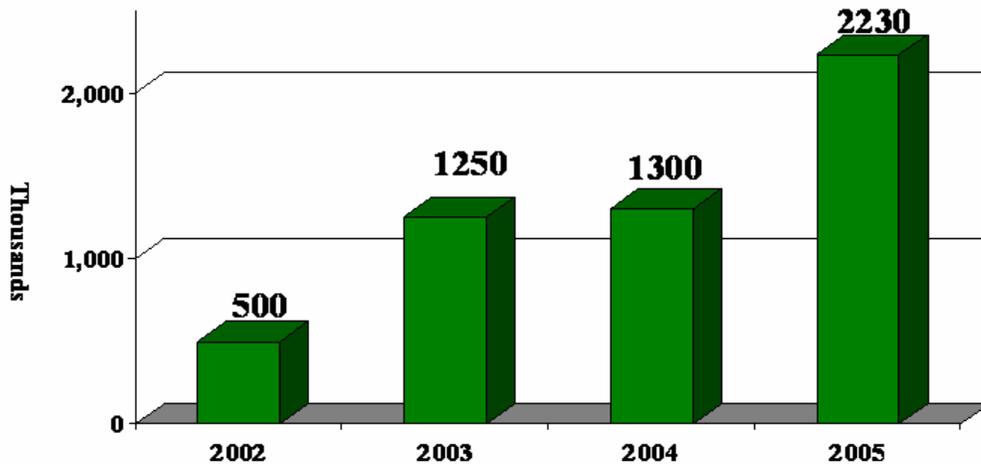
receive from \$13 million to over \$26 million annually from Proposition 68 proceeds. However, it should be noted that Proposition 68 faces a steep uphill battle. Governor Schwarzenegger, several major law enforcement organizations, and the formidable Indian gaming alliance all oppose it.

Asking residents and businesses to help determine what level of services they want to see expanded, or preserved, and how much additional fees and taxes they are willing to support is prudent and necessary. The City's five benefit assessment districts have been created to provide enhanced services, not customarily supported through general fees and taxes. Assessment increases, which now must be approved by ballot, have not been enacted since 1992. Though the districts have not been expanded, operating costs have predictably increased and we find that the General Fund now subsidizes these added services at a cost of \$2.23 million a year. A cursory evaluation of the assessment Districts by MuniFinancial earlier this year was intended to ensure reporting compliance and prepare the groundwork for a mail ballot vote; service recipients should be asked if they wish to continue to receive the enhanced services in future years as the General Fund cannot continue to bear the expense. Many of the deferred capital projects and purchases referenced above will not likely be affordable for many years without infusion of large sums of cash, typically raised through voter-approved bonded indebtedness. This option must also be aggressively explored.

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CHANGE IN GENERAL FUND ASSESSMENT DISTRICT SUBSIDY



Inglewood's ability to withstand the short-term financial challenges common to all California cities, and to build a solid financial foundation for the future, is inextricably tied to development through a "smart growth" process. The development of affordable housing, retail and commercial projects provide critical shelter and fill service gaps. Local housing and economic opportunities studies demonstrate irrefutably that Inglewood is a prime candidate for carefully planned growth and development. The City's Planning staff is poised to help guide the process and its Redevelopment Agency recently approved an additional \$9 million in bond funds to assist a burgeoning group of eager investors. Development-related revenues derived from property, sales, utility, transient

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occupancy, and business taxes and fees are essential to maintain and embellish City services, while easing the burden on individuals. Make no mistake; suitable, attractive development, which fulfills community needs, translates into more police and firefighters, well-equipped and stocked parks and libraries, clean and serviceable streets, and better schools.

FY 2004/05 OPERATIONAL HIGHLIGHTS

Police Department

In addition to regular enforcement and investigative activities, the continued suppression of chronic gang, drug, and violent street crime will remain a priority. Emphasis will be placed on the recruitment of new officers through strategies such as creative advertising, job fairs, accelerated testing, and college outreach.

The new Traffic Safety Enforcement Section, funded by the Traffic Offender Fund, will augment the existing Traffic Division. It will consist of commercial vehicle enforcement and specialized traffic enforcement teams that will serve to increase public safety and protect the City's infrastructure.

