City of Inglewood
Five-Year Forecast

May 2012

Final Report

Management Partners

May 29, 2012

Mr. Artie Fields
City Manager
City of Inglewood
One Manchester Boulevard
Inglewood, CA 90301

Dear Mr. Fields:

Management Partners is pleased to transmit this report containing a five-year forecast of the City's General Fund. We created three forecast Scenarios, titled A, B, and C.

Scenario A: Based on the City's Assumptions for the FY 2012/13 Budget

- Designed to show the City's resource needs just to maintain current service levels as well as increased personnel costs as a result of the expiration of negotiated furloughs, which are set to end on December 21, 2012.
- Shows a deficit of $8.9 million in FY 2012/13.

We should note that City's Finance Department has prepared a FY 2012/13 General Fund Budget Projection that was presented to the City Council on May 15 in concert with FY 2011/12 Mid-Year Review of revenues and expenditures in the General Fund. The Finance Department projected an initial operating deficit of $9.5 million for FY 2012/13. Management Partners' Scenario A shows a deficit of $8.9 million in the same fiscal year. This difference of $600,000 is 0.7% of the total General Fund expenditures, which is well within the standard margin of error for such projections.

Scenario B: Baseline Five-Year Forecast

- Includes all of the assumptions in Scenario A, with the allocation of additional funds to restore the General Fund contingency to the 8% policy level by FY 2016/17 and replace 44 fleet vehicles annually.
- Shows a deficit of $11.8 million in FY 2012/13.

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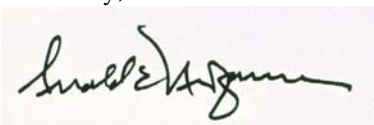
Scenario C: Adjusted Forecast

- Includes all of the assumptions in Scenarios A and B, and adds several cost categories, including reactivating Fire Station 172, funding equipment replacement and deferred maintenance, as well as allocating funds to rebuild reserves.
- Shows a deficit of $17.8 million in FY 2012/13.

This report also provides recommendations to help the City address additional financial risks and begin to develop a multi-year approach to resolve the projected deficits. Thank you for the opportunity to serve the City of Inglewood.

Sincerely,



Gerald E. Newfarmer
President and CEO

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Executive Summary

Inglewood, like many other cities and counties across the country, has endured an unprecedented decrease in revenues while experiencing cost increases since the start of the Great Recession. The City retained Management Partners to provide a five-year financial forecast. This was accomplished by analyzing the City's fiscal operations over the past five years and examining anticipated resource levels and projected expenditures through FY 2016/17.

The forecasts Management Partners has produced are supported by our review of the City's financial and budget documents, including revenue and expenditure projections; contingency and reserve funds; internal service funds and other funds that may affect the General Fund. The forecast model will enable City staff to create "what if" financial scenarios in response to changes in personnel costs simply and quickly.

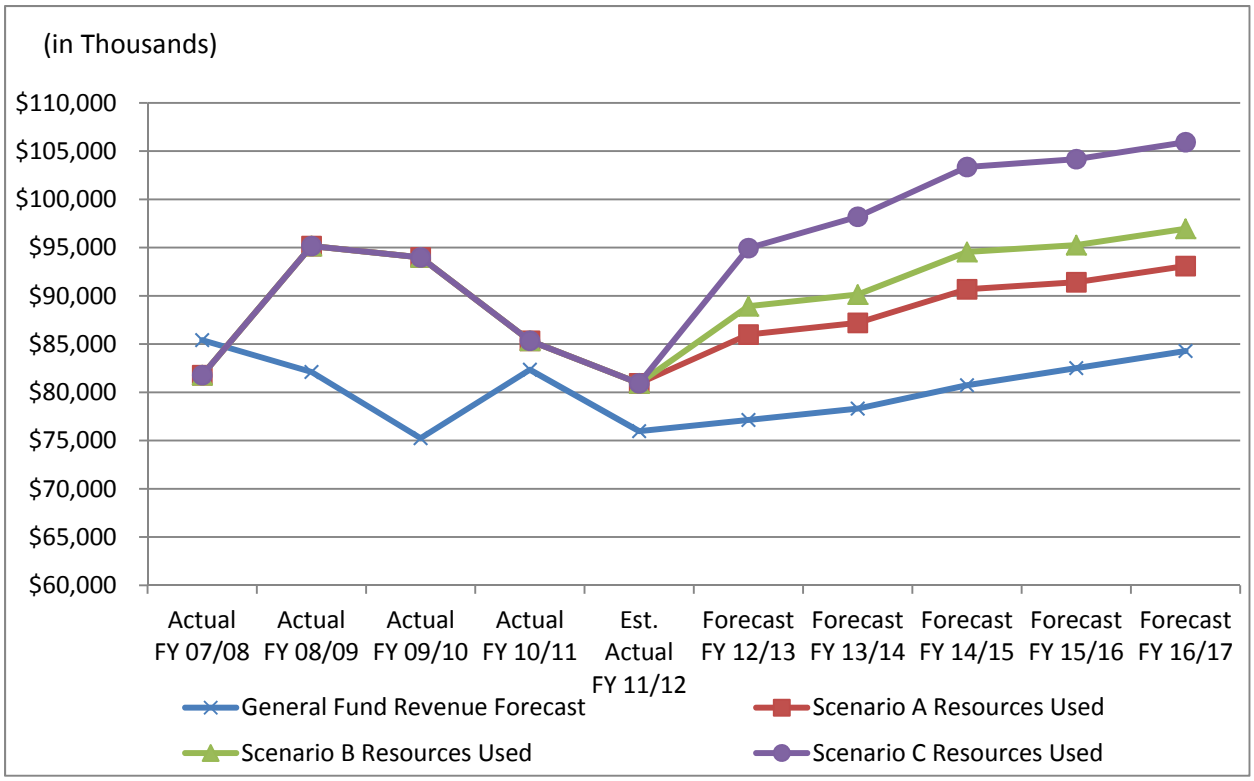
Despite the City's significant efforts to eliminate the structural deficit, the Scenario A forecast, which is based on the City's assumptions for the FY 2012/13 Budget, shows a deficit of $8.9 million in FY 2012/13. The structural deficit is projected to remain relatively constant at $8.8 million by FY 2016/17.

Management Partners has created two additional forecast Scenarios (B and C). The Scenario B forecast includes additional monies to restore the General Fund contingency to the 8% policy level by FY 2016/17 and replace fleet vehicles. It shows a deficit of $11.8 million in FY 2012/13. The structural deficit is projected to be $12.7 million by FY 2016/17.

Scenario C is an Adjusted Forecast that accounts for costs to reflect reactivating Fire Station 172, funding for equipment upgrades and deferred maintenance, and allocating funds to further rebuild reserves. It shows a deficit is $17.8 million in FY 2012/13. The structural deficit is projected to increase to $21.7 million by FY 2016/17.

Figure 1 presents the projections from each forecast Scenario. Each forecast shows a gap between ongoing revenues and resources used[1], as noted above, ranging from a FY 2012/13 low of $8.9 million to a high of $21.7 million in FY 2016/17. Therefore, new revenues, reductions in expenditures, or a combination of the two will be needed by the City to ensure uninterrupted City services.

Figure 1. *Ten-Year Financial Perspective of the General Fund under each Scenario*



Note: "Resources Used" includes total expenditures, transfer outs, and allocations to reserves.

In the last three fiscal years, the City of Inglewood has made significant reductions in staffing and other expenditures to respond to decreased revenues, including many difficult but necessary service reductions. Through implementation of the Deficit Elimination Plan and Workforce Reduction Plan, the City was able to bring budgeted revenues and

[1] "Resources Used" includes total expenditures, transfer outs, and allocations to reserves.

expenditures closer to alignment in FY 2010/11 and FY 2011/12. This was no easy task.

Since FY 2008/09, the City has eliminated 121 full-time and 27 part-time positions. The City also negotiated two years of employee furloughs (valued at $3.2 million annually) that began in FY 2010/11, and elected officials provided a 10% voluntary give-back to the City. In addition, a fire station in North Inglewood is temporarily closed for a 36-month period, which is providing $2.5 million in annual savings.

Irrespective of these savings, the City has used $36.6 million of its reserves to cover shortfalls in the General Fund over the past four fiscal years. This has significantly affected the health of the General Fund, as the City has depleted its undesignated reserves and has significantly impacted its designated reserves.

At the end of FY 2010/11, the City had zero undesignated reserves and only $300,000 in contingency funds. To place these figures in context, three years prior, at the end of FY 2007/08, the City had $17.5 million in undesignated reserves and $6.9 million in contingency funds.

On a policy level, at $300,000 in contingency funds, the City is far below its financial policy of maintaining a reserve that is 8% of General Fund expenditures (adopted by the City Council in 2007). To comply with this policy, based on the current expenditures in FY 2011/12, the City should have a minimum $6.3 million of contingency funds.

In this report, we note the Government Finance Officers Association (GFOA) best practice of maintaining at least two months of regular General Fund operating revenues (or regular General Fund operating expenses) as a reserve. Two months is equivalent to a 16.6% reserve (or $13 million based on current expenditures).

We also note that if the City chose to rebuild reserves to the GFOA Best Practice it would still be less than half of the $36.6 million in reserves that have been used since the start of the Great Recession to cover General Fund shortfalls.

Forecast Scenarios

Three forecast scenarios are provided for the City, as described below.

Scenario A: Based on the City's Assumptions for the FY 2012/13 Budget

- Designed to show the City's resource needs just to maintain current service levels as well as increased personnel costs as a result of the expiration of negotiated furloughs, which are set to end on December 21, 2012.

Scenario B: Baseline Five-Year Forecast

- Includes all of the assumptions in Scenario A, with the allocation of additional funds to restore the General Fund contingency to the 8% policy level by FY 2016/17 and replace 44 fleet vehicles annually, in alignment with the City's Vehicle Replacement Plan.

Scenario C: Adjusted Forecast

- Includes all of the assumptions in Scenarios A and B, and adds several cost categories, including reactivating Fire Station 172, funding equipment replacement and deferred maintenance, as well as allocating funds to rebuild reserves.

This report highlights additional financial risks and observations related to projected employee retirements and bank charges. These financial risks are not quantified in either the forecast Scenarios. They are described and we recommend further analysis so that these risks can be quantified and projected, if needed, into future forecasts.

This report also describes several efforts underway by the City that will help the General Fund. One of these efforts is an update to and improvement of the City's cost allocation plan. It is estimated that the new cost allocation plan will provide an additional $400,000 in reimbursement to the General Fund annually, which will help to alleviate the City's structural deficit. Also, a $5 million franchise payment related to the new trash hauler contract is described in this report, with a recommendation that such funds be used to help rebuild the City's General Fund reserves and cover temporary shortfalls as the City works to acheive a sustainable and balanced budget.

Further, this report discusses the fact that debt service cost for the Civic Center is not properly allocated to other funds, which results in a higher level of support from the General Fund and reduced capacity to finance direct services to the community.

In summary, the City of Inglewood has taken significant steps to reduce expenses over the last three years; however, the City also spent a considerable portion of its General Fund reserves to cover expenses. Negotiated personnel savings and the temporary closure of Fire Station 172 will expire soon, and return costs to the General Fund before the City will have the resources to finance them and maintain existing services.

Simultaneously, citywide operational and maintenance costs will increase and outpace modest revenue growth. As a result, budget deficits are projected for the foreseeable future.

Report Recommendations:

Below is a list of the recommendations in this report (also shown in Attachment A).

1. Conduct a detailed analysis of the potential employee retirements over the next five years and assess the appropriateness of current accrued reserves for sick and vacation leaves.
2. Create a plan to begin pre-funding Other Post-Employment Benefit (OPEB) liabilities and ensure that non-General Fund departments are paying their appropriate share of OPEB liabilities.
3. Analyze bank charges to determine the major cost drivers and negotiate fee reductions with the City's banking institution and/or implement fees for credit card transactions.
4. Develop a multi-year budget stabilization plan which aligns revenues and expenditures.
5. Adopt a comprehensive set of budget principles to provide a meaningful and easy to understand framework for maintaining financial discipline.
6. Develop and maintain a monthly cash flow projection for the current and future fiscal year.
7. Analyze usage of the Civic Center complex and develop an appropriate allocation of debt service to the non-General Fund accounts.
8. Use proceeds from the trash hauler franchise payment and other one-time resources to rebuild General Fund reserves as well as cover temporary shortfalls as the City implements permanent solutions to eliminate the General Fund structural deficit.

