



***CITY OF COVINA***  
***2010-2011***  
***CITIZEN'S GUIDE TO THE***  
***ADOPTED BUDGET***



## SUMMARY

Staff has prepared a comprehensive budget adopted by the City Council and Covina Redevelopment Agency. Budget documents for agencies such as the City of Covina are often complex and difficult to understand given the many funds involved.

The City Council and staff believes that it is important for the citizens to know and understand how the City plans to put their tax dollars to work in the coming year, to help pay for day-to-day services, special revenue-funded services, utilities, capital projects, and servicing various debt of the City and Agency.

It is staff's hope that through the attached schedules and graphs, this guide will give the citizens a glimpse of their budget and will find it to be a useful and user-friendly version of the main budget document that will be published during the first quarter of the 2010-2011 fiscal year. In this guide, you will find the following:

**City Manager's Budget Message:** This message introduces the operating budget for the City and identifies important economic conditions that will impact the City's finances.

### **Charts:**

- Total City Expenditures
- Total City Revenues
- General Fund Estimated Revenues
- General Fund Expenditures
- Enterprise Funds Estimated Revenues
- Enterprise Funds Expenditures

## CITY MANAGER'S BUDGET MESSAGE

To the Covina City Council/Agency Board and Community:

Balancing ongoing expenditures with ongoing revenues and setting something aside for a rainy day seems like a dream from yesteryear. Making it a reality in the present economic climate has been challenging and in accordance with State Government Code and City Policy, I submit to you a balanced budget for the City of Covina General Fund for 2010-11. Along with the General Fund, submitted herewith are the budgets for all other funds including the Redevelopment Agency budgets. Some funds are drawing from fund balance for one-time projects resulting in expenditures greater than revenue.

As the Council is aware, we began the current fiscal year with a deficit of around \$3 million and continued to face challenges with diminishing sales and property tax revenue of over \$1 million. We undertook the daunting task of balancing ongoing expenditures with ongoing revenues without drawing on fund transfers and reserves. We made difficult decisions which included staffing reductions through attrition (retirements) and layoffs. These moves - including the freezing of 3 Police Officer positions - resulted in General Fund savings in excess of \$2 million through reduced payroll expenses. In addition to personnel savings, operational savings were also recognized with changes to Library hours, reduced overtime in the Police Department, a \$320,000 negotiated annual reduction to the Fire contract and overall reductions in every General Fund department. Additionally, the City has hired a consultant to assist us to further reduce the cost associated with the LA County Fire contract.

## INTRODUCTION

This document represents the proposed financial plan for the community's operations and capital improvements for the fiscal year 2010-2011.

The preliminary budget consists primarily of five sections: introduction, budget summaries, budget revenue detail, activity expenditure detail, and supplemental information. The introduction section includes the City Manager's budget message, an organizational chart and a list of principal officials. The budget summaries section includes a general overview of the budget: 1) budget summary by fund, and 2) budget summary by program expenditure. The budget revenue detail section includes the revenue detail for each of the various funds. The activity expenditure detail section includes the expenditure information and summary relating to the following programs:

- |                            |                         |
|----------------------------|-------------------------|
| -General Government        | -Public Safety          |
| -Public Works              | -Culture and Recreation |
| -Community Development     | -Transit                |
| -Redevelopment and Housing | -Water Utility          |
| -Environmental Protection  | -Central Equipment      |
| -Management Info. Systems  | -Miscellaneous          |
| -Debt Service              | -Other Financing Uses   |

The supplemental information section includes our budget procedures and methods, a statement of financial management principles, and our budget policy.

## **GENERAL OVERVIEW**

A City's budget reflects the goals and objectives of the City Council and is the foundation upon which the operation of the City is predicated. The recommendations submitted hereafter fall within the parameters as established by the City of Covina Council's policy direction.

The following represents work either completed or in progress on Council established goals for the City of Covina:

- Continuing to submit quality grant applications to support programs.
- Providing for infrastructure improvements utilizing restricted funds.
- Enhance the sewer system.
- Municipal code changes to improve the building and planning process.
- Continue to develop the citizen outreach program. Each department with the City has in place user response tracking and citizen opinion gathering processes to determine citizen and community satisfaction with our services. Additional programs have been implemented to bring local government to the citizens and enhance their level of participation. To further enhance this service, the City has procured new software for permitting/licensing. This system will have a component whereby applicants can track the progress of an application as well as apply for and schedule inspections online.
- Embarking on a course of training and staff development as a commitment to life-long learning. Much of the training is being conducted by City staff, and supplemented by outside groups and individuals that volunteer. Training such as prevention of sexual harassment and safety in the workplace will result in reducing costs in the future.
- Continue to provide excellent human service programs (e.g. senior citizens, youth activities, cultural affairs, and leisure services) staffed by valued and dedicated public servants.

