

SOUTH GATE CITY COUNCIL SPECIAL MEETING AGENDA

Thursday, June 4, 2009 at 6:00 p.m.

**CALL TO ORDER:
ROLL CALL:**

Henry C. Gonzalez, Mayor
Carmen Avalos, City Clerk

MAYOR
Henry C. Gonzalez

CITY CLERK
Carmen Avalos

VICE MAYOR
Gregory Martinez

CITY TREASURER
Maria Belen Bernal

COUNCIL MEMBERS
Bill De Witt
Gil Hurtado
Maria Davila

CITY MANAGER
Ronald Bates

CITY ATTORNEY
Raul F. Salinas

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office
8650 California Avenue, South Gate, California 90280
(323) 563-9510 * fax (323) 563-5411 * www.cityofsouthgate.org

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1. Annual Budget for Fiscal Year 2009-2010

The City Council will consider authorizing staff to proceed with the following: (FIN)

- a. Accept bids for contract of graffiti abatement services
- b. Accept bids for contract of street sweeping services
- c. Contract with HSA for operation of Hollydale Community Center
- d. Delay implementation of fixed route bus program

Adjournment

I, Carmen Avalos, City Clerk, certify that a true and correct copy of the foregoing Meeting Agenda was posted on June 2, 2009 at 10:00 a.m., as required by law.



Carmen Avalos, City Clerk

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City of South Gate
CITY COUNCIL

CITY OF SOUTH GATE
OFFICE OF THE CITY MANAGER

AGENDA BILL

For the Special Meeting of June 4, 2009

Originating Department: Finance

Department Head: Julia James

City Manager: Ronald Bates

SUBJECT: ANNUAL BUDGET FOR FISCAL YEAR 2009-2010

ACTION: Authorize staff to proceed with the following:

- a) Accept bids for contract of graffiti abatement services
- b) Accept bids for contract of street sweeping services
- c) Contract with HSA for operation of Hollydale Community Center
- d) Delay implementation of fixed route bus program

FISCAL IMPACT: The Proposed Budget contains total City revenues of \$101,546,438 and total City expenditures of \$107,751,187, including over \$22 million in capital improvement projects. While the General Fund is balanced, many funds such as the Insurance Fund and Street Sweeping Fund will need to utilize reserve funds to sustain operations.

REPORT SUMMARY: The Proposed Budget for fiscal year 2009-2010 is being presented for City Council consideration. This report provides a summary of the highlights and major changes for consideration in this year's proposed budget, however for a comprehensive review please refer to the City Manager's Budget Letter on pages i through vi in the budget document (Attachment 2).

With the exception of capital improvements, this is an extremely lean budget which emphasizes a balance between funds available and programs provided. Throughout the 2008-09 fiscal year staff has advised the Council that the City is in danger of running out of cash. If a balanced General Fund budget is not adopted, the City will deplete all available cash during fiscal year 2009-10.

General Fund

The General Fund is balanced with revenues (including transfers) and expenditures totaling \$37,986,596. As the Council directed, this was achieved without layoffs of any full-time employees, but proposes a significant reduction in employee compensation and a reduction in services by not filling vacant positions. While this budget is being considered by the Council, City Management continues to negotiate with employee unions to involve them in the budget process and to seek input and revised alternatives. This is why final adoption of the 2009-10 Annual Budget is not requested at this time.

The General Fund budget contains the following proposals:

- Reduction of Police overtime by \$550,000
- Unfunding of 19 positions in the General Fund
- Contract operation of Hollydale Community Center
- Employee pick up of 8% of PERS retirement
- \$200 per month reduction in the City's contribution towards employee medical insurance premiums
- Suspension of accrued leave cashouts

These proposed cuts result in a 13.2% reduction in General Fund expenditures. Without them, the General Fund deficit totals \$4.7 million. *It is important to emphasize that the proposed reductions will only balance the budget – there are no reserves to fall back on in the event of an emergency.*

General Fund revenues are budgeted to increase only \$400,000 over 2008-09 projections as trends are expected to remain flat. Although sales tax revenues will increase because of the City's local 1% sales tax now in place, the City will not recognize as much revenue as it had originally projected due to the economy. Property tax should remain steady as lower reassessments offset growth. Building activity is expected to remain slow and interest earnings are down due to lower interest rates.

The budget does not anticipate any further declines in future revenue - a very real possibility given the economic climate. If the economy continues to worsen or the State takes funding from local agencies, further cuts may be required during the fiscal year.

Other Funds

In addition to the General Fund, the financial condition of the remainder of the City should not be overlooked. All funds are in trouble to some degree.

- Nearly all of the **Insurance Fund's** reserves have been designated for claims payable due to the significant amount of liability claims incurred. The fund does not receive enough in revenue to sustain its annual operations on a continuing basis and has used undesignated reserves to supplement expenses. The Fund will experience a deficit soon - quite possibly in the 2009-10 fiscal year, depending on the amount of money set aside at year-end for possible future claims payouts.
- The City is incurring costs in the **Refuse Fund** due to illegal dumping occurring around the City, which has caused the Fund to incur a projected deficit of \$200,000 at the end of the 2008-09 fiscal year. By June 30, 2010 the Fund could have a deficit of as much as \$500,000.
- The funding in the **Law Enforcement Grants Fund** has allowed the City to hire additional Police Officer positions without using General Funds. However, these existing funds will be depleted in fiscal year 2009-2010. Unless more grants are received in the following year, four Police Officer positions would be considered for transfer to the General Fund.

- The **Street Sweeping Fund** is projected to experience a deficit in 2009-2010 due to the mandatory costs of the stormwater program. Two of the three sweepers are constantly breaking down and in need of replacement. Staff is recommending researching the cost of contracting this service to determine if any savings might be realized. If the service is not contracted out, significant fee increases will be necessary.

Changes in Service

Two services are being recommended for contracting in the General Fund. An estimated savings of \$78,000 can be realized by contracting the operation of the Hollydale Community Center to the HSA as the City has done with the Westside Resource Center. It is anticipated that this can be achieved with minimal disruption in service and no impact on full-time employees.

Although not included in the 2009-10 budget numbers, City staff would like to research the potential savings that could be achieved by contracting the graffiti abatement program – estimated to be as much as \$200,000 annually. Although much of this savings would be realized by the CDBG fund, this would free up those funds to be used on other badly needed programs. As with the Hollydale Center, this proposal would not impact permanent employee positions.

As mentioned above, staff would like to research the contracting of street sweeping to explore potential savings. To maintain this operation in-house, a new funding source would be required for costs associated with stormwater and NPDES regulations – currently over \$100,000 annually – AND a 10% rate increase would be necessary to fund the annual street sweeping expenses. Again, it is anticipated that contracting this service could possibly achieve savings with no impact on full-time employees.