Background

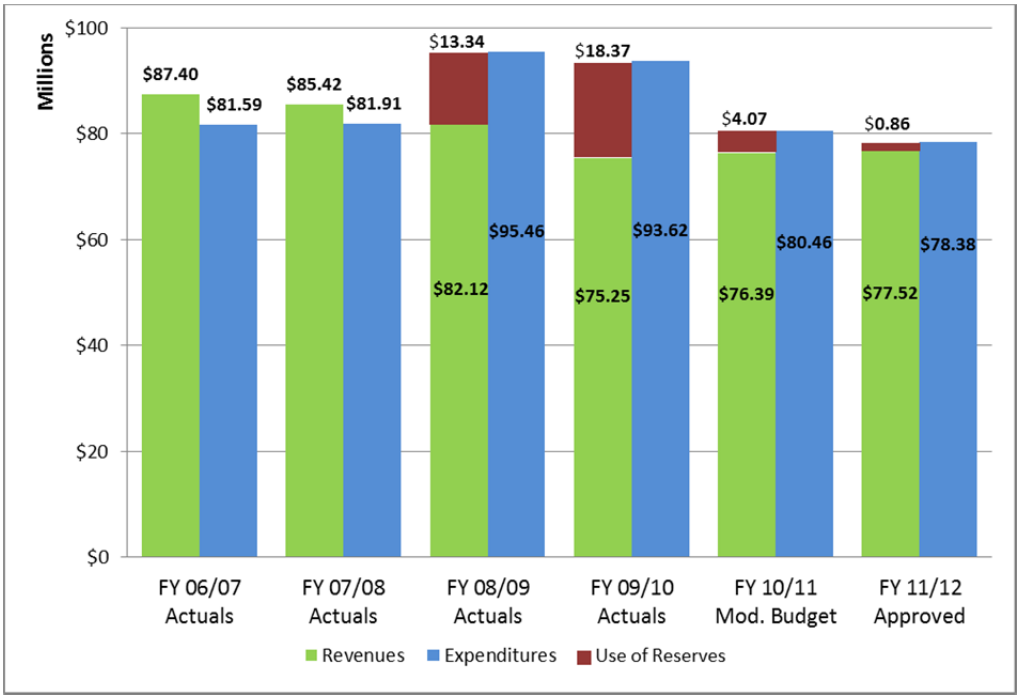
The City of Inglewood, home to approximately 110,000 residents, is a community of just over nine square miles located in Los Angeles County. The City's FY 2011/12 General Fund operating budget is $78.4, and the combined all funds budget is $287.6 million.

The City's last five-year forecast for the General Fund was conducted in FY 2009/10. That forecast showed the City would experience annual deficits of between $14 and $16 million through FY 2014/15. The City responded to this information by adopting a Deficit Elimination Plan and a budget for FY 2010/11 that contained revenue enhancements and several reductions to personnel costs as well as reductions to maintenance and operations expenses. On October 12, 2010, the City implemented a Workforce Reduction Plan (WRP) that included the elimination of vacant positions, layoffs, and early retirement incentives. In total, since FY 2008/09, the City has eliminated 121 full-time and 27 part-time positions.

The City also negotiated two years of employee furloughs (valued at $3.2 million annually) that began in FY 2010/11, and elected officials provided a 10% voluntary give-back to the City (Mayor, Council Members, City Clerk, and City Treasurer). A fire station in North Inglewood is temporarily closed for a 36-month period, which is providing $2.5 million in annual savings. The 36-month period is scheduled to expire on December 31, 2013.

Further, the City used nearly all of its undesignated reserves as well as a significant portion of its designated reserves to cover General Fund expenses in each of the last four years, from FY 2008/09 to FY 2011/12. Figure 2 shows the historical trend of General Fund revenues, expenditures and use of reserves. In total, the City has used $36.6 million of its reserves over the past four fiscal years.

Figure 2. *Historical General Fund Revenues, Expenses, and Use of Reserves*



The City Manager's Budget Message in the FY 2011/12 Adopted Budget stated the following:

> *"…designated reserves are at dangerously low levels, however, the use of these funds is needed to close the budget shortfall, allow the City to maintain service levels, avoid further lay-offs, and provide additional time to identify cost saving ideas, streamline the organization, become more efficient and identify new revenue sources."*

In the same message, the City Manager noted that sales tax revenues are beginning to increase but that property tax revenues remain low and are expected to be reduced by another 3.4% in the FY 2011/12 budget.

The five-year forecast that Management Partners developed is informed by these prior events as well as ongoing actions by City Council and the City Manager in reaction to continually negative financial news. In fact, during the course of our work on this project, the City took two significant actions to address fiscal challenges in the General Fund. The first was a $5.2 million write-off of Housing Division expenses and the second was the adoption of a ***Mid-Year Reorganization, Consolidation, and Workforce Reduction Plan*** to address the financial impact of dissolving the Redevelopment Agency. Both of these items are discussed in further detail later in this report.

Project Approach

The development of a five-year financial forecast and the analysis for this project occurred in two phases. The first phase involved gathering data and gaining a thorough understanding of the City's prior and current fiscal status. The second phase involved developing the forecast models and identifying financial risk areas. The approaches taken in each of these phases are described below.

Gather Data

During the gathering data phase, Management Partners interviewed executive management team members and reviewed various budget and financial-related documents.

Interviews

Management Partners conducted interviews with key executives and staff to help inform our analysis. These interviews were valuable in providing an understanding of the City's fiscal environment, decisions made, changes underway, and factors that are impacting the status of the City's various funds. The following individuals were interviewed as part of our information gathering phase:

- City Manager
- Assistant City Manager
- Deputy City Manager
- Chief of Police
- City Attorney
- Interim Finance Director
- Interim Public Works Director
- Planning Manager
- Parks, Recreation, and Community Services Director
- Interim Human Resources Director
- Senior Budget Analyst
- Senior Budget Analyst

Documents Reviewed

To enhance our understanding of the City's fiscal environment, Management Partners was provided with background information on the City's financial and operational condition. The key documents that we examined are listed below.

- Adopted and Line Item Budgets
- Annual Financial Statements
- California Public Employees Retirement System (CalPERS) Annual Valuation Reports
- Staff reports on financial issues including reports prepared in connection to the financial implications of labor negotiation and litigation issues
- Memoranda of Understandings (MOUs) with bargaining groups
- Other Post-Employment Benefits (OPEB) actuarial reports
- Property, sales, and utility users tax estimation reports
- Vehicle replacement policy

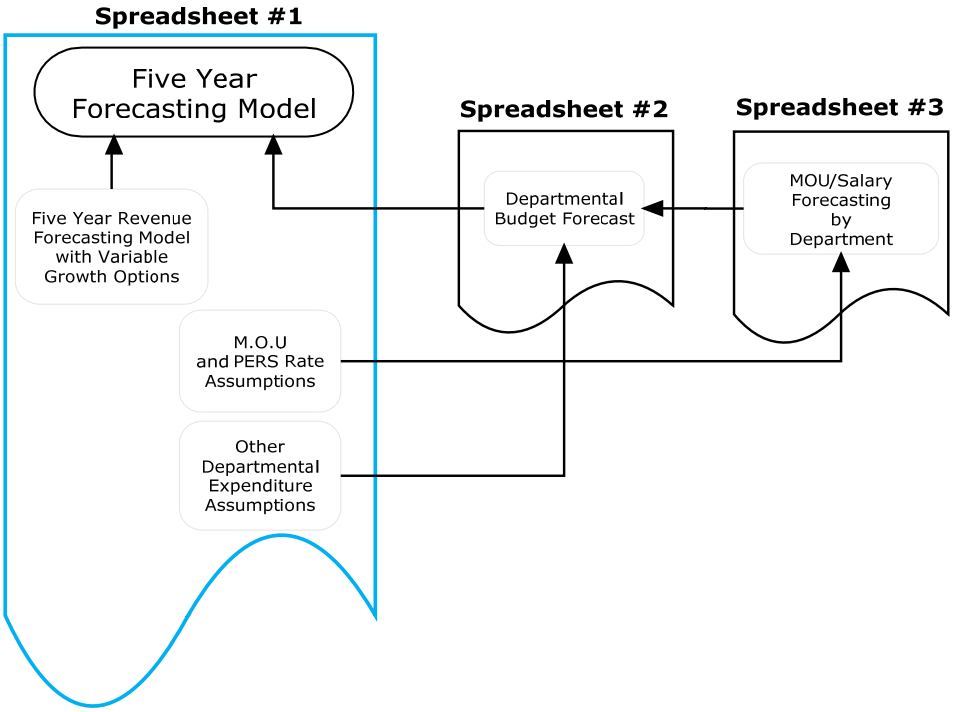
Conduct Analysis

After much of the data were gathered, Management Partners conducted financial analyses related to revenue and expenditure projections, contingency and reserve funds. During the course of the analytical phase, there was open communication between Management Partners and City staff. As potential financial risks were identified, Management Partners asked additional questions and engaged in discussions with staff to confirm our observations.

Forecasting Model

As part of this project, we created a forecasting model that will be provided to City staff for future use. The model will allow staff to quickly create various scenarios and prepare new five-year forecasts based on different assumptions. Through the model, staff can make changes in revenue forecasts as well as changes in expenditure assumptions and then see the results of those changes. The five-year forecasting model consists of three interdependent spreadsheets. The diagram in Figure 3 below shows the data flow in the forecasting model.

Figure 3. *Five-Year Forecasting Model Data Flow*



General Fund Five-Year Forecasts (FY 2012/13 to FY 2016/17)

Management Partners has created three forecast Scenarios, titled A, B, and C. There are several key assumptions in each scenario, these are listed below.

Scenario A: Based on the City's Assumptions for the FY 2012/13 Budget

This Scenario is designed to show the City's resource needs just to maintain current service levels. It includes the following assumptions, which are the basis of the City's budget for FY 2012/13:

- Additional personnel costs related to the expiration of employee furloughs (negotiated for two-years) which end on December 21, 2012.
- There will be no more City employee positions than those included in the April 2012 City Council approved a ***Mid-Year Reorganization, Consolidation, and Workforce Reduction Plan.***
- Modest revenue increases based on independent consultant reports and industry trends. Additionally, approximately $750,000 annually in new revenue from a renovated and occupied Madison Square Garden Enterprise's (MSGE) Forum, beginning in FY 2014/15 (revenue numbers were provided by MSGE).
- Additional cost to the General Fund as a result of the Redevelopment Agency Dissolution.
- Expiring funding from COPS Hiring Recovery Program (CHRP) grants, in the amount of $1 million annually in FY 2014/15.
- Various known personnel and non-personnel expenditure increases related to:
    - *Bank charges*
    - *Election costs in 2012/13 and 2014/15*
    - *Fire services contract*
    - *General maintenance and operations expenses*
    - *Group insurances, employee health, dental, and vision insurance*
    - *Motor vehicle fuel*
    - *Pension costs, CalPERS*
    - *Redevelopment Agency Dissolution*
    - *Retiree medical costs*

- *Workers' Compensation and Disability Insurance*

Scenario B: Baseline Five-Year Forecast

Includes all of the assumptions in Scenario A, with the allocation of additional funds to:

- Restore the General Fund contingency to the 8% policy level by FY 2016/17.
- Replace 44 aging fleet vehicles annually, in alignment with the City's Vehicle Replacement Plan.

Scenario C: Adjusted Forecast

Includes all of the assumptions in Scenario B, with the allocation of additional of funds to:

- Reactivate Fire Station 172 in North Inglewood.
- Partially restore designated General Fund reserves.
- Rebuild the total contingency and undesignated General Fund reserves to the GFOA best practice of a *minimum* of two months of operating expenditures (which equates to approximately 16.6% of expenditures).
- Fund deferred maintenance and other improvements to City facilities.
- Fund various Police equipment and infrastructure upgrades.

Table 1 and Figure 4 present the projections from each forecast Scenario.

- The Scenario A shows a deficit of $8.9 million in FY 2012/13. The structural deficit is projected to remain relatively constant at $8.8 million by FY 2016/17.
- The Scenario B shows a deficit of $11.8 million in FY 2012/13. The structural deficit is projected to increase to $12.7 million by FY 2016/17.
- The Scenario C shows a deficit of $17.8 million in FY 2012/13. The structural deficit is projected to increase to $21.7 million by FY 2016/17.