A new modified work schedule for Patrol Officers will be implemented on a trial basis, and the Department will prepare to be reaccredited from the Commission on Accreditation for Law Enforcement Agencies (CALEA).

Use of force and traffic accident data is now being entered into the Department's RAMS system, made available through a grant from the Police Foundation. This innovative police management tool will soon allow the Chief and other supervisors to quickly identify performance trends and spot officers who may need additional training.

Grant funding will provide for Mobile Display Terminal (MDT) upgrades, new portable radios, an incident response and surveillance vehicle, regional Records Management System (RMS), digital radio scanners, and disaster-related personal protective equipment. Additionally, grant programs will continue for Computer-Aided Dispatch

RMS, real estate fraud, traffic safety, bulletproof vests, and homeland security and under new funding from the State of California COPS Option grant.

Public Works Department

The proposed budget includes a total of \$1.3 million to continue resurfacing local streets (\$500,000), sidewalk replacement (\$400,000), alley construction (\$250,000) and for construction / reconstruction of damaged and substandard pedestrian ramps (\$250,000)---all in CDBG eligible neighborhoods with the exception of \$100,000 in Gas Tax funding for sidewalk replacement.

A new Waste Collection and Disposal Agreement will provide curbside recycling, special pickups, and bulky item collection on customers' regular collection day. The additional services will be provided with a 5% residential customer rate reduction and rate freeze for a minimum of three years. The agreement includes bins and roll-off boxes at all City facilities, diversion of City-generated waste material, and collection of refuse from 400 trash receptacles located at bus stops throughout the City—all at no charge. These services will help the City to meet state-mandated waste diversion goals and avoid possible sanctions. These services will also enable City staff to spend more time collecting orphaned waste dumped in the City right-of-way and remove weeds and debris from City-owned lots and right-of way.

The City currently has 158 vehicles that have exhausted their useful life expectancy, and at least 40 more that will reach their limit next year. This does not include dozens of miscellaneous pieces of equipment such as engine-driven weed eaters, cut-off saws, and generators. During FY 2004/05 the Fleet Services Division will propose replacing up to 113 vehicles through a financed-leasing plan. This equipment includes three additional street sweepers, and 30 police cars, as well as dump trucks, pick-up trucks, and other service vehicles.

To date, the City's highly acclaimed Residential Noise Insulation (RSI) Program has finished construction modifications on nearly 1,700 residences, and architectural surveys, plans, and specifications have been completed for another 1,000 units. A total of seven Federal Aviation Administration (FAA) and Los Angeles World Airport (LAWA) sound insulation grants totaling over \$50 million have been received since the program's inception. Tens of millions of dollars more have been requested for the upcoming year.

In order to maintain the established pace of the Residential Sound Insulation Program, staff will continue to invite owners of eligible properties to participate, provide informational meetings, and prepare for architectural surveys and designs. Staff will continue, *consistent with funds available*, to package plans and specifications for bid, recommend award of construction contracts, and provide construction management for sound insulation modifications to as many homes as possible during the coming year.

The RSI Program's Geographic Information System will be finalized within the first month of the fiscal year. This system will assist in long-term Program planning and enhanced customer service.

Improvement projects at the various water facilities will be completed to safeguard the City's water infrastructure, and to ensure the provision of an adequate and safe water supply for domestic, commercial, and fire-protection purposes. New water wells will be drilled to expand local water resources and minimize the reliance upon imported water.

The Department will continue to conduct National Pollutant Discharge Elimination System (NPDES) programs to reduce the discharge of pollutants to the storm drain system and protect the quality of water.

Parks, Recreation and Community Services Department

In calendar year 2003, attendance at Parks, Recreation and Community Services events and programs was up 7% over the previous year, from 885,148 to 949,835. With this increase in park usage, capital projects such as the Vincent park restrooms renovation require immediate attention. Funded by the Park Bond 2000 grant, the project's new completion date is September 2006.

In an effort to expand open space and leverage existing facilities, discussions are underway with Inglewood Unified School District to develop comprehensive joint-use agreements. By the year's end, the City's first Skate Park at Darby Park should be completed, followed by a bid process for two additional sites (Vincent and Rogers) early in 2005.