With the termination of the El Paseo Towne Center security contract, the Police Department will also eliminate the costs associated with that service. Although this will be a reduction in expenditures it will not significantly impact the overall budget as the costs were mostly offset by revenue which has also been reduced.

Other Budget Proposals

At the May 19, 2009 budget hearing, Councilmember Martinez suggested that the City consider the following additional budget reductions:

- Eliminating events such as the July 4th fireworks show, the Azalea Festival, Family Day in the Park and the Street Festival;
- Closing the pool
- Laying off all part-time personnel

Eliminating the events listed above would not result in much savings to the General Fund budget.

Fourth of July Fireworks Show

The Fourth of July Fireworks show will cost \$19,000 this year. Expected revenues from the associated carnival will exceed \$20,000 and would be lost if the fireworks show were to be canceled. The remaining expenses are a result of overtime costs for Police and Park Maintenance Services. These costs would not be reduced and could increase without the carnival and fireworks show. With or without the fireworks show the park will have extremely high use on the 4th. Without organized activities such as the carnival and fireworks show, police response to the park and clean up may actually increase.

Azalea Festival

The Azalea Festival is much the same, with the City actually making money on the event. The expenditures total approximately \$20,000, which includes promotional materials, equipment and staff time. The revenue from this year's carnival resulted in \$25,366 in revenues. If excess expenses must be reduced, staff believes that it could be accomplished by altering or eliminating individual events rather than eliminating the entire festival.

Family Day in the Park

Family Day in the Park is an event funded primarily by the Asset Seizure Fund. A total of \$5,000 is budgeted in the Asset Seizure Fund for booth rentals and other incidental costs. Overtime is estimated to be \$2,500 and comes from the General Fund.

Street Fair

The Street Fair costs average about \$70,000 for staffing and equipment. The Tweedy Mile Association has agreed to reimburse the City for the full cost of the event this year and the City will expect the same from the Association next fiscal year.

Christmas Parade

The cost of the Christmas Parade can vary between \$60,000 and \$90,000 depending on the time and date of television coverage. However, the City provides an annual contribution of \$80,000 to the Chamber of Commerce for operating the events, including the parade. The 2009-10 budget contains a contribution of \$60,000, as \$20,000 was advanced to the Chamber during the current fiscal year. If the City Council desires to eliminate the parade, it may wish to consider reducing the amount contributed to the Chamber.

Pool Closure

Savings from closing the pool is very difficult to determine, but staff believes that it will not yield a major dollar reduction in the Budget. (Please see the memo from the Parks and Recreation Director in Attachment 3.)

Elimination of Part-Time Personnel

As the Council recognizes, the City asked the community to approve a one-cent sales tax which they did with the understanding that the City would continue to provide quality services. To that end, staff has tried to make as many budget cuts as possible that would have the least impact on the community. Part time employees are critical to saving costs and enable the City to continue to provide a responsible level of service to the community. As you will note below, without these employees public service to our residents will be impacted tremendously.

The total General Fund budget for part-time personnel in 2009-10 is \$1.3 million. Of that amount, \$582,621 represents the Parks and Recreation Department. Without those employees all recreation classes would need to be canceled. Another \$470,854 represents the Police Department, including but not limited to, 3 part-time Police Officers, 5 Community Service Officers, 8 Records Specialists and 4 Cadets. Eliminating these personnel would severely impact service. Another \$189,000 is budgeted in the Public Works Department, with \$100,000 for the Graffiti Abatement program which would have to be eliminated, and \$89,000 for engineering services which would impact the City's ability to complete capital projects and apply for grants. The remaining costs represent clerical assistants which, if eliminated, would result in more overtime required for existing staff to complete tasks.

- ATTACHMENTS:**
- 1.) Summaries of Proposed Annual Budget (a complete copy of the budget is available for review in the City Clerk's office)
 - 2.) City Manager's Budget Letter
 - 3.) Memo from the Parks and Recreation Director on closure of the pool

ATTACHMENT 1

PROJECTED BUDGET AND FUND BALANCE SUMMARY

Fund	Description	Unreserved	Fund Balance			Projected		
		Fund Balance July 1, 2009	Revenues	Expenditures	Before Transfers	Transfers In	Transfers Out	Fund Balance June 30, 2010
100	General	-	36,797,888	37,986,596	(1,188,708)	1,215,300		26,592
211	Traffic Safety	-	840,500	840,500	-			-
212	Gas Tax	1,000,000	1,730,000	1,858,853	871,147		165,000	706,147
213	TDA Bikeway	-	60,000	60,000	-			-
214	Street Sweeping	118,000	544,000	728,662	(66,662)			(66,662)
221	Prop A Transit	1,400,000	1,862,575	1,801,958	1,460,617			1,460,617
222	Prop C Transit	650,000	1,425,000	648,550	1,426,450		1,417,919	8,531
223	AQMD	120,000	123,200	176,993	66,207			66,207
224	Measure R		529,508		529,508		176,550	352,958
231	Law Enforcement Grants	200,000	391,050	576,915	14,135			14,135
235	Asset Seizure	1,000,000	1,140,000	1,074,546	1,065,454			1,065,454
241	Housing Authority	2,500,000	4,600,000	4,473,244	2,626,756			2,626,756
242	Home Program	-	1,049,807	1,049,807	-			-
243	CDBG	-	3,919,425	3,319,425	600,000		600,000	-
251	Lighting & Landscaping	-	2,000,000	2,839,354	(839,354)	882,100		42,746
261	Grants	-	12,943,679	89,029	12,854,650		12,854,650	-
262	UDAG	1,800,000	15,000	1,565,000	250,000		250,000	-
263	Public Access Corp	138,194	-	30,800	107,394			107,394
311	Capital Improvements	3,042,000		16,649,019	(13,607,019)	13,907,019	300,000	-
321	Redevelopment	(2,600,000)	124,000	1,684,966	(4,160,966)	2,000,000		(2,160,966)
322	Low-Mod Income	2,800,000	1,900,000	603,000	4,097,000		1,331,056	2,765,944
411	Water	(45,000,000)	13,300,074	13,620,764	(45,320,690)	402,675	190,300	(45,108,315)
412	Sewer	1,900,000	1,331,822	1,829,322	1,402,500		452,675	949,825
413	Refuse	(200,000)	3,508,000	3,808,000	(500,000)			(500,000)
511	Insurance	1,200,000	2,294,351	2,757,122	737,229		-	737,229
521	Fleet Management		1,252,559	1,216,214	36,345			36,345
522	Information Systems		482,000	456,995	25,005			25,005
611	DS - Redevelopment	6,450,000	7,350,000	5,973,553	7,826,447	1,331,056	2,000,000	7,157,503
621	Ardine Assessment Dist.	155,000	32,000	32,000	155,000			155,000
Total All Funds		(23,326,806)	101,546,438	107,751,187	(29,531,555)	19,738,150	19,738,150	(29,531,555)