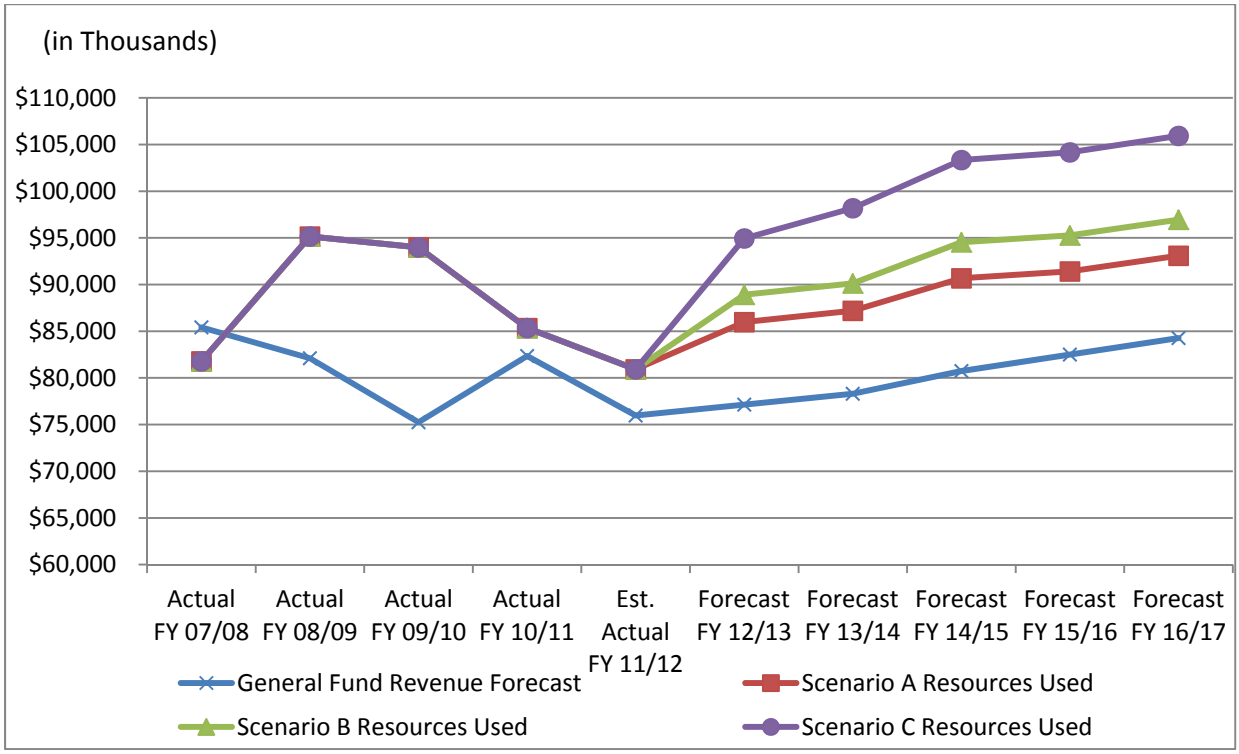
Table 1. *General Fund Forecast Scenarios: Actual, Estimated Actual and Forecasted (in Thousands)*

	Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Projected Revenue[1]	$85,414	$82,113	$75,250	$82,344	$75,976	$77,135	$78,306	$80,734	$82,500	$84,276
Scenario A: Based on the City's Assumptions for the FY 2012/13 Budget										
Resources Used[2]	$81,779	$95,156	$93,987	$85,349	$80,925	$85,989	$87,205	$90,680	$91,407	$93,088
Surplus/ Deficit	$3,635	$(13,043)	$(18,737)	$(3,005)	$(4,949)	$(8,854)	$(8,899)	$(9,946)	$(8,907)	$(8,812)
Scenario B: Baseline Five-year Forecast										
Resources Used[2]	$81,779	$95,156	$93,987	$85,349	$80,925	$88,940	$90,156	$94,542	$95,269	$96,950
Surplus/ Deficit	$3,635	$(13,043)	$(18,737)	$(3,005)	$(4,949)	$(11,805)	$(11,850)	$(13,808)	$(12,769)	$(12,674)
Scenario C: Adjusted Forecast										
Resources Used[2]	$81,779	$95,156	$93,987	$85,349	$80,925	$95,003	$98,243	$103,350	$104,161	$105,928
Surplus/ Deficit	$3,635	$(13,043)	$(18,737)	$(3,005)	$(4,949)	$(17,868)	$(19,937)	$(22,616)	$(21,661)	$(21,652)

[1] *This figure includes projected recurring revenue to the City of Inglewood from occupancy of the renovated Forum, with revenue projections provided from MSGE's consultant, HR&A Advisors, Inc.*

[2] *"Resources Used" includes total expenditures, transfer outs, and allocations to reserves.*

Figure 4. *Ten-Year Financial Perspective of the General Fund under each Scenario*



Note: "Resources Used" includes total expenditures, transfer outs, and allocations to reserves.

Figure 4 shows that revenues last exceeded expenditures in the General Fund in FY 2007/08. This changed in FY 2008/09, when revenues began a precipitous decline and General Fund expenditures exceeded revenues by nearly $14 million. This difference was due to a combination of factors, including the following major items:

- The adopted General Fund budget was increased by $4.8 million based on prior revenue forecasts. During the fiscal year, revenues declined but the budgeted expenditures still occurred.
- The City reallocated $4.2 million of overhead costs to the General Fund. The costs were previously budgeted in other funds, and the City anticipated that transfers-in from other funds would offset the $4.2 million. Unfortunately, the transfers from other funds were not allowed by the City's auditors.
- Employee raises totaling $1.6 million for the two police bargaining units that were accidentally left out of the budget.
- An increase to the liability budget of $1.1 million due to higher legal and settlement costs.

As noted in the Background Section of this report, the City used reserve funds in the amount of $13.3 million in FY 2008/09 and $18.3 million in FY 2009/10 to cover deficits, even while reductions in costs were being implemented. Through implementation of the Deficit Elimination Plan and the Workforce Reduction Plan in fiscal years FY 2009/10 and FY 2010/11, the City was able to bring budgeted revenues and expenditures closer to alignment in FY 2010/11 and FY 2011/12.

However, it is important to note that the budgetary balance shown in Figure 4 for FY 2010/11 will be affected by a recent decision at the March 13, 2012 City Council meeting. The City Council approved a $5.2 million write-off of Housing Division expenses from FY 2004/05 to FY 2009/10. Unfortunately, the City did not seek HUD reimbursements within the required timeframes and was forced to write-off the expenditures from the General Fund. City staff has implemented new procedures to ensure that this error does not occur in the future.

According to City staff, the $5.2 million adjustment will be made as a prior period modification to expenses in FY 2010/11. At the time of this report, staff was in the process of making the financial adjustment for this item and was consulting with the City's independent auditors who are currently conducting the annual audit of prior year operations. Staff anticipates that salary savings from FY 2010/11 will partially offset the negative adjustment.

The estimated actual figures for the current budget cycle, FY 2011/12, reflect the City's mid-year analysis of revenues and expenditures, which appear to be in alignment with the Adopted Budget.

Despite the City's significant efforts to eliminate the structural deficit, each of the forecast Scenarios shows an annual deficit.

- The Scenario A shows a deficit of $8.9 million in FY 2012/13
- The Scenario B shows a deficit of $11.8 million in FY 2012/13.
- The Scenario C shows a deficit is $17.8 million in FY 2012/13.

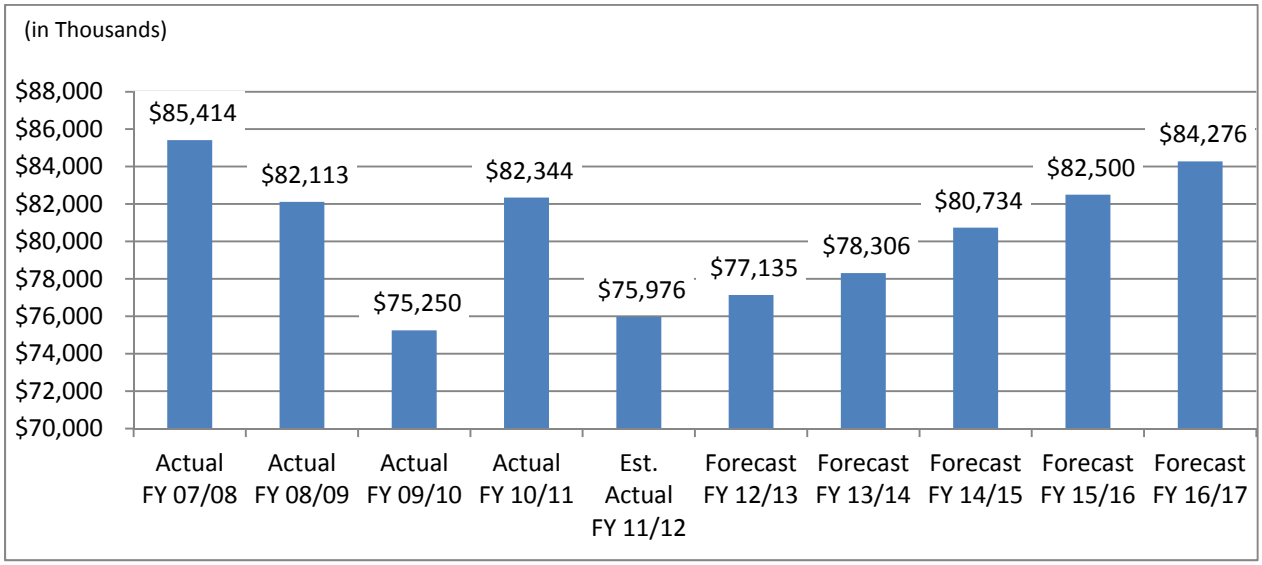
Below, we provide detail on the major General Fund revenues that are used in each of the three forecast Scenarios.

Revenue Detail

Figure 5 shows total General Fund revenue from FY 2007/08 to FY 2016/17. Actual revenues are shown from FY 2007/08 through FY 2010/11. We should note that the FY 2010/11 figures are unaudited, as the City's independent auditor was conducting their annual process to review prior

year operations when this report was generated. The FY 2011/12 figures are estimated actuals, based on the Finance Department's analysis of mid-year revenue receipts and expenditures. FY 2012/13 through FY 2016/17 represent the forecast period.

Figure 5. *General Fund Revenues: Actual, Estimated Actual and Forecasted (in Thousands)*



Total General Fund revenues in FY 2007/08 were $85.4 million. In two years that figure dropped by more than $10 million to $75.2 million. Although revenue would rise in the following year (FY 2010/11) to $82.3 million, much of the increase was due to $5.8 million in one-time revenue from the sale of Hollywood Park real estate to the City's Redevelopment Agency. In the current FY 2011/12 budget, the City expects to receive approximately $76 million.

At the end of the next five years, total revenue is projected to be $84.2 million, which represents an average growth rate of just over 2.1% annually for the next five years. This projected rate of growth would help to restore total revenues near their pre-recession level. The $84.2 million in total revenue in FY 2016/17 is only $1.1 million lower than the FY 2007/08 figure, the first fiscal year of the Great Recession.

On the whole, General Fund revenues appear to have hit the bottom. They are projected to grow modestly over the next five years, but not return to pre-recession levels until sometime after FY 2016/17. Thus, during the nine-year period between FY 2008/09 and FY 2016/17, revenues will have been lower while costs will have continued to rise. As a result,

the General Fund will have shown deficits each year of this nine-year period. Existing revenue sources will not fill this gap.

The Scenario A forecast contains detailed projections of each revenue category. This information can be found in Attachment B, which is a summary of the Scenario A forecast.

Provided below is a brief explanation of the City's major revenue categories. They are:

- Property Taxes
- Utility Users Taxes
- Sales and Use Taxes
- Transient Occupancy Taxes
- Franchise Taxes
- Business License Taxes

Property Taxes

Growth rates for property taxes are largely based on published estimates from the City's property and sales tax consultant, HDL Companies. In the first two years of the forecast, property tax is estimated to remain constant, and then grow by 2% annually. There are three major components of Inglewood's property tax revenue:

- *Property Tax (regular):* The County of Los Angeles levies a tax of 1% on the assessed valuation of a property. The City of Inglewood's share of this tax is approximately 13% of the revenue generated from properties within the City limits.

- *Property Tax:* This represents an additional levy of approximately 0.147% of assessed value, which is added to the basic property tax rate to fund employee retirement costs.

- *Motor-Vehicle-in-Lieu:* The FY 2004/05 state budget permanently reduced the Vehicle License Fee (VLF) rate for cities from 2% to .65% and replaced the VLF that the City would have received with an equal amount of property tax, added to the property tax base. In each subsequent year, the City's property tax in-lieu of VLF grows or decreases at the same rate that the gross property tax changes.

Table 2 shows General Fund property tax revenue from the forecasts.

Table 2. *General Fund Property Tax Revenue: Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$24,338	$25,086	$24,905	$23,655	$23,579	$23,579	$23,579	$24,051	$24,532	$25,021

Utility Users Taxes (UUT)

The City levies a 10% tax on the consumption of electricity, gas, and water. Telephone and cable television services are taxed at 8%. It should be noted that this rate was lowered from 10% in FY 2008/09 as a part of a modernization of the City's UUT ordinance. The City contracts with MuniServices to forecast UUT revenue. MuniServices' most recent projection estimates revenue through FY 2014/15 on three levels (worst, mid, and best). Management Partners uses the "mid" estimate and carries the annual rate of increase to FY 2016/17. Growth rates vary depending on the specific utility. They range from -1% to 3% annually.

Table 3 shows General Fund utility users tax revenue from the forecasts.

Table 3. *General Fund Utility Users Tax Revenue – Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$18,891	$17,294	$16,020	$15,757	$15,300	$15,474	$15,638	$15,810	$15,989	$16,176

Sales and Use Taxes

The City of Inglewood receives a 1% share of all taxable sales generated within its borders. The City also receives a portion of an additional statewide voter-approved 0.5% sales tax amount, which is dedicated for public safety purposes. In addition, Inglewood voters approved a special 0.5% use tax for vital City services (Measure IT funds). Growth rates for these taxes are based on published estimates from the City's property and sales tax consultant, HDL Companies. The growth rates range from 2.75% to 3.5%.

Table 4 shows General Fund sales and use tax revenue from the forecasts.

Table 4. *General Fund Sales and Use Tax Revenue: Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$12,103	$10,912	$10,108	$11,069	$11,752	$12,157	$12,577	$13,011	$13,460	$13,925

Transient Occupancy Tax (TOT)

Transient occupancy taxes are assessed on hotel and motel room rentals within Inglewood at a rate of 14%. The forecast projects a 2% annual revenue increase for this funding source based on the trend of this revenue stream over the last five years and the estimated actual for the current FY 2011/12.

Table 5 shows General Fund transient occupancy tax revenue from the forecasts.

