

June 28, 2011



Honorable Mayor and Councilmembers of City of Temple City,  
Esteemed Community Members:

Welcome to the City's first Budget-in-Brief message, a companion guide to understanding the Fiscal Year (FY) 2011-12 Adopted City Budget.

The purpose of this summary is two-fold. First, it provides a convenient and concise alternative to reading the at-times daunting budget document—which, as an accounting tool, is necessarily lengthy and technical. Second, it informs citizens of the City's spending priorities, while also familiarizing the community with the City's budgeting process.

It is my hope that by providing government information in a more approachable manner, this Budget-in-Brief will enable and promote broader public involvement in the City's fiscal planning process and beyond.

Despite the recent economic downturn, the City remains committed to improving and expanding our level of service to the community. As such, we are determined to involve the public in the City's decision-making, in order to ensure that each dollar spent optimizes community value.

As the City continues working hard to protect local services, promote Temple City's future prosperity, and preserve its prestige, we invite your participation and input. Please have a look at this year's budget priorities and let us know what you think.

In here, you will find information about:

- The City's financial standing;
- What's new in this year's budget;
- Why financial planning is so important
- A closer look at the City's approach to this year's budget; and
- How you can participate in the fiscal planning process.

As always, do not hesitate to engage any questions, concerns and comments. We look forward to working with you to build a greater community.

## FY 11-12 OVERVIEW

### THEME

**"LIVING WITHIN MEANS, WHILE INVESTING STRATEGICALLY"**

### EFFECTIVE

JULY 1, 2011 - JUNE 30, 2012

### VALUE

\$33,594,305

### NEW CONDITIONS, NOTABLE TRENDS

- PROPERTY, SALES TAX REVENUES ON THE RISE
- REVENUES FROM TRADITIONAL FUNDING SOURCES IN DECLINE

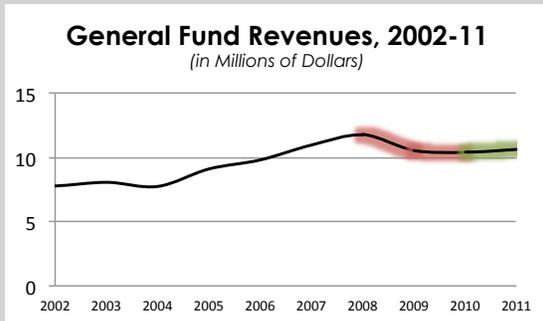
### KEY INITIATIVES

- CONTINUE ENHANCING CITY SERVICES, INCREASING OPERATIONAL EFFICIENCY
- DEVELOP REVENUE-RECOVERY STRATEGIES: COMPETITIVE GRANTS, PROTECTING PROPERTY VALUES
- UPDATE CITY INFRASTRUCTURE (CAPITAL IMPROVEMENT PROJECTS)

# Tracking Revenue

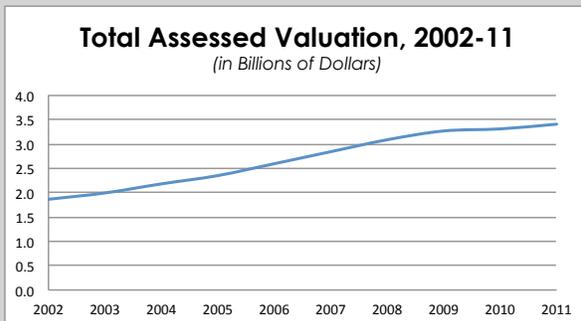
LOSS  
RECOVERY

**2007-09**  
2007 17% decline in local revenues results in \$2 million decrease in General Fund revenues.



**2010**  
2010 State raids \$300,000 from City's redevelopment agency

**FY 2010-11**  
Recent critical revenue loss prompts zero-based budgeting exercise. Examining expenditures line-by-line trims nearly \$800,000 from previous year's spending.



**2011**  
2011 During the City's FY 10-11 mid-year review, after experiencing higher-than-anticipated revenue levels, City Council adjusts estimated General Fund revenues from \$9.8 to \$10.2 million.