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
GENERAL FUND					
100-4101	Property Tax - CY Secured	2,356,641	2,370,195	2,600,000	2,400,000
100-4102	Property Tax - CY Unsecured	18,319	123,778	-	-
100-4103	Property Tax - PY Secured	35,088	-	-	-
100-4104	Property Tax - PY Unsecured	16,270	3,873	-	-
100-4105	Penalties/Delinquencies	28,437	34,459	-	-
100-4106	CA Home Property Tax Relief	21,607	21,675	-	-
100-4107	VLF in-lieu	7,177,873	7,798,134	8,248,326	8,030,000
100-4201	State Sales Tax	7,735,995	7,830,907	7,200,000	7,000,000
100-4202	Transient Occupancy Tax	271,297	227,595	275,000	275,000
100-4203	Franchise Tax	1,475,448	1,403,842	1,475,000	1,475,000
100-4204	Commercial Refuse Franch. Tax	892,302	938,222	900,000	900,000
100-4205	Business License Tax	1,319,227	1,303,271	1,300,000	1,300,000
100-4206	Real Estate Transfer Tax	246,696	90,968	75,000	80,000
100-4207	Material Recovery Facility Tax	400,000	436,947	436,000	436,000
100-4208	Local Sales Tax	-	-	2,450,000	5,000,000
* TAXES		21,995,200	22,583,866	24,959,326	26,896,000
100-4301	Building Permits	659,679	567,870	500,000	425,000
100-4302	Seismic Fees	3,381	4,042	3,000	3,000
100-4303	Liquifaction Fee	525	338	200	150
100-4304	Electrical Permits	124,944	108,746	100,000	90,000
100-4305	Plumbing Permits	138,885	119,486	100,000	90,000
100-4306	Sewer Permits	7,576	11,447	10,000	10,000
100-4307	Mechanical Permits	54,610	47,337	39,000	35,000
100-4340	Public Works Permits	181,641	178,140	178,000	178,000
100-4360	Transfer Station Permit	162,509	174,086	200,000	200,000
100-4361	Film Permits	1,100	2,700	500	500
100-4362	Overnight Parking Permits	-	1,115	1,800	1,800
100-4380	Animal Licenses	93,085	39,064	40,000	40,000
* PERMITS		1,427,935	1,254,371	1,172,500	1,073,450
100-4401	Vehicle Code Fines	687,652	316,294	-	200,000
100-4402	Parking Citations	825,519	906,727	925,000	900,000
* FEES, FINES, FORFEITURES		1,513,171	1,223,021	925,000	1,100,000
100-4501	Interest Earnings	673,576	757,214	300,000	100,000
100-4503	Interest from Advances	2,729,801	2,352,653	2,300,000	1,700,000
100-4520	Property Rental	333,026	316,821	360,000	360,000
100-4521	Sale of Property	6,272	10,976	5,000	5,000
* USE OF MONEY & PROPERTY		3,742,675	3,437,664	2,965,000	2,165,000
100-4601	Motor Vehicle In Lieu Tax	631,382	453,255	280,000	350,000
100-4602	State Mandated Cost Reimb.	341,148	84,995	19,944	20,000
100-4608	P.O.S.T./S.T.C Reimb.	34,303	45,479	31,000	31,000
100-4610	Court Commitment Program	7,392	8,950	10,000	10,000
100-4681	Park Maintenance Grant	76,250	131,931	65,966	65,697
100-4699	Other Intergovernmental Grants	-	-	-	-
* INTERGOVERNMENTAL		1,090,475	724,610	406,910	476,697

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
GENERAL FUND (continued)					
100-4701	Building Inspection	17,454	15,970	15,000	9,000
100-4702	Pre-sale Inspections	32,203	17,040	25,000	25,000
100-4703	Occupancy Inspections	87,398	79,949	70,000	70,000
100-4704	Code Restoration	44,064	43,045	50,000	50,000
100-4705	Plan Check	423,966	518,848	200,000	275,000
100-4706	Title 24- Plan Check	33,385	53,565	28,000	28,000
100-4707	Zoning and Subdivision	181,622	122,628	120,000	100,000
100-4720	Vehicle Inspection	7,118	6,027	8,500	8,500
100-4721	Vehicle Impound	252,356	229,068	220,000	220,000
100-4722	DUI Cost Recovery	80,456	86,864	85,000	85,000
100-4723	Vehicle Repo Fee	2,060	2,025	2,000	2,000
100-4724	Police Reports	8,065	5,226	6,000	6,000
100-4725	Fingerprinting	1,976	2,689	1,100	1,500
100-4726	False Alarm	3,225	6,008	5,000	5,000
100-4727	Towne Center Security	571,395	592,202	600,000	-
100-4728	Tweedy Mile Security	49,086	44,300	50,000	50,000
100-4729	Witness Fees	967	615	950	950
100-4730	Other Police Services	770	615	125	125
100-4740	Park Aquatics	163,373	86,827	125,000	125,000
100-4741	Park Rents & Concessions	123,996	130,980	130,000	130,000
100-4742	Recreation Classes	48,754	64,322	64,560	64,560
100-4743	Golf Course	64,917	64,336	69,000	69,000
100-4744	Youth Programs	117,070	61,948	75,000	75,000
100-4745	Sports Center	105,952	53,213	75,000	75,000
100-4746	Senior Programs	16,918	11,890	15,000	15,000
100-4747	Special Events	38,792	41,760	45,000	45,000
100-4748	Adult Sports	56,889	59,584	65,000	65,000
100-4749	Youth Sports	48,102	29,438	53,000	53,000
100-4750	Teen Program	-	-	2,500	2,500
100-4751	Leased Facilities	3,000	41,074	40,000	40,000
100-4770	ROW Maintenance	15,624	14,349	16,000	16,000
100-4780	Candidate Filing	5,900	-	-	-
*	FEES AND CHARGES	2,606,853	2,486,405	2,261,735	1,711,135
100-4901	Administrative Allocation	2,781,859	2,753,200	3,054,364	3,154,606
100-4902	Property Damage	-	1,387	19,149	-
100-4903	Misc. Reimbursements	454,244	87,612	169,600	100,000
100-4905	Settlements	185,000	54,866	400,000	80,000
100-4995	Misc. Revenue	25,371	64,131	41,000	41,000
*	OTHER REVENUES	3,446,474	2,961,196	3,684,113	3,375,606
**	Total General Fund	\$ 35,822,783	\$ 34,671,133	\$ 36,374,584	\$ 36,797,888