- Committing to dedicated police patrol and quality investigations. New and ongoing training has and will keep staff current on the challenges facing today's law enforcement community, will reduce risk and liability, and will continue to serve the community with the best public safety possible.
- Increasing the commitment to quality, proactive and streamlined human resources administration. Particular attention is being placed on risk management, enhanced safety procedures, and the fiscal impacts of both.
- Continuing to provide the best fire services through the contract with Los Angeles County Fire at the most competitive costs available.
- Receive a favorable annual audit report from Macias, Gini & O'Connell. This report is a compliment to our finance and accounting staff and notes the following:
  - An Unqualified Opinion.
  - No material internal control weaknesses or reportable conditions.
  - No disagreements with management.
  - No difficulties encountered with management in performing the audit.
- Receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the City of Covina's Comprehensive Annual Financial Report.
- Continuing to pursue the Downtown Specific (smart growth) Plan.
- Continuation of the Covina Strategic Plan with updates as adopted by City Council.

The *Covina Strategic Plan* was originally approved by the City Council on May 16, 2006 and was updated on September 22, 2009 and includes the following components:

- Mission statement for the City of Covina
- Analysis of strengths, weaknesses, opportunities, and threats
- Three-year goals
- Outline of strategic planning element
- Matrix to follow up

The Mission Statement developed for the City is: **"The City of Covina provides responsive municipal services and manages public resources to enhance the quality of life for our community."**

The current 2009 three-year goals are: 1) improve and promote customer service, 2) enhance financial stability, 3) improve and expand parks & recreation and library services, 4) become an environmentally sustainable community, and 5) provide efficient, visible and responsive public safety.

The following is a summary of the 2010-11 preliminary budget for the City of Covina and the Covina Redevelopment Agency:

	City		Redevelopment	Total
	General	Restricted	Agency	
<b>Revenues</b>				
Taxes	23,583,970	47,070	7,525,000	31,156,040
Licenses and Permits	390,650	150	-	390,800
Intergovernmental	927,230	4,463,520	-	5,390,750
Charges for Services	1,697,190	357,480	847,220	2,901,890
Fines and Forfeits	720,500	194,220	-	914,720
Special Assessments	-	1,406,400	-	1,406,400
Water Revenue	-	6,977,000	-	6,977,000
Refuse/Waste Revenue	-	3,616,090	-	3,616,090
Central Equipment Charges	-	1,330,120	-	1,330,120
MIS Charges	-	1,108,550	-	1,108,550
Investment Earnings	490,000	203,300	449,360	1,142,660
Miscellaneous	100,030	73,220	137,750	311,000
Other Financing Sources	100,000	602,260	2,310,000	3,012,260
Total Revenues	<u>28,009,570</u>	<u>20,379,380</u>	<u>11,269,330</u>	<u>59,658,280</u>
<b>Expenditures</b>				
General Government	2,944,410	18,000	-	2,962,410
Public Safety:				
Police Services	12,858,540	426,530	-	13,285,070
Fire Safety Services	7,647,440	-	-	7,647,440
Public Works	799,080	15,718,360	-	16,517,440
Culture and Recreation:				
Parks and Recreation	2,273,530	12,060	-	2,285,590
Library Services	889,670	117,530	-	1,007,200
Community Development	48,790	-	-	48,790
Transit	-	2,415,820	-	2,415,820
Redevelopment and Housing	-	519,510	4,391,130	4,910,640
Water Utility	-	9,004,990	-	9,004,990
Environmental Protection	87,950	4,027,100	-	4,115,050
Central Equipment	-	1,338,520	-	1,338,520
Management Information Systems	-	1,105,490	-	1,105,490
Miscellaneous	59,900	17,750	-	77,650
Debt Service	66,390	1,505,090	6,554,190	8,125,670
Other Financing Uses	291,510	100,000	-	391,510
Total Expenditures	<u>27,967,210</u>	<u>36,326,750</u>	<u>10,945,320</u>	<u>75,239,280</u>
Net Increase (Decrease) in Fund Balance	<u>42,360</u>	<u>(15,989,620)</u>	<u>324,010</u>	<u>(15,719,050)</u>

The overall budget appropriation of \$75.2 million represents a \$5.0 million or 7.25% increase from the previous year. The increase is attributed primarily to capital projects funded by the sewer and water bonds. The General Fund depicts a reduction in appropriations of \$3.8 million.