The City anticipates a 3% increase in property values over last year, to generate an additional \$65,250 in property tax revenue.

**FY 2011-12**  
Updates to cost allocation plan, user fee schedule and other revenue sources to generate an estimated \$785,000 from new or enhanced city services, programs.

City secures \$12 million in grant monies to advance capital improvement projects.

**2012**  
2012 City potentially loses revenue source after State budget phases out redevelopment funding.

## Our financial standing

In the current down economy, while cities across the nation struggle with layoffs and service cuts, our City is fortunately in a relatively stable financial position—in large part thanks to prudent fiscal planning.

After facing critical revenue decline between 2007 and 2009, the City responded by implementing a **zero-based budgeting** exercise in FY 2010-11.

As part of the City's effort to elevate operations **From Status Quo to High-Performance**, the new approach involved conducting a line-by-line analysis of all City expenditures.

While budgets are typically drawn by extending previous years' cost allocation plans with minor modifications, zero-based budgeting enabled the City to reassess the value of each dollar spent. Ultimately, after the exercise, we were able to trim nearly \$800,000 from the previous year's expenditure total.

Since then, figures have shown steady recovery in the City's local revenue. But with state and federal funding in decline overall, it is clear that in order for the City to continue providing high-level service, it must focus its efforts on local economic development.

As a part of strategic planning, the City is looking into how it can leverage available funds to develop the City's assets, as well as generate alternative sources of revenue.

Looking ahead, we believe that investing in infrastructure will not only modernize and maintain City Hall's functioning for greater efficiency and user experience, but will also add value to the community—thereby making it a more attractive place for private investment citywide.

◀ **ADAPTING TO 'NEW NORMAL'—DOING MORE WITH LESS:** With state and federal level revenues in decline, the City has been proactive in recovering lost funds by competing for grants, updating user fee schedules, reducing administrative redundancies, etc.

► The City's renewed commitment to becoming high-performance resulted in its adoption of a zero-based budgeting approach.

<b>BUDGET IN ACTION</b>	
<b>FY 2010-11</b> From Status Quo to High-Performance	<b>FY 2011-12</b> Living within Means, Investing Strategically
Analyze expenditures line-by-line as part of zero-based budget approach	Adopt budgeting strategy integrating elements of zero-based approach
Identify and eliminate administrative redundancy, consolidate city departments	Merge City divisions and functions for greater productivity
Freeze staff salaries, require employee contribution to retirement costs	Update city's cost allocation plan, user fee schedule
Emphasize long-range planning	Define action plans focused on critical needs, high-yield initiatives
Zero-based budgeting helps City to trim <b>\$800,000</b> from previous year's budget, recover from <b>\$2 million</b> General Fund decline from 2007-09	Recovering revenue levels allow one-time allocation of <b>\$867,000</b> from General Fund Reserve to invest in capital improvement projects

## What's new in this year's budget?

Last year, budget initiatives addressing inefficient cost allocation saved the City \$800,000 in eliminated expenses.

This year, as the City continues to fine-tune internal organization, it is also seeking to add and enhance community programs.

At a time when many government and business operations are scaling back, it may seem odd for Temple City to be doing the exact opposite. However, it is our belief that through strategic investment, the City can create community value that translates into appreciable financial rewards.

### Here's how it works:

In the case of enhancing programs, providing high-level service creates pleasant communities and upholds prestige. These qualities bolster property values and stimulate local economy by attracting new businesses.

Likewise, investing in **capital improvement projects** (CIP) to modernize the City's aging infrastructure—including roads, facilities and information systems—will not only improve local livability and administrative operations, but also further contribute to adding the community value that is crucial for securing commercial investment opportunities.

**Capital improvement projects** replace and plan for Temple City's aging infrastructure. This year CIP expenditures account for 46% of the citywide budget.

Reading on, you can begin to see how the City is practicing strategic budgeting and investment to nurture our financial prospects.

## Why is financial planning so important?

Financial planning plays a vital role in setting policies in motion. It is through this process that the City defines spending priorities and distributes funds in accordance with established goals and visions.