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
TRAFFIC SAFETY					
211-4401	Vehicle Code Fines	1,067,155	1,039,080	900,000	840,500
*	Total Traffic Safety Fund	<u>\$ 1,067,155</u>	<u>\$ 1,039,080</u>	<u>\$ 900,000</u>	<u>\$ 840,500</u>
GAS TAX					
212-4501	Interest Earnings	95,497	82,745	70,000	60,000
212-4650	Gas Tax - 2105	619,731	604,085	600,000	600,000
212-4651	Gas Tax - 2106	367,173	354,000	320,000	320,000
212-4652	Gas Tax - 2107	838,416	818,369	750,000	750,000
212-4653	Traffic Congestion Relief	746,745	-	442,877	-
212-4654	Prop 1B Transit	-	1,644,348	1,519,831	-
212-4995	Miscellaneous	21,220	(69,386)	4,290	-
*	Total Gas Tax Fund	<u>\$ 2,688,782</u>	<u>\$ 3,434,161</u>	<u>\$ 3,706,998</u>	<u>\$ 1,730,000</u>
TDA BIKEWAY					
213-4501	Interest Earnings	-	-	-	-
213-4655	TDA Bikeway	-	-	120,000	60,000
*	Total TDA Bikeway Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 60,000</u>
STREET SWEEPING					
214-4501	Interest Earnings	12,466	8,181	4,000	4,000
214-4771	NPDES Fees	30,527	3,402	220	-
214-4772	Street Sweeping Fee	530,281	559,021	540,000	540,000
*	Total Street Sweeping Fund	<u>\$ 573,274</u>	<u>\$ 570,604</u>	<u>\$ 544,220</u>	<u>\$ 544,000</u>
PROP A TRANSIT					
221-4501	Interest Earnings	39,372	39,824	25,000	20,000
221-4657	Prop A Transit	1,635,369	1,623,614	1,639,779	1,672,575
221-4753	Bus Pass Sales	122,979	194,277	160,000	170,000
221-4995	Miscellaneous	1,150	3,592	2,000	-
*	Total Prop A Transit Fund	<u>\$ 1,798,870</u>	<u>\$ 1,861,307</u>	<u>\$ 1,826,779</u>	<u>\$ 1,862,575</u>
PROP C TRANSIT					
222-4501	Interest Earnings	313,405	171,941	55,000	50,000
222-4657	Prop C Transit	1,358,864	1,351,443	1,364,971	1,375,000
*	Total Prop C Transit Fund	<u>\$ 1,672,269</u>	<u>\$ 1,523,384</u>	<u>\$ 1,419,971</u>	<u>\$ 1,425,000</u>
A.Q.M.D.					
223-4501	Interest Earnings	2,255	1,267	1,300	1,200
223-4604	AQMD	121,882	122,103	122,000	122,000
*	Total AQMD Fund	<u>\$ 124,137</u>	<u>\$ 123,370</u>	<u>\$ 123,300</u>	<u>\$ 123,200</u>
MEASURE R TRANSIT					
224-4501	Interest Earnings	-	-	-	-
224-	Measure R	-	-	-	529,508
*	Total Measure R Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 529,508</u>

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
LAW ENFORCEMENT GRANTS					
231-4501	Interest Earnings	35,106	23,239	5,000	1,000
231-4620	Edward Byrne Memorial Grant	36,070	50,270	25,000	255,159
231-4621	AB 3229	197,843	196,585	110,000	110,000
231-4622	Justice Assistance Grant	7,410	-	-	-
231-4623	School Resource Officer	11,050	45,025	100,000	-
231-4624	OTS Grants	30,611	4,988	10,000	24,891
231-4625	Homeland and Security Grant	60,160	196,568	-	-
231-4699	Other Intergovernmental	10,088	7,147	-	-
*	Total Law Enforcement Grants Fund	\$ 388,338	\$ 523,822	\$ 250,000	\$ 391,050
ASSET SEIZURE					
235-4501	Interest Earnings	7,286	50,306	30,000	20,000
235-4635	Federal Dept of Justice	-	1,931,876	813,256	1,000,000
235-4636	Federal Dept of Treasury	288,322	83,559	126,615	100,000
235-4638	State Dept of Justice	31,311	10,527	38,847	20,000
235-4995	Miscellaneous	-	-	10,320	-
*	Total Asset Seizure Fund	\$ 326,919	\$ 2,076,268	\$ 1,019,038	\$ 1,140,000
HOUSING AUTHORITY					
241-4501	Interest Earnings	66,726	79,952	60,000	60,000
241-4540	Housing Assistance Pmts	8,329	13,332	-	-
241-4690	HUD Allocation	4,695,687	4,032,561	4,000,000	4,000,000
241-4691	Program Admin Fees	-	540,370	540,000	540,000
241-4995	Miscellaneous	566	5,378	3,186	-
*	Total Housing Authority Fund	\$ 4,771,308	\$ 4,671,593	\$ 4,603,186	\$ 4,600,000
HOME PROGRAM					
242-4690	HUD Allocation	268,662	143,830	1,470,877	1,049,807
242-4692	Emergency Shelter Grant	-	186,589	-	-
*	Total Home Program Fund	\$ 268,662	\$ 330,419	\$ 1,470,877	\$ 1,049,807
CDBG					
243-4503	Interest from Advances	-	365,154	363,964	354,891
243-4504	Loan Repayment	722,319	175,000	200,000	350,000
243-4690	HUD Allocation	3,928,394	1,963,280	1,963,280	3,214,534
*	Total CDBG Fund	\$ 4,650,713	\$ 2,503,434	\$ 2,527,244	\$ 3,919,425
LIGHTING & LANDSCAPING					
251-4108	Street Lighting	1,958,964	1,973,059	1,980,000	2,000,000
251-4501	Interest Earnings	-	875	-	-
251-4902	Property Damage	-	-	34,859	-
251-4995	Miscellaneous	83,637	82,666	54,156	-
*	Total Lighting & Landscaping	\$ 2,042,601	\$ 2,056,600	\$ 2,069,015	\$ 2,000,000