**Budget Philosophy**

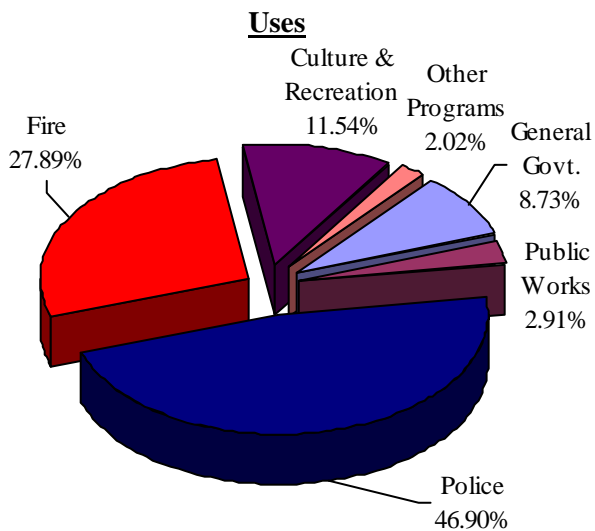
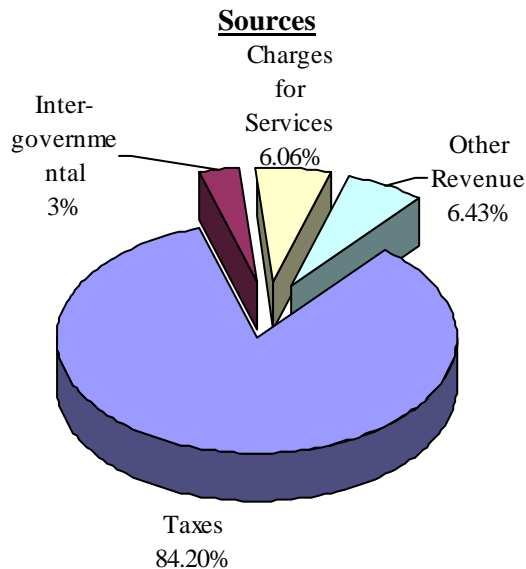
The budget philosophy is directed at programs to assist elected officials and citizens in identifying financial and program results, evaluating past program resource decisions, facilitating qualitative improvements in future decisions regarding resource allocation and service delivery options, and communicating service and program results to the community.

The budget format includes actual results for fiscal years 2007-08 and 2008-2009, the adopted budget for fiscal year 2009-2010, the base budget to continue the established basic service level, and the recommended budget for fiscal year 2010-2011, which reflects any service level changes. This distinguishes appropriation increases or decreases attributed to the current service level (base) versus the recommended service level. Service level changes implemented during the 2009-2010 fiscal year are reflected in the adopted budget for that fiscal year, which becomes the basis for the proposed fiscal year 2010-2011 base budget.

**GENERAL FUND**

The following is a summary of the 2010-2011 General Fund budget:

	<u>Actual 2007-2008</u>	<u>Actual 2008-2009</u>	<u>Budget 2009-2010</u>	<u>Base 2010-2011</u>	<u>Adopted 2010-2011</u>
<b>Revenues</b>					
Taxes	24,713,191	23,824,709	23,664,780	23,664,780	23,583,970
Licenses and Permits	444,730	210,009	376,990	326,160	390,650
Intergovernmental	894,526	765,207	863,350	845,230	927,230
Charges for Services	1,997,497	1,675,561	1,665,480	1,653,440	1,697,190
Fines and Forfeits	755,574	608,082	684,500	684,500	720,500
Investment Earnings	1,181,196	609,807	343,390	343,390	490,000
Miscellaneous	87,760	76,251	120,690	99,020	100,030
Other Financing Sources	-	4,977,405	2,714,270	100,000	100,000
Total Revenues	<u>30,074,474</u>	<u>32,747,031</u>	<u>30,433,450</u>	<u>27,716,520</u>	<u>28,009,570</u>
<b>Expenditures</b>					
General Government	3,403,755	3,575,606	4,027,720	3,256,140	2,944,410
Public Safety:					
Police Services	12,306,011	12,774,960	13,714,090	13,885,230	12,858,536
Fire Safety Services	6,715,505	7,805,840	7,706,370	7,977,810	7,647,444
Public Works	1,102,670	1,565,204	841,110	1,552,270	799,080
Culture and Recreation:					
Parks and Recreation	2,047,099	2,234,123	2,322,600	2,289,360	2,200,170
Library Services	1,231,282	1,425,432	1,356,140	964,840	963,030
Community Development	878,362	686,299	605,580	271,630	48,790
Miscellaneous	52,987	42,788	107,170	57,170	59,900
Debt Service	139,034	137,273	152,270	66,390	66,390
Environmental	-	-	-	87,950	87,950
Other Financing Uses	98,000	-	950,950	291,510	291,510
Total Expenditures	<u>27,974,705</u>	<u>30,247,525</u>	<u>31,784,000</u>	<u>30,700,300</u>	<u>27,967,210</u>
Net Increase (Decrease)	<u>2,099,769</u>	<u>2,499,506</u>	<u>(1,350,550)</u>	<u>(2,983,780)</u>	<u>42,360</u>



-Most of the other revenues are scheduled to come in as budgeted with increases that are minimal.

Taxes such as Sales, Utility Users, Property, Vehicle License and Franchise accounting for \$23.6 million are the largest source of revenue representing 84.2% of the General Fund resources. Charges for services of \$1.7 million is the second largest revenue source and includes service fees for general services, police, public works, parks and recreation and library services. Charges for services have been negatively affected by the economy and despite the proposed fee increases, it is expected that total fees collected will be less than a year ago.

The remaining General Fund revenues of \$2.7 million include licenses and permits, intergovernmental revenue, fines and forfeits, investment earnings and other miscellaneous revenues. These revenue totals have also declined from the previous year.