Two documents guide the City's revenue distribution: the **Adopted City Budget**, which dictates spending in the immediate fiscal year; and the **Two-Year Work Plan**, which identifies long-range goals, as well as prescribes necessary actions to achieve them.

*The Two-Year Work Plan will be posted on the City's website in April 2012.*

# The Budgeting Process

## FREQUENTLY ASKED

### WHAT DOES THE BUDGET PAY FOR?

All labor, capital costs associated with City operations, programs, services. E.g., personnel wages; property acquisition of park space; natural disaster emergency relief; construction of community centers, jungle gyms; etc.

### WHO MAKES SPENDING DECISIONS?

The City Council allocates revenues.

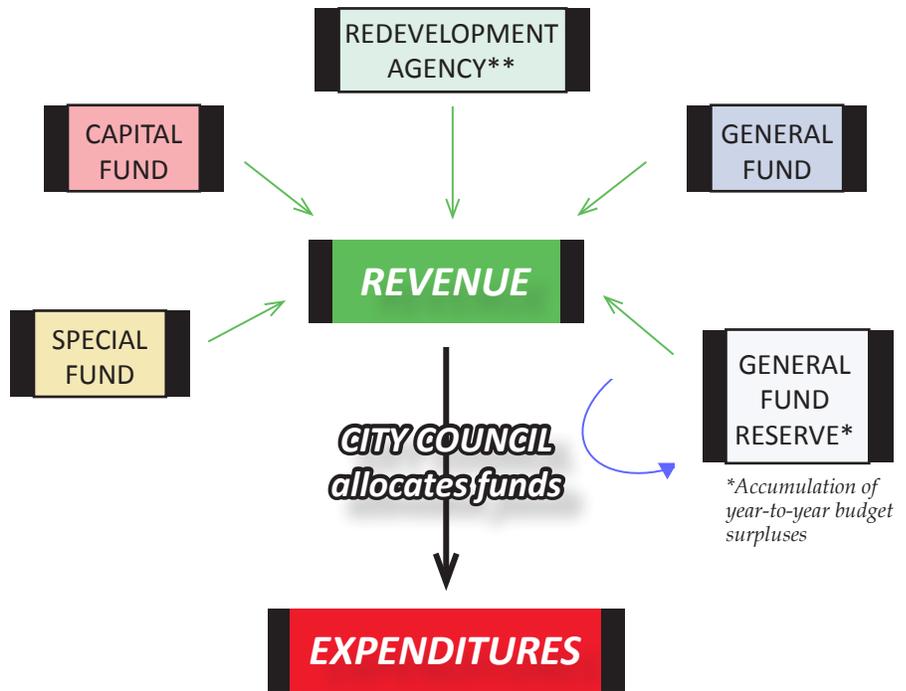
### HOW AM I REPRESENTED IN THE BUDGET?

City Council meetings serve as a platform for ongoing dialogue between elected officials and the community-at-large. They are held the first and third Tuesdays of the month and are open to public comment.

In addition, because Councilmembers must become elected, by virtue of the Democratic process, those who win office tend to be those who best represent the ideals valued by most of the community.

### HOW ARE FUNDS DISTRIBUTED?

See **Distributing City Funds** table below.



REVENUE TYPE	FUND SOURCES	PURPOSE/USES	RESTRICTIONS/SPECIAL NOTES
<b>General Fund</b>	Locally generated money. E.g., property and sales taxes, user fees, etc.	Administrative costs, city services. E.g., sheriff's protection, parking enforcement, animal control, community preservation.	Generally no restrictions.
<b>*General Fund Reserve Account</b>	Accumulation of prior years' budget surpluses.	Emergencies, special projects.	Distribution limited by guidelines, regulations.
<b>Special Fund</b>	Intergovernmental grants, subsidies from special taxes. E.g., gas tax.	Various designated accounts. E.g., local transportation, road funds etc.	Agree to terms of use. E.g., road funds may not be used to fund sheriff's services.
<b>Capital Fund</b>	Grants, redevelopment agency.	Supportive funding for capital improvement projects.	Funds typically reimbursed. Since some grants are competitive, the City must invest and innovate in ambitious projects to secure funding.
<b>Redevelopment Agency Funds</b>	Subsidies from State Redevelopment Agency.	Advance economic revitalization initiatives.	**As of 2012, the State may terminate redevelopment funding.