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
GRANTS					
261-4699	Other Intergovernmental	1,085,122	10,357,204	5,305,389	12,943,679
*	Total Grants Fund	\$ 1,085,122	\$ 10,357,204	\$ 5,305,389	\$ 12,943,679
UDAG					
262-4501	Interest Earnings	152,547	51,017	25,000	15,000
262-4995	Miscellaneous	437,500	-	-	-
*	Total UDAG Fund	\$ 590,047	\$ 51,017	\$ 25,000	\$ 15,000
PUBLIC ACCESS CORP.					
263-4501	Interest Earnings	-	-	-	-
263-4995	Miscellaneous	4,360	-	92,562	-
*	Total Public Access Corp. Fund	\$ 4,360	\$ -	\$ 92,562	\$ -
CAPITAL IMPROVEMENT					
311-4501	Interest Earnings	59,331	-	-	-
311-4699	Other Intergovernmental	3,176,922	85,123	17,635	-
*	Total Capital Improvement Fund	\$ 3,236,253	\$ 85,123	\$ 17,635	\$ -
REDEVELOPMENT AGENCY					
321-4501	Interest Earnings	20,437	38,919	15,000	-
321-4504	Loan Repayment	-	-	92,419	59,000
321-4520	Property Rental	50,339	38,851	35,000	35,000
321-4521	Sale of Property	-	2,259,045	-	-
321-4716	Enterprise Zone Fees	-	27,712	30,000	30,000
321-4905	Settlements	1,009,273	13,874	50,638	-
321-4995	Miscellaneous	-	-	50,859	-
*	Total CRA Capital Projects Fund	\$ 1,080,049	\$ 2,378,401	\$ 273,916	\$ 124,000
LOW MOD HOUSING					
322-4101	Current Year Secured Prop Tax	1,835,539	1,879,583	1,880,000	1,860,000
322-4501	Interest Earnings	66,595	93,274	50,000	40,000
322-4504	Loan Repayment	97,490	-	-	-
322-4995	Miscellaneous	54,105	1,557	1,034	-
*	Total Low Mod Housing Fund	\$ 2,053,729	\$ 1,974,414	\$ 1,931,034	\$ 1,900,000

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 2006-07</u>	<u>ACTUAL 2007-08</u>	<u>PROJECTED 2008-09</u>	<u>PROPOSED 2009-2010</u>
WATER					
411-4501	Interest Earnings	331,245	368,670	200,000	150,000
411-4502	Bond Interest Earnings	213,896	185,896	120,000	120,000
411-4773	Utility Service	11,779,148	12,380,953	12,500,000	12,750,000
411-4774	Utility Connections	3,361	8,111	12,000	10,000
411-4775	Meter Installation	99,042	19,423	20,000	20,000
411-4776	Penalties	230,775	283,458	260,000	200,000
411-4902	Property Damage	-	17,007	7,250	-
411-4907	Energy Reimbursements	-	47,593	56,323	50,000
411-4950	Cash Over/Short	66,477	(327)	-	74
411-4995	Miscellaneous	-	-	9,220	-
*	Total Water Fund	\$ 12,723,944	\$ 13,310,784	\$ 13,184,793	\$ 13,300,074
SEWER					
412-4342	Industrial Waste Permits	79,213	108,676	95,000	91,822
412-4501	Interest Earnings	74,702	108,931	45,000	40,000
412-4773	Utility Service	1,277,548	1,245,144	1,200,000	1,200,000
412-4995	Miscellaneous	-	102	17,846	-
*	Total Sewer Fund	\$ 1,431,463	\$ 1,462,853	\$ 1,357,846	\$ 1,331,822
REFUSE					
413-4501	Interest Earnings	-	-	-	-
413-4606	Used Oil Block Grant	10,118	26,087	20,654	-
413-4607	Beverage Container Grant	3,476	39,407	3,143	8,000
413-4773	Refuse Billings	2,919,174	3,114,456	3,300,000	3,500,000
413-4995	Miscellaneous	-	900	1,000	-
*	Total Refuse Fund	\$ 2,932,768	\$ 3,180,850	\$ 3,324,797	\$ 3,508,000
INSURANCE					
511-4501	Interest Earnings	367,909	129,594	-	-
511-4901	Administrative allocation	2,400,001	2,266,017	2,284,082	2,294,351
511-4903	Misc. Reimbursements	171,195	136,421	2,392	-
511-4995	Miscellaneous	-	1,062	-	-
*	Total Insurance Fund	\$ 2,939,105	\$ 2,533,094	\$ 2,286,474	\$ 2,294,351
FLEET MANAGEMENT					
521-4501	Interest Earnings	9,685	-	-	-
521-4901	Administrative allocation	1,015,022	1,056,208	1,227,673	1,252,559
521-4995	Miscellaneous	6,000	500	-	-
*	Total Fleet Management Fund	\$ 1,030,707	\$ 1,056,708	\$ 1,227,673	\$ 1,252,559
INFORMATION SYSTEMS					
522-4501	Interest Earnings	23,896	5,367	-	-
522-4901	Administrative allocation	489,009	595,003	545,923	482,000
522-4995	Miscellaneous	-	16,024	130	-
*	Total Information Systems Fund	\$ 512,905	\$ 616,394	\$ 546,053	\$ 482,000

**CITY OF SOUTH GATE
REVENUE DETAIL**

<u>ACCOUNT</u>	<u>DESCRIPTION</u>	<u>ACTUAL</u> <u>2006-07</u>	<u>ACTUAL</u> <u>2007-08</u>	<u>PROJECTED</u> <u>2008-09</u>	<u>PROPOSED</u> <u>2009-2010</u>
REDEVELOPMENT AGENCY DEBT SERVICE					
611-4101	Property Tax - CY Secured	5,917,495	6,244,697	6,300,000	6,200,000
611-4102	Property Tax - CY Unsecured	1,121,352	1,081,614	1,102,081	1,000,000
611-4103	Property Tax - PY Secured	101,100	-	-	-
611-4104	Property Tax - PY Unsecured	25,606	6,014	-	-
611-4106	Property Tax Relief	26,958	22,497	-	-
611-4109	ERAF	-	-	(752,978)	-
611-4501	Interest Earnings	630,497	476,016	200,000	150,000
611-4504	Loan Repayment	-	-	-	-
611-4995	Miscellaneous	-	-	-	-
*	Total CRA Debt Service Fund	<u>\$ 7,823,008</u>	<u>\$ 7,830,838</u>	<u>\$ 6,849,103</u>	<u>\$ 7,350,000</u>
ARDINE ASSESSMENT DISTRICT					
621-4108	Assessments	26,337	30,437	28,000	30,000
621-4501	Interest Earnings	6,728	7,002	3,000	2,000
*	Total Ardine Assessment District	<u>\$ 33,065</u>	<u>\$ 37,439</u>	<u>\$ 31,000</u>	<u>\$ 32,000</u>
GRAND TOTAL		<u>\$ 93,672,336</u>	<u>\$ 100,260,294</u>	<u>\$ 93,408,487</u>	<u>\$ 101,546,438</u>