Last year, the Department utilized over 45,000 volunteer participant hours. The Human Services Division is stretching service dollars by increasing and improving the Department Volunteer Program, which includes greater use of interns and work-study students, expanding after school youth programs through collaboration and networking, and increasing efforts to secure additional grants for programs for youth, families, and senior citizens. An entrepreneurial venture to manage the City Hall cafeteria, retail store, and catering service will be pursued to increase the quality and service to City patrons while generating profits for the City.

Community Development Department

Firms vying to conduct a comprehensive management review and audit of the City's Community Development Department have now submitted their proposals. This is the first of a series of such reviews that will ultimately evaluate all major City departments. The review is expected to be complete well before the end of the fiscal year, and it should result in recommendations to improve services to the development community.

During FY 2004/05, several projects will be handled by the Community Development Department designed to establish jobs, provide goods and services, and create new residential housing opportunities.

Significant projects include the following: The Village at Century 193,000 square foot power retail center; the Imperial Partners 140,000+ square foot theatre-office-retail complex on Century and Prairie; a proposed 96,000 square foot retail shopping center at Crenshaw and Imperial; development of the 2.5 acre site at Florence and La Brea;

construction of the 376-unit Watt residential development at 3500 West 90th Street; and, completion of the auto and motoring accessory complex adjacent to CarMax at Hindry and Manchester.

During the coming year, the Community Development Department expects to complete processing of the City's planned \$18 million, 33,641 square foot senior citizens (multi-generational) center with 60 senior residential units at 111 North Locust Street and permit the contractor to commence construction. Technical and regulatory assistance will also be provided to the Inglewood YMCA in their efforts to build a modern family recreational facility in the City.

The Department's Planning Division hopes to secure sufficient funding to contract for a comprehensive General Plan update. Other division objectives include streamlining the plan review/approval process, efficiently implementing the Zoning Code, and revising Zoning Codes, specifically those related to signage, parking, zone adjustments, special use permits, LULU (locally unwanted land uses) uses, and mixed uses.

Under the guidance of the Office of Economic and Business Development (OEBD), the City initiated its new \$45 million loan fund in 2004 and expects to make 4-6 business attraction or business retention loans in the coming year. The Office of Economic and Business Development (OEBD) will: continue to provide technical assistance to businesses; host four business assistance workshops; and, partner with the Chamber of Commerce, the South Bay Workforce Investment Board, and the South Bay Economic Development Partnership to conduct business retention outreach.

The City will complete its Economic Development Strategic Plan this fiscal year. It will serve as a blueprint for Inglewood's development future, highlight commercial, retail, industrial and residential development opportunities citywide, and outline an implementation and evaluation plan.

The City is hopeful that during FY 2004/05 its application will be approved, and it will be designated an Enterprise Zone by the State Community Development and Housing Department. This coveted status will provide valuable tax credits to businesses seeking to expand or locate in the City.

Library

Though the FY 2003/2004 approved budget curtailed library service on Sundays in the summer, operational savings during the year were achieved to avoid any Sunday closures. Library hours at all facilities will remain constant, with the Main Library open every day of the week.

The Library will upgrade and expand its Web presence, offering reference service 24/7 and links to reliable informational sources, as well as free computer access at all facilities. Children's story hours and craft programs will serve younger children and their parents, as will outreach through collaborative ventures with the Inglewood Unified School District and others to benefit older students. With help from a California State Library Grant, the Inglewood Library will enhance its Spanish language collection; with

help from another State grant, the Library will offer the local business community services previously beyond our scope.

The Library awaits news this fall on its Library Construction Grant application to fund a significant portion of a planned \$10.7 million Main Library expansion and renovation project.

INTERNAL SUPPORT

Finance

An automated customer service phone system will be installed in October. This system will answer all incoming utility customer phone calls and provide self-service options for account inquiries, as well as providing information on a variety of topics. Customers will also be able to pay by phone. Callers will be able to transfer to a live representative at any time, but it is hoped a significant percentage of call volume will be diverted to this bilingual system. The automated system will free up personnel to focus on analysis and collections activity.

Information, Technology and Communication

A new Document Management and Web Services division has been created. Major projects planned for FY 2004/05 include completing the E-Agenda implementation and imaging Police records from 1996 to the present. This will make reports available electronically to authorized users throughout the Department and greatly reduce time spent filing and retrieving documents.