Table 5. *General Fund Transient Occupancy Tax Revenue: Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$3,164	$2,502	$2,517	$2,979	$2,980	$3,040	$3,101	$3,163	$3,226	$3,291

Franchise Taxes

Inglewood charges a franchise tax to water, refuse, cable, electric and gas utility providers. This revenue source has historically grown in concert with UUT revenue and, as such, is projected at the growth rates in the forecast model, respectively. As noted above, UUT growth rates range from -1% to 3% annually depending on the specific utility.

Table 6 shows General Fund franchise tax revenue from the forecasts.

Table 6. *General Fund Franchise Tax Revenue: Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$3,147	$3,217	$2,980	$2,849	$2,820	$2,831	$2,842	$2,855	$2,868	$2,882

Business License Taxes

The City charges a tax to businesses that operate within Inglewood. Rates vary but are based on the gross receipts for each individual business, with the exception of residential rental businesses that are charged a flat rate based on the number of units. This revenue source is projected to remain constant through the forecast period.

Table 7 shows General Fund business license tax revenue from the forecasts.

Table 7. *General Fund Business License Tax Revenue: Actual, Estimated Actual and Forecasted (in Thousands)*

Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
$4,416	$3,965	$4,475	$4,528	$4,500	$4,635	$4,774	$4,917	$5,065	$5,217

The Forum Revenues

The Forum is an indoor arena with a capacity of 18,000 in Inglewood. Currently owned by a local church, The Forum opened in 1967. During its history, it served as an entertainment venue and home to major league sporting teams including the Los Angeles Lakers (NBA), Los Angeles Kings (NHL), and the Los Angeles Sparks (WNBA). At the time of this report, Madison Square Garden Entertainment (MSGE) was in negotiations to purchase and renovate the venue – a project that will provide both one-time and recurring revenue to the City and surrounding municipalities.

Based on discussions with City staff, projected revenue from a renovated and occupied MSGE Forum has been included in the forecast Scenarios. The revenue figures that were provided to Management Partners were produced by HR&A Advisors, who represent MSGE, the potential owners of The Forum. These numbers have not been independently verified by Management Partners, the City or its consultants.

We would note that the revenue projected by HR&A Advisors is based on the property tax distribution methodology that existed prior to the dissolution of redevelopment agencies. This means that the new property

tax revenue may be understated. Further, we cannot determine if HR&A Advisors' estimate includes the City's additional property tax levy for employee retirement costs. Therefore, independent analysis will be important to ensure that the numbers are currently valid.

HR&A Advisors' estimates increases in City property, sales, business license, admission, parking, and utility users' taxes. Together these tax increases amount to $744,000 in FY 2014/15, which increases to $766,000 by the end of this five-year forecast in FY 2016/17, and are projected to increase thereafter. These amounts are added as a separate revenue category in all three Scenarios.

Structural Deficit Analysis (Scenarios A and B)

Management Partners' analysis concludes that there are three primary contributors to the City's structural deficit. These are:

1. **Return of Costs**

   As noted above, the City negotiated two years of employee furloughs during FY 2010/11. Estimated savings in FY 2010/11 were $2.2 million. When the furloughs are in place for a full 12 months in FY 2011/12, savings are estimated at $3.2 million. According to the City's existing labor agreements, these furloughs are scheduled to end on December 21, 2012. On an annual basis, this will add $3.2 million to the General Fund.

2. **Unallocated Costs**

   The City's current overhead allocation of General Fund expenditures to other funds does not account for all central administration and maintenance costs that should properly be allocated to other funds. However, it is estimated that a new cost allocation plan will result in an additional $400,000 in revenue to the General Fund in FY 2012/13.

   Also, the City has not historically charged non-General Fund accounts for their appropriate cost of Civic Center debt service payments. It is estimated that an appropriate allocation of the debt service cost, would amount to a $750,000 annual savings to the General Fund.

   Together, these items could have a $1.15 million positive impact on the General Fund. We discuss these items in greater detail in the section of this report entitled "Solving the Budget Deficit".

3. **Anticipated Expenditure Increases**

Expenditures related to the following items are forecasted to increase over the next five years.

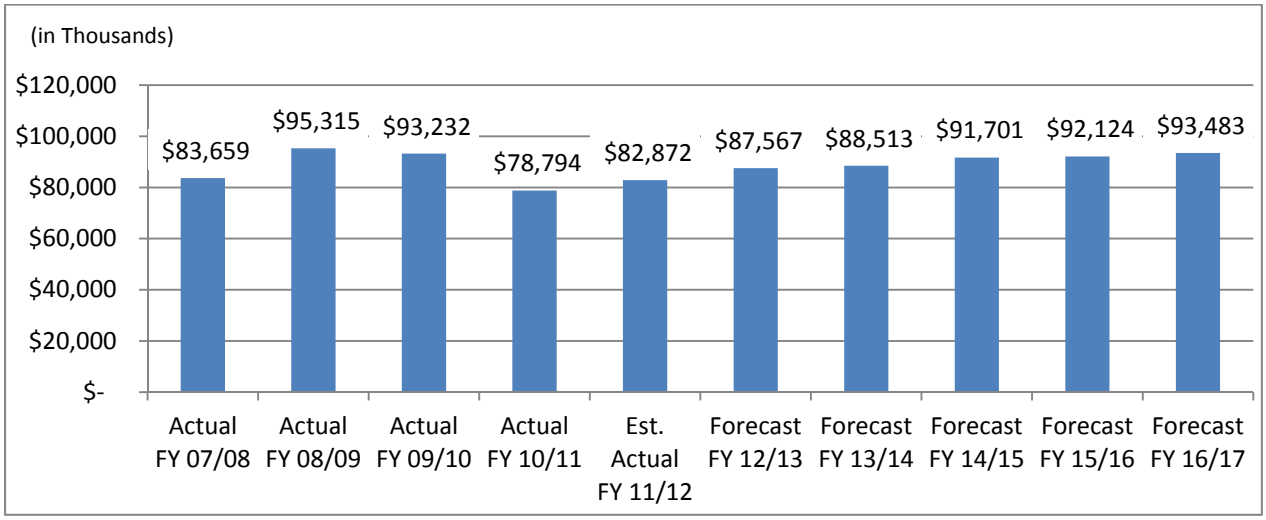
- Bank charges
- Election costs in FY 2012/13 and FY 2014/15
- Fire services contract
- General maintenance and operations expenses
- Group insurances, employee health, dental, and vision insurance
- Motor vehicle fuel
- Pension costs, CalPERS
- Redevelopment Agency Dissolution
- Retiree medical costs
- Workers' Compensation and Disability Insurance

More detail on these items is provided below in the section entitled "Expenditure Detail for Scenarios A and B".

Expenditure Detail for Scenarios A and B

Figure 6 shows total General Fund departmental expenditures from FY 2007/08 to FY 2016/17. Actual expenditures are shown from FY 2007/08 through FY 2009/10. The FY 2010/11 figures are estimated actuals, pending the final annual audit. The FY 2011/12 figures are estimated actuals, based on the Finance Department's analysis of mid-year expenditures. The forecast period is from FY 2012/13 through FY 2016/17.

Figure 6. *General Fund Departmental Expenditures: Actual, Estimated Actual and Forecasted (in Thousands)*



By FY 2016/17, total departmental expenditures in the General Fund are projected to be $10.6 million more than the total for the current fiscal year (FY 2011/12). The majority of this increase is outside of the direct control of City staff and is related due to cost increases for the following items (described in detail below).

- Salary and wage costs
- Redevelopment Agency dissolution
- Pension Costs, CalPERS
- Bank charges
- Election costs in FY 2012/13 and FY 2014/15
- Fire services contract
- General maintenance and operations expenses
- Group insurances (employee health, dental, and vision insurance)
- Workers' compensation and disability insurance
- Retiree medical costs
- Motor vehicle fuel
- Expiring CHRP grant

Salary and Wage Costs

As noted previously, the City negotiated two years of employee furloughs which are scheduled to end on December 21, 2012. The forecast includes a return of these costs on the pay period that begins December 22, 2012. On an annual basis, this will return $3.2 million to the General Fund. In FY 2012/13, the additional costs are projected to be $2.5 million because the furloughs are scheduled to end during the third month of the fiscal year.

The Scenario A forecast *does not* include any cost of living adjustments (COLA) for City employees. Table 8 presents information on negotiated changes in salary and wages over the last five years by employee bargaining group. The table shows that all bargaining groups received increases in the first three years, followed by furloughs or negotiated reductions in the last two years.

Table 8. *Salary and Wage Increases by Bargaining Group (past five years)*

Bargaining Group	Covered Employees	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12
SEIU 721	General Non-Management Bi-Weekly Employees	3% one-time bonus @ 04/17/08	3% @ 10/1/08	3% @ 10/1/09	-10% *(temporary furlough reduction)*	
Inglewood Management Employee Organization (IMEO)	Non-sworn Management, Supervisory, and Professional	3% one-time bonus @ 04/17/08	3% @ 10/1/08	3% @ 10/1/09	-10% *(temporary furlough reduction)*	
Inglewood Executive Organization (IEO)	Executives	3% one-time bonus @ 04/17/08	3% @ 10/1/08	3% @ 10/1/09	-10% *Did not take furloughs; negotiated a ten percent decrease in salary until December 2012*	
Inglewood Police Management Association (IPMA)	Police Sworn Management	2.5% to 6% @ 10/6/07 (depending on position)	3% @ 10/1/08	0	130 hours of furloughs (with the option to offset with accrued paid vacation leave)	
		4% @ 01/01/08	3% @ 7/1/09			
Inglewood Police Officers Association (IPOA)	Sworn Police Officers	4% @ 1/1/08	3% @ 10/1/08	0	130 hours of furloughs (with the option to offset with accrued paid vacation leave)	
			5% @ 7/1/09			

It is important to note that members of SEIU, IMEO and IEO also received a 4% one-time bonus in FY 2006/07. In addition, in that same fiscal year, members of IPMA and IPOA received a 2% and 4% increase in their base pay, respectively.

Redevelopment Agency Dissolution

Following the California Supreme Court's decisions on Propositions 26 and 27, the City of Inglewood, along with cities across the state, began the process to dissolve their Redevelopment Agency. On April 17, 2012, the City Council approved a ***Mid-Year Reorganization, Consolidation, and Workforce Reduction Plan*** which addressed the financial and operational

issues resulting from the dissolution of the RDA. When implemented, the Plan will reduce the potential of a $2.4 million impact to the General Fund in FY 2011/12 to $782,000 as well as the potential for an on-going impact of $3.2 million to $568,000 annually thereafter. These reductions will be accomplished through a combination of personnel adjustments (layoffs, downgrades, and position eliminations), shifting costs to other funds, fee increases, and department/division reorganizations.

In summary, the actions related to the RDA affect the Scenario A forecast by adding $782,000 to General Fund costs in FY 2011/12, and $568,000 each year thereafter.

California Public Employee Retirement System (CalPERS)

Inglewood, as well as other agencies that participate in CalPERS, is likely to receive a significant rate increase from CalPERS in the next two years. At the March 14, 2012 meeting, the CalPERS Board approved a recommendation to lower the CalPERS discount rate assumption, or the rate of investment the pension fund assumes, from 7.75% to 7.50%. The Board directed CalPERS staff to begin developing a plan to phase in the employer contribution rate increases over a period of two years, beginning in FY 2013/14. The full impact of the change in rates will be known when the system actuaries complete the actuarial valuations in fall 2012. In the meantime, CalPERS staff has provided estimated impacts that Management Partners is using in the forecast projections. These estimates include a 2% payroll increase for miscellaneous plans and a 3% payroll increase for Safety, with half of the increase reflected in FY 2013/14 and the full increase reflected in FY 2014/15 and beyond. Based on this information, the forecast increases CalPERS rates by 1% in FY 2013/14 and 2% in FY 14/15 for Miscellaneous employees. The rate for Sworn Public Safety employees is increased by 1.5% in FY 2013/14 and 3% in FY 2014/15.

In FY 2012/13, the City's CalPERS rates will be 13.726% for Miscellaneous plans and 29.628% for Safety plans. This increases the City's cost over the current budget year by $317,000. The impacts of the increases beginning in FY 2013/14 are estimated to be $598,000.

Bank Charges

The City has historically budgeted $80,000 for bank charges; however, actual costs have ranged from $133,000 to $260,000 annually for the past

five years. As such, the forecast projects bank charges at the five-year average of $190,000 per year.

Election Costs

The City Clerk is responsible for overseeing special and regular City elections. There will be a regular election in FY 2012/13 for Council Districts 1 and 2, estimated to cost $300,000. There will also be an election in FY 2014/15 for the Mayor, City Clerk, Treasurer and Council Districts 3 and 4. The estimated cost for the FY 2014/15 election, given the number of offices on the ballot, is $600,000.

Fire Services Contract

The City contracts with the Los Angeles County Fire Department for fire protection services. Preliminary estimates from the County for the FY 2012/13 budget call for a 4.81% increase in the contract. In FY 2012/13, this amounts to a $500,000 increase, which has been included in the forecast. Beginning in FY 2013/14, we have projected 3% annual increases in the fire services contract to reflect the average historical growth trend of this service.

General Maintenance and Operations Expenses

Management Partners is projecting an annual increase of 1% for general maintenance and operations expenses (commonly referred to as M&O). These expenses cover all non-personnel and non-capital expenditures in the General Fund. In FY 2012/13, this amounts to an increase of $573,000, which does not reflect increases for any emergency items that could arise or utility rate increases that could result in higher costs. This is simply a minimum budget level for purposes of creating the Scenario A forecast.