GENERAL FUND EXPENDITURES BY DEPARTMENT

General Fund Departments		Actual 2007-08	Projected 2008-09	Proposed 2009-10
<u>Administration</u>				
110	City Council	277,744	200,499	185,288
120	City Manager	672,681	623,821	529,925
130	City Attorney	1,669,700	1,750,000	1,583,444
140	City Clerk	390,053	392,000	308,736
150	Community Promotion	273,384	311,228	270,060
201	Personnel	560,276	570,660	454,877
	Total Administration	3,843,838	3,848,208	3,332,330
<u>Finance</u>				
301	Administration/Accounting	1,028,773	1,017,478	877,984
302	Business License	202,424	200,681	203,792
303	Purchasing	369,704	291,581	248,413
304	Customer Service	476,674	481,229	457,731
	Total Finance	2,077,575	1,990,969	1,787,920
<u>Parks & Recreation</u>				
401	Administration	710,407	686,159	577,888
410	Contract Classes	76,952	90,665	63,877
411	Youth Programs	301,069	395,448	202,077
412	Senior Services	142,460	169,863	155,310
413	Special Events	95,270	126,735	127,507
414	Sports Center	182,217	204,227	224,773
415	Aquatics	156,912	217,218	198,167
416	Youth Sports	95,466	114,472	122,264
417	Adult Sports	77,036	106,894	109,010
418	Teen Programming	19,920	31,309	28,686
460	Grounds Maintenance	1,983,570	2,171,243	1,903,810
461	Custodial Maintenance	400,676	503,423	399,501
470	Golf Course	109,574	73,136	62,831
471	Leased Facilities	55,862	133,325	55,836
	Total Parks & Recreation	4,407,391	5,024,117	4,231,537
<u>Police</u>				
501	Police Administration	1,845,797	1,874,743	1,497,907
502	Patrol	13,058,366	12,595,291	10,405,970
503	Police Services	5,921,846	6,173,737	5,714,260
504	Towne Center	649,966	741,406	-
590	Pension Obligation Bonds	1,593,292	1,781,742	2,139,871
	Total Police	23,069,267	23,166,919	19,758,008
<u>Community Development</u>				
601	Administration	996,875	532,265	508,718
602	Inspections	839,745	1,087,594	1,004,620
603	Planning	313,676	357,138	294,217
604	Code Enforcement	652,457	671,642	609,730
	Total Community Development	2,802,753	2,648,639	2,417,285
<u>Public Works</u>				
701	Admin & Engineering	1,251,261	1,261,994	1,057,634
710	General Maintenance	1,860,958	1,478,972	1,335,324
711	Tree Maintenance	621,744	951,955	753,768
712	Graffiti Maintenance	509,768	396,507	292,425
	Total Public Works	4,243,731	4,089,428	3,439,151
<u>Non-Departmental</u>				
900	Long Term Debt/Leases	3,031,651	2,976,452	3,020,365
	Total Non-Departmental	3,031,651	2,976,452	3,020,365
Total General Fund Expenditures		\$ 43,476,206	\$ 43,744,732	\$ 37,986,596

ATTACHMENT 2



City of South Gate

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RONALD BATES
CITY MANAGER

May 11, 2009

Honorable Mayor and Members of the City Council

Submitted herewith is the Proposed Budget of the City of South Gate and the South Gate Community Development Commission for Fiscal Year 2009-2010. It presents total City revenues of \$101,546,438 and total expenditures of \$107,751,187 including capital projects. To the extent possible staff attempted to balance all funds, but as the City continues on a downward trend of having more expenditures than revenues, many fund reserves are being depleted.

As the Council directed, the General Fund is balanced without layoffs of any full-time employees. This was a very painful ordeal for all as the budget proposes significant reductions in service and employee compensation. While this budget is being considered by the Council, City Management continues to negotiate with employees to involve them in the budget process and to seek input and possible alternatives. ***It is important to emphasize that the proposed reductions will only balance the budget – there are no reserves to fall back on in the event of an emergency. Without these cuts, the City will have severe financial problems in the coming fiscal year.*** Also, the budget does not anticipate any further declines in revenue - a very real possibility given the economic climate. If the economy continues to worsen, further cuts may be required during the fiscal year.

Upon the passage of the 1% City sales tax measure in June 2008, it was anticipated that we would finally be able to balance the General Fund budget and eliminate the \$7 million structural deficit. Unfortunately, any potential gains in revenue were quickly offset by the economic crash at the national level, resulting in an estimated General Fund deficit initially projected to be \$4.7 million for 2009-10. To achieve a balanced budget, departments were first asked to cut as much as possible from their operating and maintenance budgets without significantly impacting services. Additionally, all budgeted but vacant positions were left unfunded. These two actions yielded savings of \$2.5 million but left a “bare-bones” budget and a budget gap of \$2.2 million. With no other options available other than eliminating entire departments and/or services, employee compensation was the only area left to reduce. The reductions are discussed in more detail on the following pages.

In addition to the General Fund, the financial condition of the remainder of the City should not be overlooked. All funds are in trouble to some degree. The utility funds are experiencing deficits as costs exceed revenues. Due to the lack of adequate capital funding, maintenance or replacement of major infrastructure has been deferred year after year. We are now suffering the results of such actions with the constant failure of street lighting circuits, breaks in water and sewer lines and poor water quality in certain areas of the City. Without rate increases these issues can't be addressed.

Some of the services now being provided are possible only because of the significant amount of grant funding from various sources received annually by the City. Much of the grant funding to operate the City was secured by the aggressive and competent work of our employees.

This budget contains some difficult propositions for consideration by the Council. The proposed cuts and the employee compensation reductions included in this document are essential for the survival of the City. Also included in the budget is the proposed contracting of services at the Hollydale Resource Center. What is not included from a savings perspective but is being proposed is the contracting of the graffiti abatement and street sweeping services. These proposals will save costs and no permanent employee positions will be eliminated. These proposals are discussed further in the following pages.

ECONOMIC OUTLOOK

As is the nation, South Gate is experiencing its share of difficulties during this economic downturn. Home foreclosures and an unemployment rate of over 14% have impacted this already lower income community. Once a highly industrial area, the City has lost two major employers in the past year – U.S. Gypsum and HON Furniture – for a loss of over 500 local jobs. Casa de Gonzales Chrysler dealership, one of the City’s larger sales tax producers, is struggling to remain in operation upon the filing of Chapter 11 by the Chrysler Corporation.