**Expenditures**

General Fund budget appropriations of \$27.957 million represents a \$3.8 million decrease from the previous year. The primary contributing factor to this decrease is the staffing reduction that took place in March 2010. There were a total of ten positions frozen through attrition and five full-time positions and one part-time position eliminated.



The General Fund accounts for the resources and expenditures necessary to carry out the basic governmental activities of the City such as general government, public safety, public works, culture and recreation, and community development. Revenues include taxes, licenses and permits, intergovernmental payments, charges for services, fines and forfeits, investment earnings and other miscellaneous revenue.

**Revenues**

Estimated 2010-2011 General Fund revenues are \$28.010 million in comparison to the adopted budget of \$30.433 million of the prior fiscal year. The \$1.4 million or 4.8% decrease in revenues is attributed primarily to the following:

- Decline of Sales Tax due to the economic crisis of approximately one million dollars.
- Property tax is showing a slight decrease from the 2009-2010 fiscal year of approximately \$400,000

Additionally, there were line-item operational cost reductions that contributed to the \$3.8 million reduction. These reductions will have some impact on the service levels provided by City General Fund Departments. The most visible impact is the reduction of the library operating hours and the library shall now be closed on Mondays. As for Public Safety, although three Police Officer positions have been frozen, front line patrol responses will not be impacted by the frozen positions. The elimination of one Community Services Officer's impact will be mitigated by the implementation of an online police reporting tool during the first quarter of the fiscal year. Crime Prevention and the Citizens Police Academy will see an impact due to staffing reductions. Funding for the Youth Accountability Board was eliminated from this budget, but the Chief has secured grant funding to continue this program.

Prior to operating cost increases related to the Fire contract, the Los Angeles County Fire Department agreed to a reduction of costs totaling \$320,000. The City has hired a consultant to assist us negotiating further reductions in the L.A. County Fire contract and these negotiations are ongoing as of this report date.



**Transfers**

The Lighting District shall receive a General Fund Transfer of \$92,160 due to the fact that the assessment does not cover the cost of the service provided.

The General Fund fund balance is projected to be \$10.7 million on June 30, 2011. This unreserved designation amount is identified below:

- Emergency Contingency 20% of operating expenditures: \$5.6 million
- Undesignated: \$5.1 million

Even though we present a balanced budget, the challenges to our revenues continues as the economy continues to struggle and a great deal of uncertainty remains as to how the State of California’s budget deficit will affect the City of Covina. On a positive note, Sales Tax - which is our #1 revenue source - will receive a lift with the additional revenue expected from the new Lowe’s store scheduled to open the 3<sup>rd</sup> quarter of this fiscal year. Additionally, we will keep a close watch on property tax receipts which may still be negatively affected by declining assessed values.



**RESTRICTED FUNDS**



Restricted funds account for revenues derived from specific taxes, intergovernmental payments, charges for services and other earmarked revenue sources. They are usually required by statute or local ordinance and/or resolution to finance particular functions, or activities. Designated funds of the City are as follows:

- CDBG
- State Gas Tax
- Air Quality
- Lighting District
- Sewer District
- Library Grant
- Development Impact
- Water Utility
- Environmental
- Management Information Systems
- Law Enforcement Grant
- Transit
- Municipal Parking District
- Landscape District
- Community Facilities District
- City Donation
- Shopper’s Lane Parking District
- Water Capital
- Central Equipment



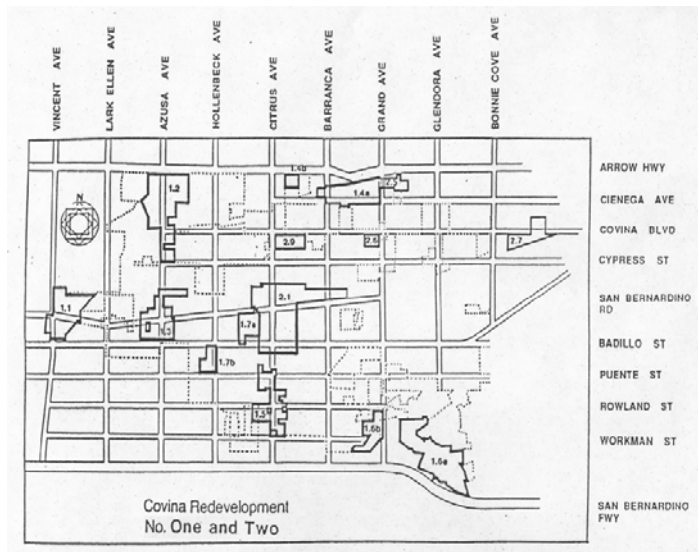
Certain restricted funds do not generate sufficient revenues to fund ongoing costs. These funds include law enforcement grants, lighting and landscape districts, library grants and the Shoppers Lane Parking District. *The City should determine how to fund these activities in the future with no General Fund money. This will hold true for all operating grants and subventions of the City.*