Legal

The City Attorney's Office has increased its in-house adjusting of liability claims, resulting in substantial savings. In FY 2001/02, the cost of liability claims administration exceeded budget by 135%. By contrast, in FY2002/03, the cost of claims administration was 23% under budget. Projected FY 2003/04 year-end savings are over 40%. Predicated on this success, the City Attorney will be actively evaluating the assumption of the administration of worker's compensation claims as well.

Two to Three Years that are Crucial

Inglewood has been a "city in waiting" since the early nineties. In lieu of making painful sacrifices which would have brought a structurally balanced budget earlier, we have waited patiently for promised state municipal financing reforms and local economic development to nurse us back to health. We were not idle, employing a host of strategies to maintain services from workforce and spending reductions and operating efficiencies to debt refinancing, the sale of assets, and even borrowing. Still, we did not insist on living within our means without the benefit of one-time revenues, and that bucks conventional wisdom. Windfalls, like the suspension of PERS retirement contributions in 1996, may be viewed as lifelines, or alternatively as anchors that prevented us from sailing toward safer financial harbors.

Whether a carefully crafted strategy or questionable gamble, our patience may yet pay dividends. In July, the state legislature took a first, historic step toward municipal financing reform. At the same time, Inglewood is now enjoying unprecedented investor interest that is being translated into economic development sure to result in fortified City revenues.

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In an Olympic season, this is a race of champion proportions. The landmark state agreement Proposition 1A, if approved by the voters in November, exchanges two painful years now for future local government protections. Likewise, several of the City's planned development projects have revenue paydays two to three years on the horizon.

This proposed FY 2004/05 "status-quo"

operating budget will conclude with an estimated General Fund balance of \$2.3 million dollars, with which to begin the next fiscal year. An estimated "status quo" budget in FY 2005/2006 will carry with it an operating deficit of at least \$6.4 million, leaving the City in the clutches of insolvency unless revenues rise dramatically or significant service and program cuts are imposed. In essence Governor Schwarzenegger is mimicking fellow actor Clint Eastwood's famous question from "Dirty Harry" to Inglewood and many other California cities, "You've got to ask yourself one question: Do I feel lucky? Well, do ya?"

People who live and work here, like those in other communities across America, want more services or at the very least current services sustained, but do not wish to see their taxes increase. This is understandable, but it may not be realistic. In any event, the people should be given the opportunity to select their service levels, and approve or reject attendant costs, at the ballot box. This year, staff will urge City Council to place assessment district increases not imposed in twelve years before Inglewood voters, and to ask them if they will approve additional bonded indebtedness to improve streets, sidewalks, alleys, and public facilities such as the library and police building. Similarly, the Council will be asked to approve a comprehensive user fee schedule that captures the actual cost of providing services.

Summary

Paradoxically, Inglewood's progress has never been stronger and its potential never greater. A City approaching its 100th birthday has surely weathered tough times before. Inglewood has the resilience, resources, and resolve to persevere and flourish. We take pride in being a "working class" town.

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There is innovation *at work* exemplified in the City's Parking Ticket System enterprise, red light camera enforcement, possible wireless cell site leasing program, and a proposal

to finance energy savings and cost recovery through street lighting and water meter equipment upgrades.

There is creativity *at work* as we explore issuing pension obligation bonds, refinancing redevelopment debt, renegotiating utility franchise fees and executing "Pickle" leases with private industry.

There is determination *at work* as we relentlessly pursue Federal, state, and local grants to ensure the City receives its fair share of government and private foundation funding for essential services and programs.

There is dedication and loyalty *at work* when one of the most talented, industrious City workforces in the state indicate their willingness to make the sacrifices necessary for the City to usher in a new era of growth and prosperity.

There is community spirit and civic pride *at work* when we partner with the School Board, the Chamber of Commerce, neighborhood groups, and countless other governmental and community-based organizations to solve vexing problems and achieve common goals.

And finally, there is strong leadership *at work*, exemplified by an informed Mayor and Council Members who faithfully discharge their duty to serve. With your wisdom, guidance, and unfailing support, we will continue to make Inglewood one of America's "shining cities on a hill."

Mark F. Weinberg
City Administrator