The economy has also had a major impact on development projects as construction financing is almost nonexistent. El Portal, the 600,000 square foot retail and entertainment development originally slated for completion next year is on hold. Other projects are being pursued, but progress is slow. The City filed an application with the State’s Administrative Office of the Courts for consideration as the site of a new, 9-room State Courthouse in the Civic Center area. The proposed 300,000 square-foot phase one expansion of the East Los Angeles Community College campus is expected to begin later this year. The City desperately needs these development projects to revitalize the area and enhance the tax base.

Complicating the City’s financial crisis further is the State’s budget ordeal. As of this writing, California’s immediate financial fate lies with the outcome of the special State election on May 19, 2009. Facing the largest deficit in recent history of \$40 billion over two fiscal years, the State Legislature and Governor agreed to place on a special election ballot six propositions that would close the budget deficit. Last year in an effort to close the 2008-09 State Budget deficit, the State took \$350 million from local redevelopment agencies including over \$500,000 from the South Gate Redevelopment Agency. On April 30, 2009 the State Superior Court ruled that this transfer of funds from Redevelopment Agencies to the State was unconstitutional.

These issues make it difficult to predict what the State will do if the special election ballot measures do not pass and if the ruling on the taking of Redevelopment money is overturned. It is possible that the State may look at City General Fund revenues as a way to balance the State budget.

Fortunately, the passage of the Federal Stimulus Package by the Obama Administration has afforded cities like South Gate the opportunity to obtain funding for badly needed capital improvement

projects. The City has applied for and been awarded over \$3 million in one-time funding for street construction and lighting projects, which are budgeted in the Capital Improvement Plan.

BUDGET OVERVIEW

With each passing year the City's budget becomes more challenging to address. The local tax base is not sufficient to support a community of over 100,000 residents. Not only is the General Fund challenged but other funds not supported by grants are moving into a deficit position. We are taking maximum advantage of grant revenues to fund as much of our operating costs as possible within the guidelines, but it is not enough.

In preparing this year's budget, the following assumptions were used:

- The economy will stabilize with no further declines
- No further businesses will be lost
- The State will not further reduce revenues to local government
- Property taxes will not increase
- Litigation and attorney costs will not increase
- Health insurance costs will remain stable

General Fund

Revenues. General Fund revenues, including transfers, are budgeted at \$38,013,188 for fiscal year 2009-10. With the implementation of the 1% sales tax increase last year revenues will increase slightly in spite of the depressed economy. If not for this additional funding source, General Fund revenue would be down by over 8% from the previous fiscal year.

Taxes comprise 73% of the total General Fund revenue and are the funding sources most impacted by the economy. Property tax is projected to remain flat as property foreclosures and reassessments impact the housing market. Because of the economic decline, state and new local sales tax combined is projected to increase only 50% over the amount received from only the State sales tax in fiscal year 2007-08 at the height of the economic boom.

Revenue Source	2007-08 Actual	2008-09 Projected	2009-2010 Budgeted
Taxes	22,583,866	24,959,326	26,896,000
Permits	1,254,371	1,172,500	1,073,450
Fines & Forfeitures	1,223,021	925,000	1,100,000
Use of Money & Property	3,437,664	2,965,000	2,165,000
Intergovernmental	724,610	406,910	476,697
Fees & Charges	2,486,405	2,261,735	1,711,135
Other	2,961,196	3,684,113	3,375,606
Transfers	<u>1,317,596</u>	<u>1,475,760</u>	<u>1,215,300</u>
Total General Fund	\$35,988,729	\$37,850,344	\$38,013,188

Revenue from permits has decreased steadily in recent years as the building boom has ceased. Fines and forfeitures are expected to increase with more enforcement of traffic violations, while the low interest rates have decreased the amount received from the use of money & property. Intergovernmental revenue declined significantly in 2008-09 because the State withheld Motor Vehicle License Fees, which is not expected to continue into 2009-10. The reduction in fees and charges is due to the elimination of the reimbursement for security services by the Police Department provided at the El Paseo retail center.

Expenditures. Over the last few years General Fund expenditures have remained consistent, averaging \$43 million annually and roughly \$7 million higher than revenues. The local sales tax has reduced that deficit to under \$5 million but still leaves a significant gap.

As mentioned previously, departments were asked to cut wherever possible to reduce expenditures. With budgets already lean from previous reductions, there were few places left to make reductions. After reducing department line items as much as possible, the following reductions were also included:

- reduce budgeted overtime in the Police Department by nearly one-half
- eliminate contract for Personnel Manager
- unfund eighteen (18) vacant positions in various departments in the General Fund
- contract the operation of the Hollydale Resource Center

In total the line item reductions, with the specific reductions above, yielded savings of \$2.5 million but fell far short of the required \$4.7 needed to balance the budget. To achieve this difference, employees are being asked to pay 8% of their CalPERS retirement benefit and an additional \$200 per month of their medical insurance. The City is also proposing that no accrued leave time be cashed out this fiscal year.

The result of all these reductions is budgeted General Fund expenditures of \$37,951,234, or a 13.2% reduction from the projected expenditures for 2008-09.

	2007-08	2008-09	2009-10
General Fund Expenditures	Actual	Projected	Budgeted
Administration	3,843,838	3,848,208	3,296,968
Finance	2,077,575	1,990,969	1,787,920
Public Works	4,243,731	4,089,428	3,439,151
Parks & Recreation	4,407,391	5,024,117	4,231,537
Police	23,069,267	23,166,919	19,758,008
Community Development	2,802,753	2,648,639	2,417,285
Long Term Debt/Leases/Other	3,031,651	2,976,452	3,020,365
Total	\$ 43,476,206	\$ 43,744,732	\$ 37,951,234

Two services are being recommended for contracting in the General Fund. An estimated savings of \$78,000 can be realized by contracting the operation of the Hollydale Resource Center to the HSA as the City has done with the Westside Resource Center. It is anticipated that this can be achieved with minimal disruption in service and there would be no impact on full-time employees.

Although not included in the budget estimates, City staff is also researching the potential savings that could be achieved by contracting the graffiti abatement program – estimated to be as much as \$200,000 annually. Although much of this savings would be realized by the CDBG fund, this would free up funds to be used in other badly needed areas. As with the Hollydale Center, this proposal would not impact permanent employee positions.

With the termination of the El Paseo Towne Center security contract, the Police Department will also eliminate the costs associated with that service. Although this will be a notable reduction in expenditures it will not impact the overall budget as the costs were offset by revenues which have also been reduced.

Fund Balance. Again, the Proposed General Fund Budget for 2009-10 does not provide for any reserves. If an appropriation is needed during the fiscal year, it will need to be offset with a reduction in another budgeted item. If the State proposes cuts to local agencies, further budget cuts will be required.