## REDEVELOPMENT AGENCY



The Redevelopment Agency (Agency) accounts for certain revenues (tax increments, charges for services, sale of property and bond proceeds) for economic development and low-moderate income housing. The Agency is legally separate from the City and has no taxing authority. Activities include administration, marketing, redevelopment, housing and neighborhood preservation. The following are funds of the Redevelopment Agency:

- LMIH-I (Low-Moderate Income Housing - Project Area I)
- LMIH-II (Low-Moderate Income Housing - Project Area II)
- Tax Allocation Debt-I (Debt Service-Project Area I)
- Tax Allocation Debt-II (Debt Service-Project Area II)
- Redevelopment Private-I (Private Improvements - Project Area I)
- Redevelopment Private-II (Private Improvements-Project Area II)
- Redevelopment Public-I (Public Improvements-Project Area I)
- Redevelopment Public-II (Public Improvements-Project Area II)



Low-moderate income housing funds account for the twenty-percent set-aside tax increment generated by the Agency's project areas. The set-aside money is used for housing related activities that benefit low-moderate income residents.

Tax allocation debt funds account for tax increments for the payment of outstanding bonds and certain loans. Redevelopment funds account for the bond proceeds and other revenue for economic development (commercial, industrial, etc.).



Certain redevelopment funds are restricted for only public improvements. During the current fiscal year, the Agency was forced to pay \$2.54 million in Supplemental Education Revenue Augmentation Funds (SERAF) to the County with approximately an additional \$500,000 due in FY 2010-11. In order to meet this obligation, the project areas had to borrow funds from the Low/Moderate Income Housing Fund with payment due by 2015. This payment has a significant cash impact to the Agency and prevents it from doing projects that benefits the two project areas.

The Agency also provides for ongoing General Fund operating and capital support.

From a project perspective, the highlight for fiscal year 2010-2011 is the 49 unit mixed use Citrus Walk project to be developed by the Olsen Company. Citrus Walk shall be composed of 49 three-bedroom, two-bath townhomes and approximately 8,300 square feet of retail space on Citrus Avenue. The Citrus Walk project shall bring new energy to a revitalized downtown Covina.

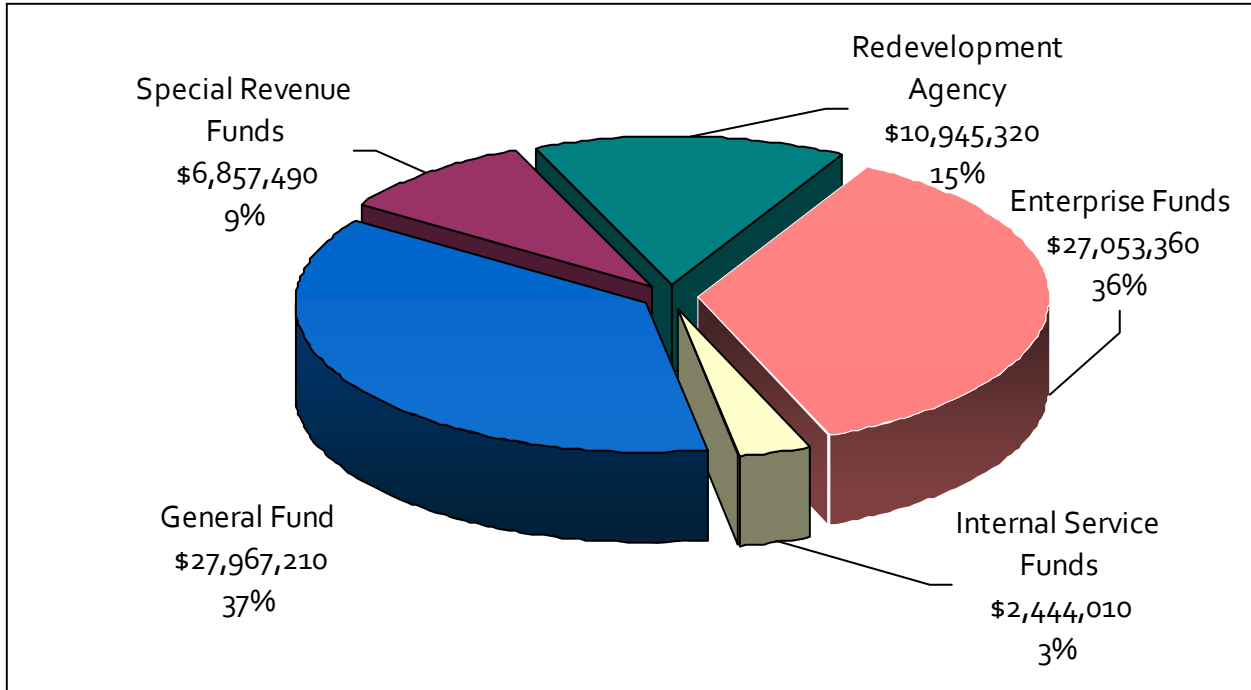
I want to add my appreciation to the department directors and their budget staff for their contribution for a balanced budget. I also want to express my appreciation to the Finance team of Dilu de Alwis, Finance Director and Steve Smith, Management Analyst for their efforts in the overall budget process and putting together of this document