Group Insurances (employee health, dental, and vision insurance)

In line with the City's last five-year forecast and historical cost increases, Management Partners is projecting an annual increase of 5% for group insurances. In FY 2012/13, this amounts to an increase of $352,000.

Workers' Compensation and Disability Insurance

In line with the City's last five-year forecast and historical cost increases, Management Partners is projecting an annual increase of 5% for workers'

compensation and disability insurance. In FY 2012/13, this amounts to an increase of $123,000.

Retiree Medical Insurances

Also in line with the City's last five-year forecast and historical cost increases, Management Partners is projecting an annual increase of 6% for group insurances. In FY 2012/13, this amounts to an increase of $250,000.

Motor Vehicle Fuel

The General Fund's current budget for motor vehicle fuel is $538,000. However, actual cost during the past five years has ranged from $550,000 to $840,000. Given this trend and gasoline price increases, the forecast estimates motor fuel costs at the five-year average of $680,000. This is an increase of $150,000 annually, which is a 28% increase.

Expiring CHRP Grant

In 2009, the City was awarded under the COPS Hiring Recovery Program (CHRP) from the U.S. Department of Justice. However, the City turned down this initial grant due to concerns about continuing costs when the grant expired. In 2011, the City was re-awarded the grant and accepted the funds. Without the grant, the City was faced with the potential layoff of eight police officers. The grant currently provides approximately $1 million annually until FY 2014/15. At which time, the City may seek additional grant fund should they be available. As a result, Scenario A includes the loss of the $1 million annual CHRP grant in FY 2014/15.

More information on the expenditures in the Scenario A forecast can be found in Attachment B, which is a summary of the forecast.

Additional Resource Needs in Scenario B

The Management Partners' Baseline forecast (Scenario B) includes all of the assumptions in Scenario A, with the allocation of additional funds for:

- Restore the General Fund contingency to the 8% policy level by FY 2016/17.
- Replace 44 aging fleet vehicles annually, in alignment with the City's Vehicle Replacement Plan.

General Fund Contingency

The City's reserve policy (commonly referred to in Inglewood as the General Fund contingency) was adopted by the City Council in 2007. It reads as follows:

> *It is the policy of the City of Inglewood to establish and maintain at least a reserve fund balance for the General Fund equal to 8% of the current year's expenditure appropriations and adequate operating reserves for all other funds to be reviewed at least annually.*
>
> *Unforeseen developments and crises occur more often than not in any given budget year. Maintaining reserves is considered a prudent management practice and can be used for numerous unforeseen situations. Examples of potential uses and drawdowns include:*
>
> - *Federal/State/County budget cuts*
> - *Local revenue shortfall due to major business closures or relocations*
> - *Increase in demand for a specific service*
> - *Legislative or judicial mandate to provide a new/or expanded service or programs*
> - *One-time City Council approved expenditure*
> - *Unexpected increase in inflation (CPI)*
> - *Natural disaster (earthquake, flood, etc.)*
>
> *In an effort to ensure the continuance of sound financial management of public resources, this policy of the City Council directs staff to maintain an unappropriated General Fund reserve amount equal to 8% of current year appropriations in a separate reserve fund account. If unforeseen circumstances occur which cause the reserves to drop below their prescribed levels, then staff will immediately present the City Council with various options for curing the deficiency(ies).*

To rebuild the contingency to meet the 8% policy, in the upcoming fiscal year (FY 2012/13), the City would need $6.9 million (based on the projected $86 million in General Fund expenditures). Because expenditures will increase over the next five years, the 8% reserve requirement is projected to equal $7.4 million by FY 2016/17. The Baseline forecast assumes that the City would slowly rebuild its reserves over the next five years to meet its 8% policy by FY 2016/17.

Fleet Vehicle Replacements

The City of Inglewood has a vehicle fleet of 480 units. Of these 344 are passenger vehicles[2] and the remaining 146 are categorized as miscellaneous units (tractors, trailers, and other vehicular units).

In their FY 2005/06 Business Plan, the Fleet Maintenance Division discussed the City's aging fleet and stated that it was their goal to replace the entire fleet in the next three years (by FY 2008/09). While some units have been replaced, the financial impact of the Great Recession has limited the City's ability to replace vehicles in accordance with their replacement schedule. Based on the current age and use of the City's fleet units, staff estimates approximately 220 passenger vehicles (marked police units and others) will need to be replaced over the next five years. This amounts to the replacement of approximately 44 vehicles annually at an estimated cost of $1.1 million to $2 million. The lower estimate reflects lease pricing and the higher rate is for purchase. The Scenario B forecast includes the purchase price of $2 million annually ($10 million over the next five years). Should the City decide that leasing is a viable option; the forecast should be adjusted accordingly.

Table 9 shows the deficit from Scenario A, with the additional resources needed to fund the General Fund contingency and replace 44 fleet vehicles annually. The Scenario A deficit of $8.9 million in FY 2012/13, grows to $11.8 in Scenario B. By FY 2016/17, the Scenario A deficit of $8.8 million is $12.7 million under Scenario B.

Table 9. *Scenario B: Baseline Forecast Annual Deficits (in Thousands)*

	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Scenario A Deficit	$(8,854)	$(8,899)	$(9,946)	$(8,907)	$(8,812)
8% Contingency Funding	$(931)	$(931)	$ (1,862)	$(1,862)	$(1,862)
Replace 44 fleet units annually	$ (2,000)	$ (2,000)	$ (2,000)	$ (2,000)	$ (2,000)
Total Scenario B Deficit	$(11,785)	$(11,830)	$(13,808)	$(12,769)	$(12,674)

[2] Passenger vehicles include motorcycles, sedans, vans, pickup trucks, as well as various light, medium and heavy duty trucks.

Scenario C: Adjusted Forecast

The Scenario C Adjusted Forecast demonstrates significant costs beyond those needed to continue current services levels. These additional costs are related to the following items:

- Reactivating Fire Station 172 in North Inglewood
- Partially restore (non-contingency) designated General Fund reserves to $16.8 million
- Rebuilding the total contingency and undesignated General Fund reserves to the GFOA best practice of a *minimum* of two months of operating expenditures (which equates to 16.6% of expenditures)
- Funding deferred maintenance and other improvements to City facilities
- Funding various Police equipment and infrastructure upgrades

Table 10 shows the Scenario C deficit when the aforementioned costs and reserve allocations are added. The deficit in Scenario C is $17.8 million in FY 2012/13 and grows to $21.7 million by FY 2016/17.

Table 10. *Scenario C: Adjusted Forecast Annual Deficits (in Thousands)*

	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Scenario A Deficit	$(8,854)	$(8,899)	$(9,946)	$(8,907)	$(8,812)
8% Contingency Funding	$(931)	$(931)	$ (1,862)	$(1,862)	$(1,862)
Replace 44 fleet units annually	$ (2,000)	$ (2,000)	$ (2,000)	$ (2,000)	$ (2,000)
Total Scenario B Deficit	**$(11,785)**	**$(11,830)**	**$(13,808)**	**$(12,769)**	**$(12,674)**
New Costs / Allocations in Scenario C					
Reactivate Fire Station 172		$ (2,024)	$ (2,780)	$ (2,863)	$ (2,949)
Restore Designated Reserves	$ (3,364)	$ (3,364)	$ (3,364)	$ (3,364)	$ (3,364)
Rebuild Undesignated Fund Balance to 16.6%	$(1,601)	$(1,601)	$(1,601)	$(1,601)	$(1,601)
Maintenance and Improvements to Various City Facilities	$ (539)	$ (539)	$ (539)	$ (539)	$ (539)
Upgrade various Police equipment and infrastructure	$ (525)	$ (525)	$ (525)	$ (525)	$ (525)
Total Scenario C Deficit	$(17,814)	$(19,883)	$(22,616)	$(21,661)	$(21,652)

Below, we describe the additional costs and reserve allocations for Scenario C.

Reactivate North Inglewood Fire Station 172

The Scenarios A and B includes costs for the fire services contract with the Consolidated Fire Protection District of Los Angeles County to provide the existing level of services. This does not include funds to reactivate Engine Company 172 that is temporarily closed for 36 months due to budgetary constraints. Effective January 1, 2011, Fire Station 172 ceased operations; however, Paramedic Squad 172 was temporarily assigned to Fire Station 171 in order to continue serving the jurisdictional area impacted by the station closure. Upon re-activation both the Engine Company and Paramedic Squad would operate from Station 172, thus returning the station to full operations. The current agreement with the Fire District states that the City "shall restore funding for Engine 172 no later than January 1, 2014". On an annual basis, it is estimated that reactivating the Engine Company will cost $2.7 to $3 million to the General Fund. This estimate is inclusive of current and projected increases to the fire services contract.

Designated General Fund Reserves

The City of Inglewood maintains designated reserves within the General Fund for the following items:

- Equipment replacement
- Contingencies (8% Financial Policy reserve)
- Self-insurance for general liability
- Self-insurances for workers' compensation
- Accrued vacation leave
- Accrued sick time leave

At the end of FY 2007/08 (the first year of the Great Recession), the combined designated reserves for the above items was $27.3 million. By the end of FY 2010/11, the designated reserves were estimated at $8.1 million. This $19 million decrease was not due to significant expenses related to the designations; instead, the decrease is largely due to the fact that the City overspent its undesignated reserves by $16.8 million to cover expenses that exceeded revenues. As a result, at the end of last fiscal year (FY 2010/11), staff estimates that the designated reserves were $8.1 million. This will be confirmed by the annual independent audit which is currently underway.

Table 11 illustrates the ending fund balance trends in the General Fund from FY 2007/08 to FY 2010/11.

Table 11. *General Fund Reserved and Unreserved Fund Balances FY 2007/08 to FY 2010/11 (year-end)*

		Actual[1] FY 07/08	Actual[1] FY 08/09	Actual[1] FY 09/10	Est. Actual FY 10/11
Reserved Fund Balance[2]	(a)	$3,649,331	$6,359,383	$5,720,855	$6,534,084
Unreserved Fund Balance					
Designated[3]	(b)	*$27,323,445*	*$28,020,549*	*$27,978,588*	*$8,130,000*[4]
Undesignated	(c)	$17,575,930	$814,860	($16,819,641)	
Total Unreserved Fund Balance (Designated and Undesignated)	(b+c)	$44,899,375	$28,835,409	$11,158,947	$8,130,000
Percent Change		20%	-36%	-61%	-27%
Grand Total Reserved and Unreserved Fund Balances	(a+b+c)	$48,548,706	$35,194,792	$16,879,802	$14,664,084
Percent Change		10%	-28%	-52%	-13%

[1] Source: Inglewood Annual Financial Statements
[2] Reserved Fund Balances include for encumbrances, deposits and prepaid items, inventories, and long-term receivables.
[3] Unreserved Designated balances are used for: 1) equipment replacements, 2) contingencies (8% financial policy), 3) self-insurance for general liability, 4) self-insurances for workers' compensation, 5) accrued vacation leave, and 6) accrued sick time leave.
[4] Estimate includes a $16.8 million reduction due to the prior year's undesignated fund balance and $3 million of additional funds to cover budgeted expenses.

It is critical to the City's fiscal health to maintain appropriate reserves for the above designations. For example, later in this report we discuss anticipated expenditures over the next five years for equipment replacement (fleet vehicles) as well as accrued vacation and sick leave that will exhaust the current designated reserves for those items.

Should the City decide to restore the $16.8 million to its designated reserves, it would be prudent to do so consistently over the next five years. This amounts to approximately $3.4 million annually.

As mentioned above, the Scenario B forecast includes funds to restore of the 8% General Fund contingency, which is one of the designated reserves. Once this occurs, additional monies allocated to the designates reserves can be placed in one of the five other designations, most notably, those related to self-insurance for general liability, accrued vacation, and

accrued sick time. These areas are further discussed in the "Additional Financial Risk and Observations" section of this report.

It is important to also note that the figures in Table 11 do not account for a $5.2 million adjustment for prior year expenditures (in the Housing Division), that the City approved this fiscal year, as noted above.

Undesignated General Fund Reserves

As previously noted, the City has depleted its undesignated reserve and has significantly reduced its designated reserves in the General Fund. ***As shown in Table 11 above, at the end of FY 2010/11, the City had no undesignated reserves and only $300,000 in contingency funds.*** This is largely due to the fact that, since the start of the Great Recession, the City has used reserves to bridge the gap for fiscal shortfalls.

The Government Finance Officers Association Best Practice on "Appropriate Level of Unrestricted Fund Balance in the General Fund" recommends a reserve of at least two months of regular General Fund operating revenues or regular General Fund operating expenses. Two months is equivalent to a 16.6% reserve. Such a reserve amount for the City's FY 2012/13 General Fund expenditures would be $14 million. This would rise to $15 million by FY 16/17 based on the level of expenditures in the Scenario A forecast.

If the City chose to rebuild reserves to the recommended GFOA Best Practice, it would still be less than half of the $36.6 million in reserves that have been used since the start of the Great Recession to cover General Fund shortfalls.

