

**City Council - Budget Session - 5/22/2019 - D. Grethen**

**Organization/Staffing**

I support the request for two additional Assistant Engineers, as we have a large backlog of CIP projects. One Associate plus one Assistant would be even better. If only one “head” is approved, it should be Associate. As a final note, I appreciate the resourcefulness in identifying the funding mechanisms for these positions, especially the Prop A sales.

It appears that reclassification may be employed as a method to reward and retain existing high-performing staff. I generally support such an approach if so.

(Note that I base my perception of this approach on the number of reclassifications proposed and the presumed impracticality and hardship of dismissing and then replacing so many current employees otherwise.)

The request for an additional top-level position of Assistant City Manager might need to be deferred (e.g. until mid-year review) to provide ample time for assessment of such a large long-term budget commitment. Since Hermosa is such a small town, large amounts of fixed overhead cost (unfortunately) tend to reduce the amount of available remaining funds, or “variable” costs, on a per capita basis. Another approach, either interim or long-term, could be to reclassify the Assistant TO THE City Manager position, in line with the discussion in the above paragraph.

**Stormwater Compliance and EWMP**

The potential risks of altering our approach to meeting mandated stormwater cleanliness levels and modifying the MOU related to the EWMP should be acknowledged as part of our overall long-term financial viability assessment.

**Sales Tax/Business Revenue**

Sales tax and business-related revenues should be considered and appropriately weighted as a factor when making budget expenditure allocations, to help ensure a balance between residents and business, and between downtown versus other parts of the city.

Projected downtown sales tax revenues are roughly 2.5% of general fund revenue, based on total sales tax revenue being 6% (presentation) and about 0.4 of the total

generated downtown (budget document). These proportions are even smaller when calculated as part of the entire budget including capital improvements.

Business license fee revenues of about \$1.1M provide about one-third as much additional revenue beyond the sales tax revenues above (budget document). There were no property tax breakouts found in the document, but it can be determined that 7.5% of the parcels are commercial, based on a specified split of 516 commercial versus 6,351 residential.

### Miscellaneous

I support replacement of Greenbelt drinking fountains .

It is assumed that the citywide park tree inventory is complete since no funds were noted. My understanding is that this was performed for parks but not all parkway trees in the city right-of-way.

It is interesting to see at a glance the list of contracted services in the Public Works Department including: janitorial services, parks maintenance, EWMP development, street sweeping, traffic engineering (including one-time for North School traffic).

There is a graph that shows home value trends, presumably as an indicator of property tax revenue growth. It occurs to me that, even if prices are flat, that we would see revenue increases based on sales turnover alone, because the change in ownership would trigger reassessment and taxation at higher values.

Overall the City finances seem to be relatively stable and revenue-expenditure balanced while carrying prudent margins and reserves.

Thanks to the entire Staff for another outstanding effort and product.

David Grethen  
Hermosa Beach