Respectively Submitted,

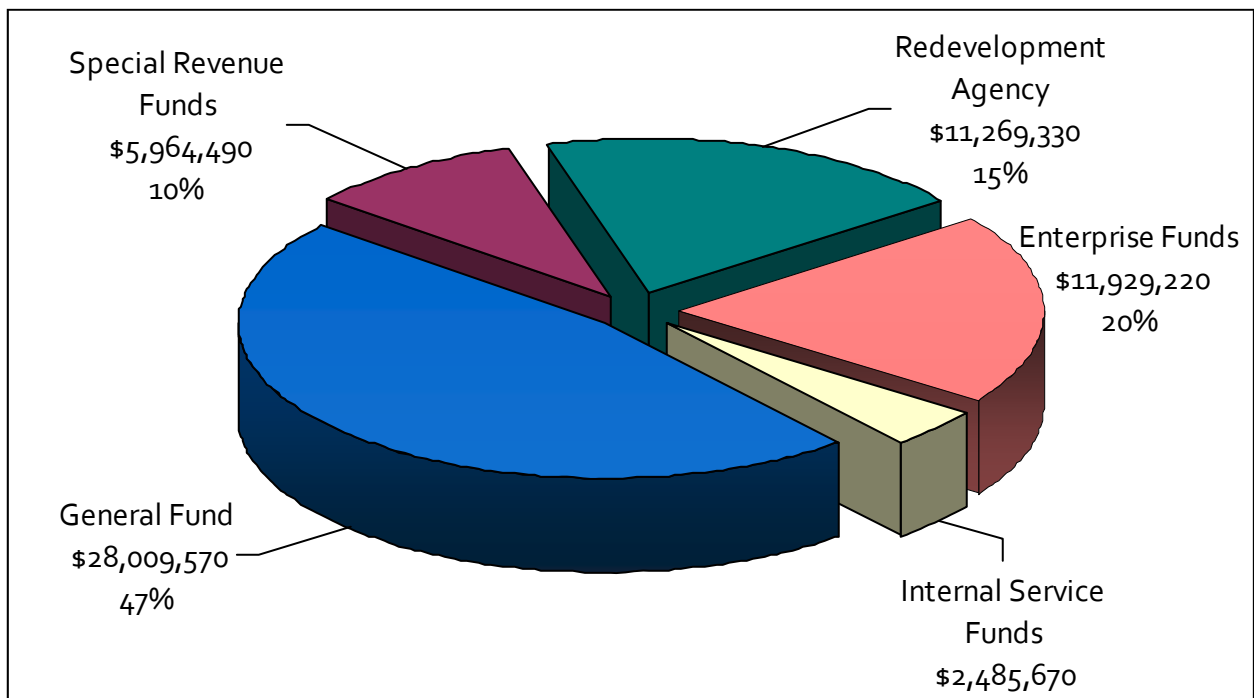
Daryl Parrish  
City Manager/Agency Executive Director