The Scenario C forecast includes funding to meet the GFOA Best Practice recommendation. Since the Baseline forecast (Scenario B) already includes funding to meet the City's existing 8% reserve policy, the differential needed to achieve the GFOA best practice by FY 2016/17 is an additional $1.6 million set-aside annually.

Maintenance and Improvements to Various City Facilities

Management Partners asked the Public Works Department for a list of deferred maintenance projects and essential improvements to City facilities that will be needed during the next five years. The list totals 11 projects for an estimated cost of $2,695,000. The cost for these projects have been factored into the Adjusted forecast, budgeted at $539,000 annually for the next five years.

Civic Center

- Replace cooling tower at City Hall
- Upgrade cooling system in ITC server room
- Replace HVAC System (911 communication)
- Retrofit the pneumatic zone controls with electron controls
- Replace existing boilers with tankless systems
- Replace police station roof

Rogers Park

- Install new floor

Darby Park

- Replace roof
- Replace HVAC and ventilation system

City Service Center

- Replace parking deck
- Retrofit eight work stations in fleet services

In addition, it is important to note that there is a total of $9.3 million of critical and seismic upgrades needed to the Civic Center Complex. We have not factored in the cost of these upgrades to the Adjusted Forecast because on April 3, 2012 the City Council authorized a finance team to begin preliminary work to restructure the Civic Center debt to achieve lower interest rates and expand the maturity date of the debt. This will provide bond proceeds that would finance the $9.3 million of needed upgrades. The City also hopes to save approximately $3 million of debt service payments as a result of the refinancing over the next three years. These savings have not been factored into the forecasts because the City is only in the initial stages of developing its refinancing plan. At the time of this report, the City had recently appointed a refinancing team to begin preliminary work on remarketing the debt.

Table 12 shows the critical improvements and seismic upgrades that are needed for the Civic Center Complex.

Table 12. *Critical Improvement for the Civic Center Complex*

General Civic Center	
Emergency Generators AQMD Compliance	$500,000
Emergency Generators and Service Center Backup	480,000
Sub-total	*980,000*
Inglewood City Hall	
Fire-Safety Improvements (5 floors)	1,100,000
Seismic (earthquake) upgrade	250,000
Repair Elevators	600,000
ADA Compliant Restrooms	900,000
Relocate Council Chambers to 1st Floor - Evacuation Safety	1,500,000
Sub-total	*4,350,000*
Inglewood Library	
Seismic Upgrade	1,200,000
ADA Compliant Restrooms	520,000
Repair Elevators	100,000
Sub-total	*1,820,000*
Parking Structure	
Seismic Upgrade	800,000
ADA Upgrades	350,000
Sub-total	*1,150,000*
Police Facility	
Various Upgrades*	1,000,000
GRAND TOTAL	**$9,300,000**

*The Police Facility has not been evaluated to determine seismic and other structure needs. The figure shown is an estimate from City staff based upon the age and observable deterioration of the structure.

The Adjusted Forecast does not include funds for street maintenance because the City has historically used special revenues to fund roadway improvements, notably gas tax revenue. In addition, the City is scheduled to conduct its ten-year update of its Pavement Condition Index (PCI) in the current year. Once completed, the City will be able to ascertain its funding requirements for street maintenance. It is likely that the special revenue that the City uses to maintain its roadways will be insufficient to fund the needed improvements identified through the PCI update, and General Fund resources may be required.

Police Equipment and Infrastructure Upgrades

Management Partners received information on critical equipment and infrastructure needs in the Police Department over the coming five years.

In addition to the replacement of 43 marked police vehicles (which is included in the aforementioned replacement of citywide fleet vehicles), staff highlighted five major improvements to equipment and infrastructure used in the Police Department. These are:

- Upgrade Digital Radio Infrastructure
- Replace Computer Aided Dispatch (CAD) and Records Management System (RMS) systems
- Install in-car video systems for marked police units
- Install new mobile computers in police units
- Upgrade Police mobile data system

Table 13 shows the estimated capital cost for these upgrades. The total of $2.6 million has been factored into the Adjusted Forecast through a budget allocation of $525,000 annually.

Table 13. *Needed Police Equipment and Infrastructure Upgrades within the Next 5 Years*

Equipment / Infrastructure	Estimated Capital Cost
Upgrade Digital Radio Infrastructure	$130,000
Replace CAD/RMS system	1,800,000
Install in-car video systems for marked police units	215,000
Install new mobile computers in police units	460,000
Upgrade Police mobile data system	20,000
Total	$2,625,000

Additional Financial Risks and Observations

This section contains details on additional financial risks and observations based on the work that was conducted for this project. Two issues, projected employee retirements and self-insurance for general liability are discussed.

Projected Employee Retirements

At present, the City has 582 full-time employees. Of this number, 28 employees are over the age of 60 and eligible to retire. According to staff members, Inglewood employees typically retire between the ages of 56 and 60.

Currently, there are 180 employees between the ages of 50 and 69. ***This amounts to 31% of the City's current full-time employees that may retire within the next five years.*** This demographic shift will have a significant impact on the City's Other-Post Employment Benefit (OPEB) costs, specifically retiree medical costs. In FY 2011/12, the City's General Fund expects to pay $4.2 million to fund retiree medical premiums. This expense is funded on a pay-go basis, without any pre-funding. In the forecast Scenarios A and B, this figure is conservatively increased by 6% annually to reflect potential premium increases and additional retirees. Depending on the exact timing of when employees retiree, the increase may exceed 6% in a given year.

In addition, retirements will trigger accrued vacation and leave payouts. And, as noted in Table 11 above, the City's reserves for accrued sick and vacation leaves have been reduced due to the use of undesignated funds to cover expenses that exceeded revenues.

> Recommendation 1. **Conduct a detailed analysis of the potential employee retirements over the next five years and assess the appropriateness of current accrued reserves for sick and vacation leaves.**

Recommendation 2. **Create a plan to begin pre-funding Other Post-Employment Benefit (OPEB) liabilities and ensure that non-General Fund departments are paying their appropriate share of OPEB liabilities.**

Bank Changes

As noted in the Expenditure Detail Section for Scenario A and B, the City has historically budgeted $80,000 for bank charges; however, actual costs have ranged from $133,000 to $260,000 annually, for the past five years. As a result, we increased the forecasted expenditures for this item to $190,000. This reflects the five-year average cost. However, it may be possible to reduce the City's cost for bank charges through negotiations with the City's banking institutions and/or implementation of fees to recoup per transaction fees from customers that pay with a credit card.

Recommendation 3. **Analyze bank charges to determine the major cost drivers and negotiate fee reductions with the City's banking institution and/or implement fees for credit card transactions.**

Solving the Budget Deficit

The scope of this project did not allow for a detailed and thorough examination of potential budget solutions. However, we would like to make the following observations and highlight several areas where the work of City staff is already producing positive results.

Multi-year Budget Stabilization Plan

To fully address the significant General Fund fiscal challenges, the City will need to create a multi-year budget stabilization plan that will enable it to provide services within its projected resource capacity. There is no "quick fix" to achieving budget stability and, as this report demonstrates, the City has depleted its reserves and, unless significant changes are made, expenditures will outpace revenues for the foreseeable future.

> Recommendation 4. **Develop a multi-year budget stabilization plan which aligns revenues and expenditures.**

The multi-year plan should include a range of alternatives for closing the budget gap, such as:

1. **New/Increased Revenue Sources.** This involves identifying new revenue sources based on best practices, including improving existing user fee/cost recovery approaches.
2. **Expenditure Controls/Shifts.** This refers to strategies that cap General Fund spending or reduce General Fund expenditures by shifting costs to other funds.
3. **Service Delivery Model Changes.** This includes looking at alternative, lesser cost, service delivery approaches.
4. **Service Delivery Reductions.** This involves reductions based on prioritizing core services and reducing those that are not core services.

Budget Principles

An important strategy for avoiding structural budget deficits is to adopt budget principles that are relatively easy to understand and can serve as a meaningful framework for maintaining financial discipline. Reporting the state of the municipality's finances to the governing body for public discussion is a way for the fiduciary responsibilities of the elected officials and executive managers to be understood by the public and organization.

The League of California Cities' Institute for Local Government has prepared a publication called "Financial Management for Elected Officials: Question to Ask." The publication provides guidance about financial planning policies that should be in place. The following key items are cited by the League.

- *Budget policy:* Commitment to a balanced operating budget
- *Long-range planning:* Financial analysis and strategies to assess the long-term implications of current and proposed expenditures and related financial obligations
- *Asset inventory:* Requirement for a current listing of major capital assets, asset condition, and a plan for replacing assets
- *Long-range planning for pension and other post-employment benefit costs:* Identification of how the agency will meet such obligations
- *Reserve and other fund balances:* Requirements to maintain prudent level of resources and method of setting aside moneys to replace assets
- *Revenue policies:* Focus on diversification of revenue sources to protect against fluctuations in individual sources
- *User fees and charges:* Establishing expectations about covering the cost of providing services and how costs are determined
- *One-time and unpredictable revenues:* Use of such revenues for one-time needs rather than on-going expenses
- *Limited purpose revenues:* Spending special purpose revenues for the intended use only
- *Financial reporting:* Comparing actual expenses and revenues with what was predicted in the agency's budget
- *Debt financing:* Specifying how debt financing will be used and the level of debt allowed
- *Cash management and investments:* Ensuring prudent practices in investment.

To resolve its structural budget deficit and prevent a recurrence in the future, the City needs to adopt budget principles to help elected and

appointed officials maintain the financial discipline crucial to a large organization like the City of Inglewood.

> Recommendation 5. **Adopt a comprehensive set of budget principles to provide a meaningful and easy to understand framework for maintaining financial discipline.** Present a report to the City Council on the financial results of the policies at least once a year.

Monthly Cash Flow Projections

Management Partners was provided with cash and investments statements for the City's funds. As of March 2012, the City was running a $60 million cash deficit in the General Fund. This was offset by pooled cash from other funds and $73 million in General Fund investments. This arrangement does not pose an immediate problem because the City had enough pooled cash to cover the negative balance in the General Fund, and the General Fund was projected to have a positive $13 million balance ($73 million in investments, minus the $60 million cash deficit). However, given that the City's diminished resource capacity and the fact that the RDA dissolution may reduce its available pooled cash in the coming fiscal year, we feel that it is prudent for the City to develop a monthly cash flow projection to ensure that it will be able to maintain positive pooled cash balances.

> Recommendation 6. **Develop and maintain a monthly cash flow projection for the current and future fiscal year.**

Below, Management Partners describes several items that, if implemented, will have a positive impact on the projected budget deficit and reserve levels. These items are:

- Service Delivery Model Changes
- Overhead Cost Allocation
- Allocation of Civic Center Debt Service
- Rebuild General Fund Contingency

Service Delivery Model Changes

Cities that analyze alternative service delivery methods typically find that the current cost of providing services can be significantly reduced in some areas of operations by changing how the service is delivered. Service delivery alternatives offer the potential to maintain what is

currently provided without raising taxes or reducing services. In Inglewood, as in most older cities, the preponderance of services is delivered by a workforce employed by the City that exclusively serves the local community.

One of two most common alternative service delivery methods is *functional consolidation*, which involves delivering services through an entity serving two or more jurisdictions. The second most common alternative service delivery method is *outsourcing*, which uses a non-city entity and workforce to provide the service. These strategies are not mutually exclusive; some alternative delivery mechanisms employ both a consolidated service entity with outsourced service delivery.

The City of Inglewood currently uses both alternative service delivery methods. During our interviews, several staff members felt that additional opportunities for expanding these alternative service delivery methods exist. Below we discuss functional consolidation and outsourcing in greater detail.

Functional Consolidation

Functional consolidations are designed to provide existing or improved community service at a lower cost. This happens largely because of economies of scale. By using a common organization, entities eliminate redundancy, avoid the duplication of equipment and consolidate management and support functions.

Municipal services are delivered through a variety of institutions:

- City organizations
- Counties
- Special districts
- Joint powers agencies

Often, there are several municipal agencies within a single region that provide a similar (or identical) service, and all agencies will benefit from functional consolidation. The City of Inglewood's Parking and Outsource Services Department (established in FY 2011/12) is an excellent example of function consolidation. The Department currently provides parking citation processing and collection services to Inglewood and 60 client agencies. This has helped Inglewood and its client agencies take advantage of the financial savings from economies of scale and lowered their processing and collection cost per citation.

Outsourcing (also called Competitive Sourcing for Service Provision)

Cities have always relied on the private sector for the delivery of some services. Starting in the 1970s wholesale outsourcing for services such as refuse collection became commonplace. The concept caught on widely in the 1980s and 1990s, as did a hybrid approach called managed competition or competitive sourcing (public and private service providers compete to discover the best value proposition). Most cities in the United States outsource some services. Estimates are that currently 20% to 30% of municipal services are outsourced or subject to market competition.

The principles behind this approach can be summarized as follows:

- A shift from a monopoly environment to a competitive one is good because the presence of competition (or the realistic potential for it) forces innovation and lower costs.
- Competition must be structured around best value, not simply lowest cost. One of the lessons learned from the application of competition is that best value is not always delivered by the lowest bidder.
- A competitive environment does not mean the government gives up control or management responsibility. Even if a service is delivered by a private vendor, the government remains responsible and must provide strong oversight.
- Performance must be measured and the metrics agreed on before outsourcing. Both cost and performance must be continuously monitored and reported.