Other Funds

The **Gas Tax Fund** is used to fund the street maintenance operations. While the City receives only \$1.7 million in revenue, it spends at least \$2 million annually, using reserves to fill the gap. The Fund has survived longer than expected only because of various one-time revenues such as Propositions 1B and 42 which have provided additional funding to supplement our revenue. Unfortunately these funds are also used to provide for our local City match of grant funds and continue to be needed for that purpose. Without additional future year funding to supplement gas taxes, the City will be forced to reduce street maintenance expenses.

To increase narcotic enforcement efforts, the Police Department will fund two Police Officer positions from the **Asset Seizure Fund** this fiscal year. These efforts have been successful in recent years as the Department has recovered millions of dollars from drug-related crimes.

The **UDAG Fund** has an estimated balance of \$1.8 million remaining from HUD grant funds that were loaned out and returned to the City through the former UDAG program. Now available for general use, the City has targeted these funds for investing in the Community. In 2009-10, these funds will be depleted as \$200,000 will be applied towards the Tweedy Mile revitalization project, \$250,000 will be used to install the bulkhead at the pool, \$15,000 will be used to repair the roofs of City Hall and the Civic Center buildings and the remaining \$1,335,000 is applied to the legally required new Zoning Ordinance and economic development efforts.

Although balanced in 2009-10, the **Lighting and Landscaping (L&L) Fund** will most likely experience a deficit after this year. The current assessment of \$2.38 per adjusted front footage of property, which was approved in 1993, is insufficient to cover the necessary costs of this operation. This budget has been pared down to a minimum in the past two years. Staff is not able to budget for some necessary maintenance and equipment items. The street lighting system throughout the City is failing. Over \$800,000 is budgeted next year to address the most critical circuits in addition to the \$1 million to be spent in 2008-09. However it will cost tens of millions of dollars to replace the entire City system. Rate increases are an issue that the City will need to address in the near future.

The **Street Sweeping Fund** is expected to experience a deficit of nearly \$100,000 by June 30, 2010. State mandated stormwater requirements and equipment maintenance costs are causing expenditures to exceed revenues by over 25% annually in this fund. Two of the three street sweepers are in urgent need of replacement, but there are no funds to lease or buy the equipment. Staff is exploring contracting this service to determine if any savings can be achieved, but does not intend to impact any employee positions in this program.

The **Refuse Fund** is projected to experience a deficit of as much as \$500,000 by June 30, 2010. Each year this Fund absorbs costs of roughly \$300,000 in City dumping charges with no revenue offset. If funding was available these costs could be charged to another fund, but there is no other funding source available. If this issue is not addressed, the Fund's deficit will continue to grow and will be \$1 million within another 2-3 years.

Another fund that is rapidly heading into a deficit is the **Insurance Fund**. With an estimated \$1,000,000 in undesignated reserves remaining and not enough revenue to cover expenses, this fund may very likely experience a deficit next fiscal year. (This will depend on the amount of reserves required for claims which is determined at year-end.) Unless the claims against the City are drastically reduced or the City's other funds can increase the amount contributed to this fund's expenses this will be yet another gap that will continue to grow.

The **Community Development Commission's** budget for 2009-10 totals over \$8.2 million, of which \$2.2 million funds operations and capital outlay and \$6 million represents debt. Included in the CDC's budget are funds for the completion of the proposed amendment #13 of Project Area #1 and funding to assist the CDC and City in a promotional branding economic development campaign. The Low-Mod Fund includes \$600,000 for the purchase of property on Long Beach Blvd. for a future housing project.

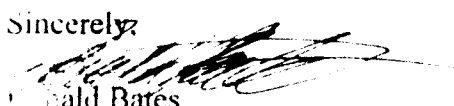
Capital Improvements

With a population of over 100,000, aging infrastructure is a constant challenge for the Community. This budget document includes new funding of over \$22 million to continue the City's aggressive Capital Improvement Plan (CIP). In total, the CIP consists of 23 projects and over \$30 million including those projects currently in progress. Most projects are funded primarily through grants and will occur over multiple years.

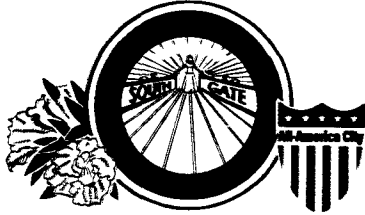
CONCLUSION

Needless to say, South Gate is facing some extremely challenging financial times. This budget includes very difficult decisions to be made by the City Council, but ones which are important for the fiscal integrity of the City. This economic crisis will not right itself in one year and will require continued fiscal discipline. Staff is grateful to the City Council for its continued support as we fight to keep the City afloat and prevent insolvency.

Sincerely,


Donald Bates
City Manager

ATTACHMENT 3



City of South Gate

Parks & Recreation Department

----- Memorandum -----

To: Julia James, Finance Director

From: Paul L. Adams, Director of Parks & Recreation

Date: May 28, 2009

Re: Request for Information on Potential Cost Savings From Temporary Closure of the Swimming Pool

Determining actual savings for closure of the pool during winter months is difficult, however, below I will lay out the estimated costs and potential savings. Staff believes that a temporary closure of the pool will not result in any significant cost reductions.

Utilities

The pool is heated by a co-generation unit that provides heat for the pool, domestic hot water at the sports center and heating of the sports center. The co-generation unit uses the gas exhaust from heating the pool to generate electricity which is used to reduce electrical costs at the Sports Center. Closing the pool for three months will not eliminate all of these costs. The pool will need to be kept full, which will require electricity for the pump to circulate and filter the water. Reductions in heating costs will also result in increased electrical costs as the co-generation unit produces less electricity. It is difficult to estimate what the total savings might be.

Maintenance

Closing the pool may result in some minor reduction in pool chemicals, however, the pool can not be emptied, so continued maintenance will be required and the labor of maintaining the pool is provided by full time employees that can not be furloughed for three months. Cost savings would be minimal.

Operations

Budget for pool operations; lifeguards, swim instructors, etc. is just under \$200,000. Revenues for the pool is budgeted at \$130,000, but also generates another \$40,000 in Sports Center Membership Revenues. Although the winter months represent the slowest season for the pool, this year the pool logged over 9,000 visits during the winter quarter making it one of our busiest program areas even during its slowest quarter. When the pool was closed for three months in 2005-06, revenues were badly impacted long after the pool reopened. The belief is that the year round participants, which represent a large portion of the pools revenue, found other places to swim during the close down and were slow in returning, which reduced revenues through the remainder of the fiscal year.