## Total City Budget Expenditure Summary By Fund Fiscal Year 2010-2011 Budgeted Expenditures \$75,239,280

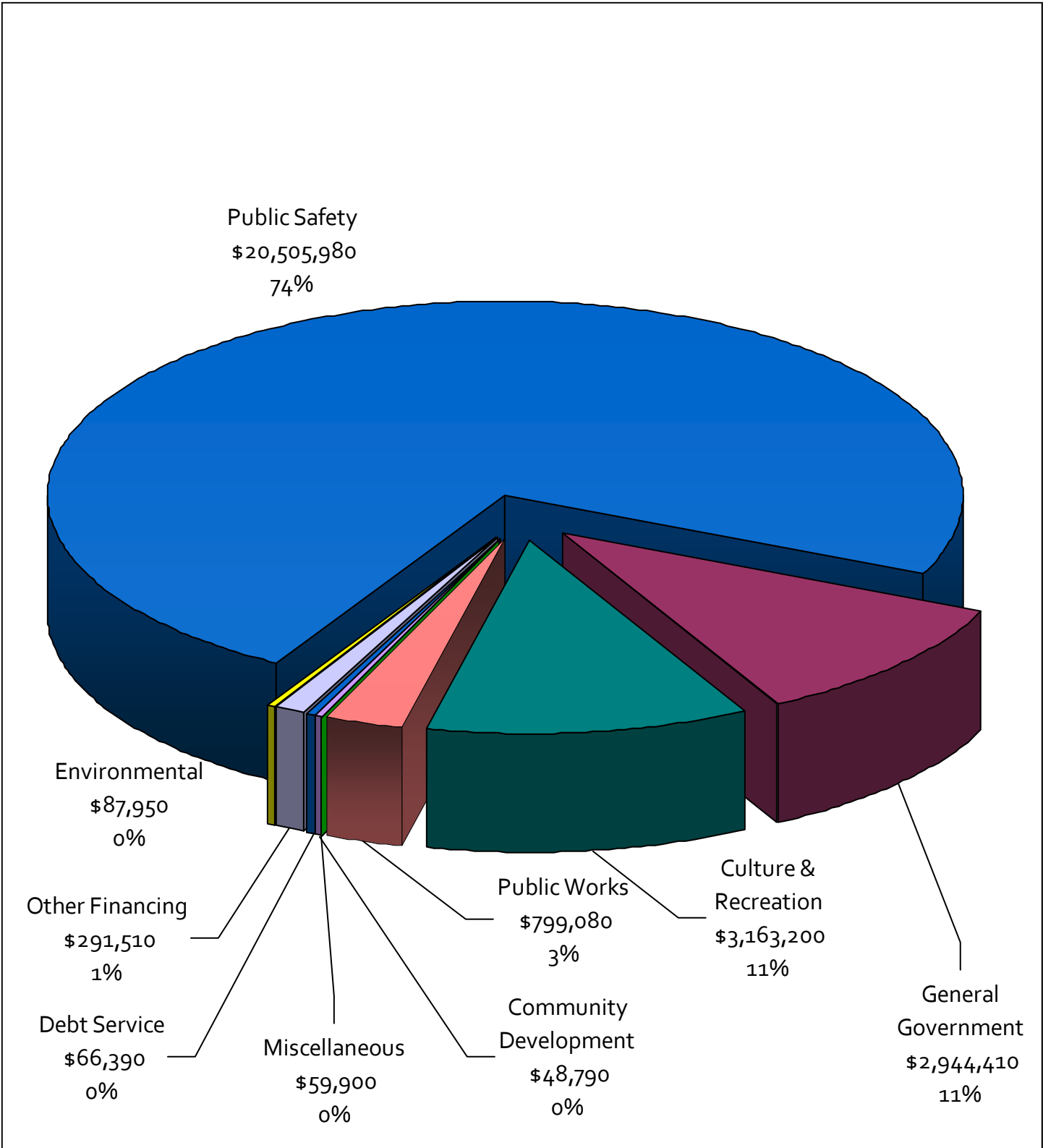


## Total City Budget Revenue Summary By Fund Fiscal Year 2010-2011 Budgeted Revenues \$59,658,280



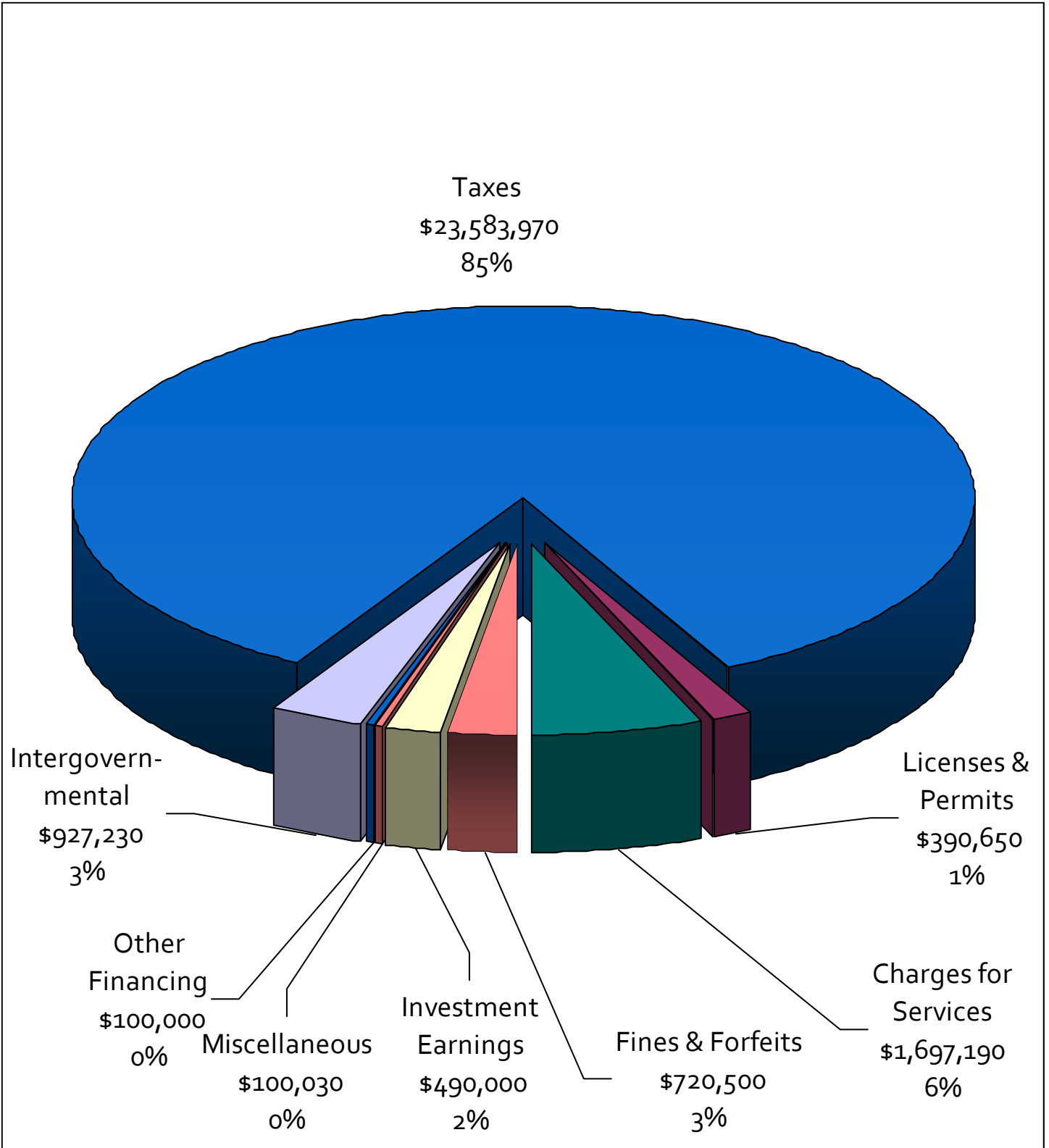


# Total General Fund Expenditures Expenditure Summary By Program Fiscal Year 2010-2011 Budgeted Expenditures \$27,967,210



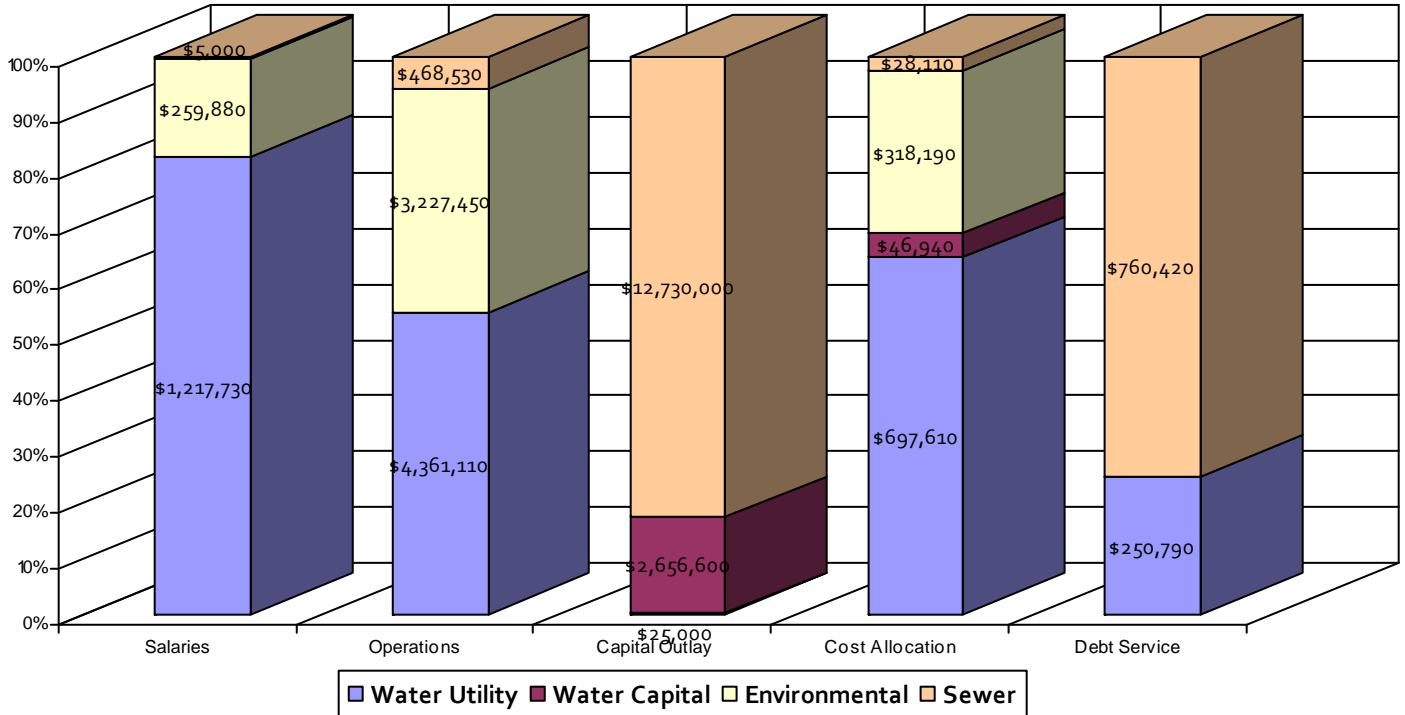


# Total General Fund Revenues Revenue Summary By Category Fiscal Year 2010-2011 Budgeted Revenues \$28,009,570





## Total Enterprise Fund Budget Expenditures By Fund Fiscal Year 2010-2011 Budgeted Expenditures \$27,053,360



## Total Enterprise Fund Budget Revenues By Category Fiscal Year 2010-2011 Budgeted Revenues \$11,929,220