The application of competitive discipline to the delivery of municipal services is not just a theory. In Southern California many jurisdictions use outsourcing where most, if not all, basic services are provided either by another public agency or a private provider, including police and fire services. Outsourcing is used by many cities for street sweeping, traffic signal maintenance, landscape maintenance, water treatment and distribution, construction plan checking, planning, engineering, payroll and investment management. Competitive sourcing is becoming common even in California's largest cities and there are competitive private providers for many municipal services.

Inglewood has historically provided a few services through private providers, most notably trash collection and major street maintenance. The City has also uses the Consolidated Fire Protection District of Los

Angeles County for fire services for the last 10 years, at an estimated savings of over $15 million.

Recently, the City has begun to explore the outsourcing of parking enforcement and meter operations. In a December 2011 staff report to the City Council, the Parking and Outsource Services Department highlighted projected benefits of outsourcing of parking enforcement and meter operations. These included $450,000 in annual salary and wage savings, $800,000 in additional revenue, and additional operational benefits.

In addition, through interviews, staff noted that additional areas for outsourcing could include:

- Fleet services
- Graffiti removal
- Payroll processing
- Sidewalk repair
- Street sweeping
- Tree maintenance

As the City develops a multi-year plan to address its structural deficit, it should continue to explore service delivery model changes. While every service area may not be an optimal candidate for outsourcing, the City has a proven track record of achieving financial savings by taking advantage of functional consolidations and outsourcing to continue services to the community, while simultaneously reducing the cost.

Overhead Cost Allocation

Since FY 2008/09, the General Fund has subsidized costs that can and should be charged to other funds. In FY 2008/09, the General Fund assumed $4.2 million in overhead charges that were previously budgeted in other funds. It appears that this action was done to comply with HUD and other reimbursement guidelines which prevent charging for overhead costs that have not been incurred. By budgeting costs in the General Fund and seeking reimbursement after the costs are incurred, the City would be in compliance with reimbursement guidelines and the General Fund would eventually be repaid for the costs it incurred. Unfortunately, the City overestimated the overhead charges that could be reimbursed and the General Fund was not repaid. In the end, the amount of annual overhead charges that are reimbursed by other funds has not increased proportionately and the General Fund costs simply increased by more than $4 million annually since FY 2008/09.

Current management is aware of this issue and has contracted with MGT of America, Inc. to develop a new cost allocation plan and reimbursement methodology for the City. This work is scheduled to be completed prior to the start of FY 2012/13.

Should the new cost allocation plan be implemented, the City is likely to recoup an additional $400,000 initially in FY 2012/13, which may grow to $1.5 million annually in future years, if special funds can support the increased level of overhead charges.

Allocation of Civic Center Debt Service

The City has not historically charged funds outside of the General Fund for their appropriate share of Civic Center debt service payments. At present, the General Fund pays approximately $2.5 million annually in debt service payments for the Civic Center complex. A portion of these costs should be charged to the utilities and grant funded programs.

To be clear, this issue of unnecessary costs borne by the General Fund is not an issue that would typically be a material finding in the City's annual independent audit. In fact, it is legal for the General Fund to bear such costs. However, standard operating procedure in municipal finance is to allocate all indirect costs of operating the City to programs that are financed by restricted revenue sources (such as fees or grants) so that the full cost of the various programs can be identified and recovered from the respective users.

For example, the City's Water Division (which is funded by monthly charges to water customers) and the Community Development Department (which receives no direct General Fund support and is largely financed by permit fees and grants) should pay their appropriate share of citywide overhead. This overhead should include central administrative and maintenance functions as well as Civic Center debt service. While it is legal for the General Fund to subsidize Civic Center debt for other funds, doing so reduces the amount of available money to support general government activities such as public safety, parks and recreation, and other community services.

> Recommendation 7. **Analyze usage of the Civic Center complex and develop an appropriate allocation of debt service to the non-General Fund accounts.** For example, should the City be able to allocation 30% of the debt service cost, this would amount to a $750,000 annual savings to the General Fund.

Rebuild General Fund Contingency Fund

As noted earlier in this report, the City's began FY 2011/12 with only $300,000 in contingency funds and $8.1 million in total unreserved, designated funds. This represents nearly all of the City's discretionary resources to address an unforeseen emergency or necessary expenditure from the General Fund. Five years ago, in FY 2007/08, the total of these funds was $45 million.

Because there are risks (both known and unknown), it is important for the City of Inglewood to rebuild its reserve levels, and at a minimum develop a plan to meet the Council approved 8% contingency fund as soon as possible. Without proper reserves, there can be major disruptions in services when unforeseen financial demands emerge, requiring immediate attention.

Scenario B provides a plan to gradually fund the 8% contingency over the next 5 years. Doing this will increase the current budgeted $300,000 to a reserve balance of $8 million by FY 2016/17. However, receipt of any one-time revenues can accelerate this process of rebuilding this contingency.

Trash Hauler Franchise Payment

At the time of the report, the City was reviewing proposals to renew or select a new vendor to provide refuse collection services. As part of the new agreement, the City expects to receive an up-front franchise payment of approximately $5 million in the current budget year (FY 2011/12), as well as an additional $1.25 million one-time payment in FY 2012/13.

> Recommendation 8. **Use proceeds from the trash hauler franchise payment and other one-time resources to rebuild General Fund reserves as well as cover temporary shortfalls as the City implements permanent solutions to eliminate the General Fund structural deficit.** We believe that the fiscal issues in the General Fund are so critical that the City should not use these one-time funds to continue deficit spending without a plan. Instead, we recommend that the City continue focusing on restoring the health of the General Fund and realign ongoing operational expenses with anticipated revenues.

Conclusion

Inglewood, like many other cities and counties in the country, has been grappling with an unprecedented decrease in revenues while experiencing cost increases. The City has taken steps to reduce costs during the last several years, however significant components of the cost reductions were temporary and will soon expire (negotiated furloughs and closure of Fire Station 172). In addition, the City used $36.6 million in one-time resources to cover expenses that exceeded revenues. This has affected the City's ability to handle unanticipated fiscal challenges that may arise in the future.

Consistent with industry trends, the forecast shows modest revenue growth. As a result, significantly lower costs will be required for the foreseeable future. The City will have to make permanent reductions to address its structural deficit as well as make additional reductions to restore its fiscal health.

To achieve financial sustainability and avert a financial crisis, Inglewood will need to take bold, decisive actions to implement changes in its cost structure. One of the greatest challenges for the City will be to identify what it can afford and how that relates to the type of community services it wants to provide. The financial forecast and observations in this report provide a portion of the foundation for those discussions.

Attachment A – Summary of Recommendations

Recommendation 1. Conduct a detailed analysis of the potential employee retirements over the next five years and assess the appropriateness of current accrued reserves for sick and vacation leaves.

Recommendation 2. Create a plan to begin pre-funding Other Post-Employement Benefit (OPEB) liabilities and ensure that non-General Fund departments are paying their appropriate share of OPEB liabilities.

Recommendation 3. Analyze bank charges to determine the major cost drivers and negotiate fee reductions with the City's banking institution and/or implement fees for credit card transactions.

Recommendation 4. Develop a multi-year budget stabilization plan which aligns revenues and expenditures.

Recommendation 5. Adopt a comprehensive set of budget principles to provide a meaningful and easy to understand framework for maintaining financial discipline.

Recommendation 6. Develop and maintain a monthly cash flow projection for the current and future fiscal year.

Recommendation 7. Analyze usage of the Civic Center complex and develop an appropriate allocation of debt service to the non-General Fund accounts.

Recommendation 8. Use proceeds from the trash hauler franchise payment and other one-time resources to rebuild General Fund reserves as well as cover temporary shortfalls as the City implements permanent solutions to eliminate the General Fund structural deficit.

Attachment B – Scenario A Forecast Model

See the following pages.

Five - Year Forecasting Model

Scenario A: Based on the City's Assumptions for the FY 2012/13 Budget

05/29/2012

City of Inglewood, CA

General Fund History and Forecast

FY 2007/08 Through 2016/17

Forecast: Scenario A

(Thousands of Dollars)	Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Revenues:										
Property Taxes	$ 24,338	$ 25,086	$ 24,905	$ 23,655	$ 23,579	$ 23,579	$ 23,579	$ 24,051	$ 24,532	$ 25,021
Utility Users Tax	18,891	17,294	16,020	15,757	15,300	15,474	15,638	15,810	15,989	16,176
Sales Taxes	12,103	10,912	10,108	11,069	11,752	12,157	12,577	13,011	13,460	13,925
Transient Occupancy Tax	3,164	2,502	2,517	2,979	2,980	3,040	3,101	3,163	3,226	3,291
Franchise Taxes	3,147	3,217	2,980	2,849	2,820	2,831	2,842	2,855	2,868	2,882
Business License Tax	4,416	3,965	4,475	4,528	4,500	4,635	4,774	4,917	5,065	5,217
Card Club Tax	4,979	4,859	4,227	3,824	3,800	3,914	4,031	4,152	4,277	4,405
Other Taxes	2,400	1,878	1,619	1,486	1,124	1,157	1,190	1,224	1,260	1,299
Fees	239	522	329	264	252	260	268	277	286	295
Fines	3,978	3,976	4,093	4,567	4,354	4,485	4,620	4,759	4,902	5,048
Community Development	2,883	2,924	1,217	2,574	2,675	2,756	2,839	2,924	3,013	3,104
Miscellaneous	4,876	4,978	2,760	8,792	2,840	2,847	2,847	2,847	2,847	2,847
MSGE Forum [1]	-	-	-	-	-	-	-	744	775	766
Total Revenues	**$ 85,414**	**$ 82,113**	**$ 75,250**	**$ 82,344**	**$ 75,976**	**$ 77,135**	**$ 78,306**	**$ 80,734**	**$ 82,500**	**$ 84,276**
Transfers In:										
Transfers In:										
Total Transfers In	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Resources Available: (Revenues & Transfers In)	**$ 85,414**	**$ 82,113**	**$ 75,250**	**$ 82,344**	**$ 75,976**	**$ 77,135**	**$ 78,306**	**$ 80,734**	**$ 82,500**	**$ 84,276**

Note 1: This figure includes projected recurring revenue to the City of Inglewood from occupancy of the renovated Forum, with revenue projections provided from Madison Square Garden Enterprises (MSGE) consultant, HR&A Advisors, Inc.