## Distributing City funds

◀ Because revenues flow in from various sources, how the City spends its revenues is subject to guidelines and regulations.

## GRANT SOURCES

ROSEMEAD BLVD PROJECT

SOURCE/USE	VALUE
SAFETEA-LU transportation improvement fund	\$719,920
Highway Safety Improvement Program	\$340,000
Rubberized Asphalt Concrete sidewalks	\$110,250
Bicycle Transportation	\$443,000
MTA Call for Projects	\$2,249,984
<b>TOTAL</b>	<b>\$3,863,154</b>

▲ Grants monies make up 20 percent of Temple City's Rosemead Boulevard Safety Enhancement and Beautification Project.

Moving forward, as state and federal funding levels decline, local revenues and grants will become more significant money sources.

This year, grant revenues totaled more than **\$12 million**, accounting for more than 36% of the City budget.

Toward remaining qualified and viable to compete for grants, the City has been aggressively developing ambitious capital improvement projects—including the Rosemead Boulevard Safety Enhancement and Beautification Project.

A look at the \$18 million multimodal development will reveal that grants constitute more than 20 percent of the overall budget.

While the millions we dedicate to CIPs may seem extravagant, modernizing City operations and updating aging public infrastructure will no doubt enhance the community experience and elevate the City's prestige—and ultimately stimulate the local economy.

Considering the potential return, we are confident that the decision to invest will ultimately prove to be a wise one.

# Strategic Investment

Looking ahead, with intergovernmental funds in decline, local revenues are becoming an increasingly significant funding source for cities. Consequently, it will take more than pinching pennies to ensure Temple City's continued prosperity.

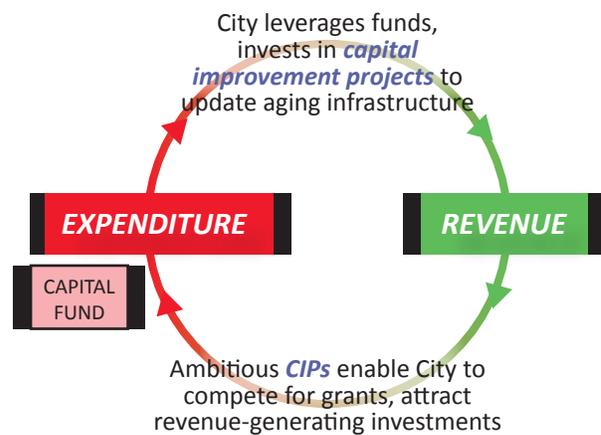
Good news from the County Assessor's office reports that, for the second year in a row, our City saw one of the highest assessed valuation growth rates in the region.

This rise in property values is important, as it means the City can anticipate increased property tax revenues. With more funds to spend, the City may improve and expand its programs and services to enhance livability and boost economic vitality.

While the typical "savings" approach frees up available funds by eliminating inefficient spending, refocusing energy on investing will enlarge the money pot by adding community value and promoting business opportunities.

Among the ideas behind the \$18 million Rosemead Boulevard Safety Enhancement and Beautification Project are not only enhancement of community's livability, but also revitalization of one of the City's commercial corridors. By sprucing up Rosemead Boulevard, Temple

City becomes a more attractive regional shopping destination, as well as a more promising place for businesses to set up shop.



▲ While updating infrastructure in a rough economy may seem at odds with "living within our means," doing so preserves community prestige and attracts private investment opportunities. Ultimately, by "investing strategically," the City can reap significant dividends in additional revenue generated from new businesses and increased property values.