Continued on next Page

City of Inglewood, CA

General Fund History and Forecast

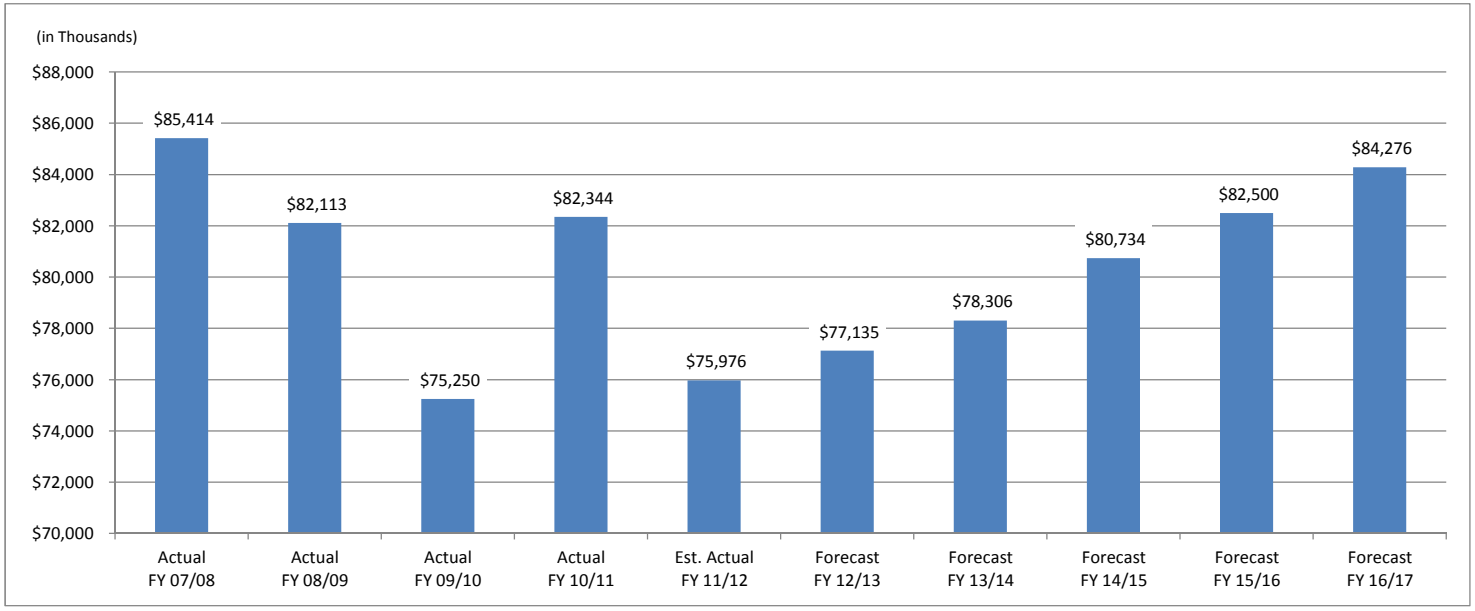
FY 2007/08 Through 2016/17

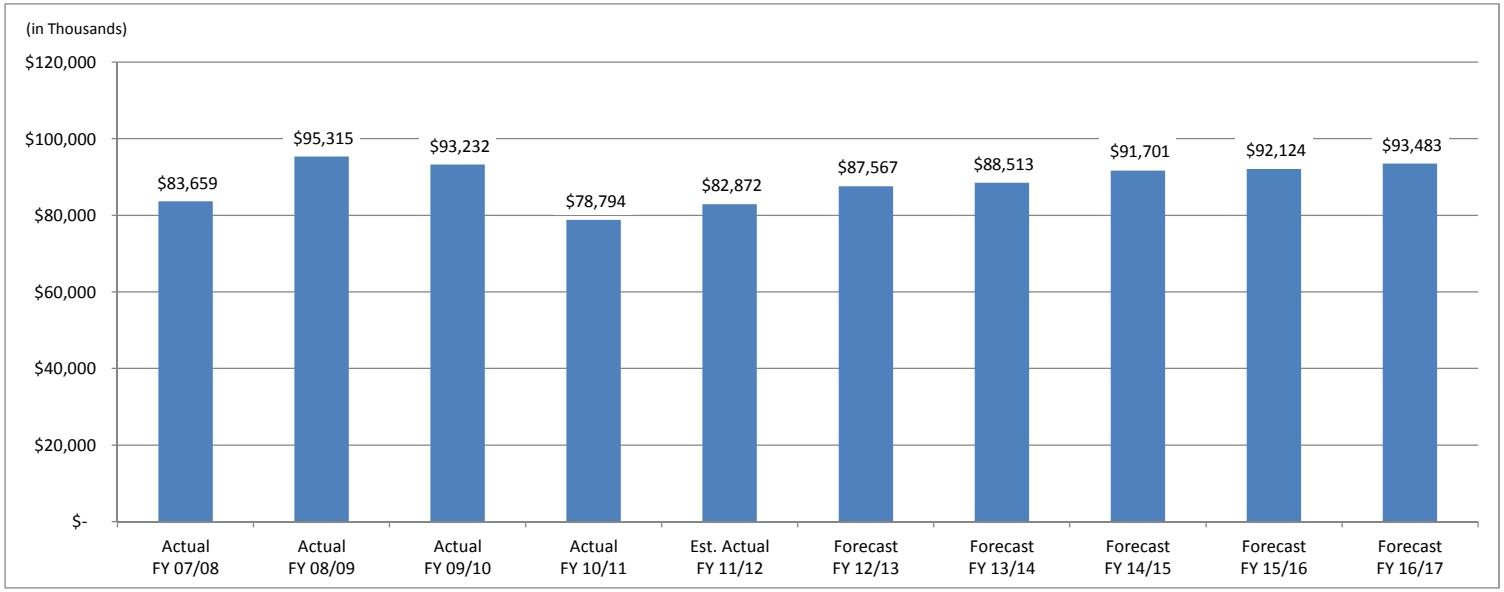
Forecast: Scenario A

(Thousands of Dollars)	Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Department Expenditures:										
Mayor & City Council	1,280	1,325	1,064	1,013	1,135	1,174	1,190	1,207	1,217	1,227
City Clerk	594	931	675	939	561	868	580	1,189	600	905
City Treasurer	137	146	164	163	160	159	161	163	164	165
Legal	1,617	1,901	2,177	2,089	2,152	2,237	2,273	2,310	2,329	2,349
Administration	1,938	1,302	1,308	1,161	1,441	1,463	1,485	1,508	1,518	1,529
Human Resources	1,214	1,280	1,250	938	956	1,026	1,003	1,012	1,021	1,031
Finance	3,864	4,070	5,599	3,604	3,688	3,903	3,959	4,027	4,067	4,108
Planning & Building	2,577	3,137	2,230	1,962	2,182	2,528	2,441	2,464	2,487	2,511
Police	39,012	46,023	46,094	40,415	41,664	43,990	44,624	46,410	46,777	47,161
Library	3,528	3,629	3,344	2,628	2,604	2,660	2,696	2,733	2,754	2,777
Public Works	10,633	12,003	10,663	9,280	9,619	10,009	10,145	10,293	10,400	10,512
Recreation, Parks & Community Svcs.	5,504	7,775	6,653	5,226	5,698	6,260	6,344	6,442	6,506	6,573
Additional GF cost for RDA dissolution	-	-	-	-	782	568	568	568	568	568
Fire Services Contract	11,761	11,793	12,011	9,376	10,230	10,722	11,044	11,375	11,716	12,067
Total Department Expenditures	**83,659**	**95,315**	**93,232**	**78,794**	**82,872**	**87,567**	**88,513**	**91,701**	**92,124**	**93,483**
Other Expenditures:										
Non-Departmental	(6,899)	(6,438)	(5,657)	143	(8,372)	(8,003)	(7,733)	(7,446)	(7,142)	(6,820)
Capitol Projects	-	-	-	-	-	-	-	-	-	-
Total Other Expenditures	**(6,899)**	**(6,438)**	**(5,657)**	**143**	**(8,372)**	**(8,003)**	**(7,733)**	**(7,446)**	**(7,142)**	**(6,820)**
Transfers Out:										
Civic Center	2,443	2,514	2,557	2,551	2,572	2,572	2,572	2,572	2,572	2,572
Pension Obligation Bonds	2,576	3,765	3,855	3,861	3,853	3,853	3,853	3,853	3,853	3,853
Total Transfers Out	**5,019**	**6,279**	**6,412**	**6,412**	**6,425**	**6,425**	**6,425**	**6,425**	**6,425**	**6,425**
Total Resources Used: (Departmental, Other Expenditures & Transfers Out)	**$ 81,779**	**$ 95,156**	**$ 93,987**	**$ 85,349**	**$ 80,925**	**$ 85,989**	**$ 87,205**	**$ 90,680**	**$ 91,407**	**$ 93,088**
Net Results of Operations: (Total Resources Available less Total Resources Used)	**$ 3,635**	**$ (13,043)**	**$ (18,737)**	**$ (3,005)**	**$ (4,949)**	**$ (8,854)**	**$ (8,899)**	**$ (9,946)**	**$ (8,907)**	**$ (8,812)**
Contribution To Reserves:						**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Total Annual Deficit/Surplus: (Net Results of Operations & Contribution to Reserves)					**$ (4,949)**	**$ (8,854)**	**$ (8,899)**	**$ (9,946)**	**$ (8,907)**	**$ (8,812)**
Beginning Fund Balance: (Ending Fund Balance from the Prior Year)					**$ -**	**$ (4,949)**	**$ (13,803)**	**$ (22,702)**	**$ (32,648)**	**$ (41,555)**
Ending Fund Balance					**$ (4,949)**	**$ (13,803)**	**$ (22,702)**	**$ (32,648)**	**$ (41,555)**	**$ (50,367)**

DO NOT REMOVE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenues (Thousands of Dollars)	**Actual FY 07/08**	**Actual FY 08/09**	**Actual FY 09/10**	**Actual FY 10/11**	**Est. Actual FY 11/12**	**Forecast FY 12/13**	**Forecast FY 13/14**	**Forecast FY 14/15**	**Forecast FY 15/16**	**Forecast FY 16/17**
Property Taxes	$ 24,338	$ 25,086	$ 24,905	$ 23,655	$ 23,579	$ 23,579	$ 23,579	$ 24,051	$ 24,532	$ 25,021
Utility Users Tax	18,891	17,294	16,020	15,757	15,300	15,474	15,638	15,810	15,989	16,176
Sales Taxes	12,103	10,912	10,108	11,069	11,752	12,157	12,577	13,011	13,460	13,925
Transient Occupancy Tax	3,164	2,502	2,517	2,979	2,980	3,040	3,101	3,163	3,226	3,291
Franchise Taxes	3,147	3,217	2,980	2,849	2,820	2,831	2,842	2,855	2,868	2,882
Business License Tax	4,416	3,965	4,475	4,528	4,500	4,635	4,774	4,917	5,065	5,217
Card Club Tax	4,979	4,859	4,227	3,824	3,800	3,914	4,031	4,152	4,277	4,405
Other Taxes	2,400	1,878	1,619	1,486	1,124	1,157	1,190	1,224	1,260	1,299
Fees	239	522	329	264	252	260	268	277	286	295
Fines	3,978	3,976	4,093	4,567	4,354	4,485	4,620	4,759	4,902	5,048
Community Development	2,883	2,924	1,217	2,574	2,675	2,756	2,839	2,924	3,013	3,104
Miscellaneous	4,876	4,978	2,760	8,792	2,840	2,847	2,847	2,847	2,847	2,847
MSGE Forum [1]	-	-	-	-	-	-	-	744	775	766
Total Revenues	**$ 85,414**	**$ 82,113**	**$ 75,250**	**$ 82,344**	**$ 75,976**	**$ 77,135**	**$ 78,306**	**$ 80,734**	**$ 82,500**	**$ 84,276**
		-3.86%	**-8.36%**	**9.43%**	**-7.73%**	**1.53%**	**1.52%**	**3.10%**	**2.19%**	**2.15%**

Note 1: This figure includes projected recurring revenue to the City of Inglewood from occupancy of the renovated Forum, with revenue projections provided from Madison Square Garden Enterprises (MSGE) consultant, HR&A Advisors, Inc.



Revenue Growth %	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Property Taxes	3.1%	-0.7%	-5.0%	-0.3%	0.00%	0.00%	2.00%	2.00%	1.99%
Utility Users Tax	-8.5%	-7.4%	-1.6%	-2.9%	1.14%	1.06%	1.10%	1.13%	1.17%
Sales Taxes	-9.8%	-7.4%	9.5%	6.2%	3.45%	3.45%	3.45%	3.45%	3.45%
Transient Occupancy Tax	-20.9%	0.6%	18.4%	0.0%	2.01%	2.01%	2.00%	1.99%	2.01%
Franchise Taxes	2.2%	-7.4%	-4.4%	-1.0%	0.39%	0.39%	0.46%	0.46%	0.49%
Business License Tax	-10.2%	12.9%	1.2%	-0.6%	3.00%	3.00%	3.00%	3.01%	3.00%
Card Club Tax	-2.4%	-13.0%	-9.5%	-0.6%	3.00%	2.99%	3.00%	3.01%	2.99%
Other Taxes	-21.8%	-13.8%	-8.2%	-24.4%	2.94%	2.85%	2.86%	2.94%	3.10%
Fees	118.4%	-37.0%	-19.8%	-4.5%	3.17%	3.08%	3.36%	3.25%	3.15%
Fines	-0.1%	2.9%	11.6%	-4.7%	3.01%	3.01%	3.01%	3.00%	2.98%
Community Development	1.4%	-58.4%	111.5%	3.9%	3.03%	3.01%	2.99%	3.04%	3.02%
Miscellaneous	2.1%	-44.6%	218.6%	-67.7%	0.25%	0.00%	0.00%	0.00%	0.00%
MSGE Forum								4.17%	-1.16%
	-3.86%	**-8.36%**	**9.43%**	**-7.73%**	**1.53%**	**1.52%**	**3.10%**	**2.19%**	**2.15%**

GF Department Expenditures (Thousands of Dollars)	Actual FY 07/08	Actual FY 08/09	Actual FY 09/10	Actual FY 10/11	Est. Actual FY 11/12	Forecast FY 12/13	Forecast FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Mayor & City Council	1,280	1,325	1,064	1,013	1,135	1,174	1,190	1,207	1,217	1,227
City Clerk	594	931	675	939	561	868	580	1,189	600	905
City Treasurer	137	146	164	163	160	159	161	163	164	165
Legal	1,617	1,901	2,177	2,089	2,152	2,237	2,273	2,310	2,329	2,349
Administration	1,938	1,302	1,308	1,161	1,441	1,463	1,485	1,508	1,518	1,529
Human Resources	1,214	1,280	1,250	938	956	1,026	1,003	1,012	1,021	1,031
Finance	3,864	4,070	5,599	3,604	3,688	3,903	3,959	4,027	4,067	4,108
Planning & Building	2,577	3,137	2,230	1,962	2,182	2,528	2,441	2,464	2,487	2,511
Police	39,012	46,023	46,094	40,415	41,664	43,990	44,624	46,410	46,777	47,161
Library	3,528	3,629	3,344	2,628	2,604	2,660	2,696	2,733	2,754	2,777
Public Works	10,633	12,003	10,663	9,280	9,619	10,009	10,145	10,293	10,400	10,512
Recreation, Parks & Community Svcs.	5,504	7,775	6,653	5,226	5,698	6,260	6,344	6,442	6,506	6,573
Additional GF cost for RDA dissolution	-	-	-	-	782	568	568	568	568	568
Fire Services Contract	11,761	11,793	12,011	9,376	10,230	10,722	11,044	11,375	11,716	12,067
Total General Fund Dept Exp	**$ 83,659**	**$ 95,315**	**$ 93,232**	**$ 78,794**	**$ 82,872**	**$ 87,567**	**$ 88,513**	**$ 91,701**	**$ 92,124**	**$ 93,483**
		13.93%	**-2.19%**	**-15.49%**	**5.18%**	**5.67%**	**1.08%**	**3.60%**	**0.46%**	**1.48%**