## Living within Means, Investing Strategically

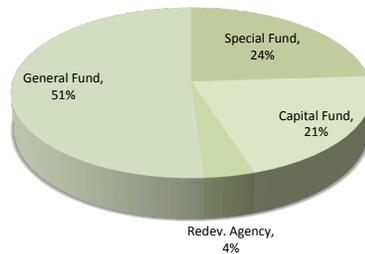
A major focus of this year's **\$33.6 million** budget is modernizing infrastructure through CIPs. (See *In Progress* on the next page.)

As the City forges forth as a high-performance organization, it will need the proper infrastructure to allow it to continue thriving in a fast-changing world. While our roads, facilities and other resources have served us well over the past 50 years, it is now time to regroup, rejuvenate and plan for the next 50 years and beyond.

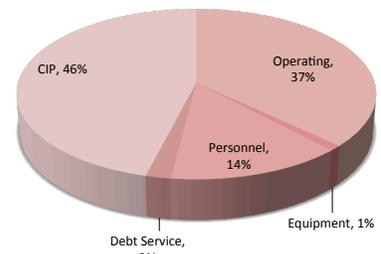
As discussed, with outside revenue sources quickly drying up, in order to fund CIPs, the City is rethinking its fiscal strategies. In addition to competing for grants, it is also looking into how to leverage current resources to promote local economic growth.

And with local revenues on the rise, the time is ripe for investment. Over the next two years, the City will allocate a one-time draw of \$867,000 from the **General Fund Reserve** (GFR) Account in support of CIP development.

*By leveraging limited amounts from the General Fund Reserve to invest in CIPs, the City becomes eligible to compete for multi-million grant awards.*



**CITYWIDE REVENUE BY FUND**



**CITYWIDE EXPENDITURE BY TYPE**

BUDGET	%	GF REVENUES	BUDGETED EXPENDITURES	DIFFERENCE	BALANCING MECHANISM
<b>CITYWIDE</b>	<b>100%</b>	\$21,510,805	\$33,594,305	\$12,083,500	Grants
<i>General Fund</i>	<b>37.6%</b>	\$11,754,110	\$12,621,110	\$867,000	General Fund Reserve

Although ‘borrowing’ from the GFR may seem inconsistent with “Living within Our Means,” the value CIP spending may bring is consistent with the City’s initiative to “Invest Strategically.”

Furthermore, with construction costs currently low and grant monies still available, investing in CIPs sooner rather than later is the wiser economic choice that will save the City money in the long-run.

## IN PROGRESS

CIPs, FY 2011-12

INITIATIVE	EST. COST	KEY PROJECTS
Public infrastructure	\$15 million	Upgrade roads, streets, traffic signage, sidewalks, sewers, handicap-accessibility
Facility improvements	\$249,175	Revitalize City facilities. E.g., Council chamber renovations, Live Oak Park Community Center, park planter and monument reconstruction
Long Range Planning	\$179,925	Prepare community for long-term sustainability. E.g., Bicycle Master Plan, Park & Open Space Master Plan
<b>TOTAL</b>	<b>\$15.5 million</b>	

### *Let's work together for a greater Temple City*

In coping with the financial challenges of an unfortunate national economy, the City is keeping one step ahead by ***Living within Our Means while Investing Strategically.***

We are determined to continue delivering on community expectations for high-level service. As such, we have proactively sought alternative fiscal strategies to preserve and grow revenue levels. For example, we are pursuing CIPs to enhance the community, as well as renewing the City's Community Preservation efforts to protect our neighborhoods' livability and prestige.

As we continue striving for high level achievement, your involvement will be key to our success. On behalf of City Council and City staff, I encourage your participation.

We are currently in the process of planning for FY 2012-13 and would love to hear your input. What is *your* vision for Temple City? Let's open the dialogue and start building a Temple City for us all.

For detailed breakdowns of expenditures and specific allocation figures, please explore the charts in the Adopted City Budget following this Budget-in-Brief message.

For more information on this year's budget, or how you can participate in planning next year's budget, reach me at (626) 285-2171. Please also utilize the resources made available on the City's website at [www.templecity.us](http://www.templecity.us).

Sincerely,

Jose E. Pulido  
City Manager