



June 12, 2018

Honorable Mayor and Members of the City Council:

In accordance with the requirements of Hawthorne Municipal Code HMC 2.04.040, I submit for your review and consideration the City Manager's proposed FY 2018-19 Operating Budget. The Proposed FY 2018-19 Budget is balanced, and has been developed pursuant to the City Council's adopted financial principles.

Revenues

The Proposed City Budget totals \$139.6 million, with General Fund projected revenues of \$73.5 million, which includes transfers in/out. The projected General Fund revenues of \$73.5 million are comprised of Sales and Use Tax at \$15.9 million, or 22 percent, which represents the single largest source of revenues. The other major sources of revenues are Property Tax in Lieu at \$10.3 million or 14 percent, Add-on Sales Tax at 8 million or 11 percent, Utility Users' Tax at \$6.8 million or 9 percent, and Property Tax at \$5.9 million or 8 percent.

Appropriations

The Proposed General Fund expenditures for FY 2018-19 are \$72.6 million. Of this amount, \$52.3 million or 72 percent is dedicated to public safety (police and fire services), and \$8.9 million or 12 percent is dedicated to Community Services/Development, Building and Safety, and Public Works activities. The remaining spending for the General Fund is \$11.3 million or 16 percent which is dedicated to governmental activities including debt service.

The Budget Process

The City Manager is responsible to direct the Finance Department for delivering a proposed budget to the City Council by June 16 of each year. This is done in accordance with City of Hawthorne Municipal Code and the City Council's statements of Financial Principles. The City Manager is directly responsible to the City Council under the City Municipal Code to 1) Cause to be prepared and submitted to him or her, itemized annual estimates of expenditure as well as projected revenues for submitting the annual budget to the City Council, 2) advise the City Council on the City's financial condition and future needs, 3) be responsible for the Budget's administration after adoption, and 4) prepare and submit a complete report on year-end financial and administrative activities. The City's fiscal year runs from July 1 to June 30.

Every year the budget development process begins with an assessment of our revenue base, followed by an evaluation of potential changes in that revenue base. Next, the proposed expenditure plan for services and capital projects is prepared by the City's executive team and submitted to the Finance Director for inclusion in the proposed budget which is later reviewed by

the City Manager. The departments were directed to prepare their proposed budgets starting at the expenditure and service levels adopted by the City Council for FY 17-18. Adjustments were then made to departmental expenditure budgets in the Personnel category that reflect changes due to labor agreements and employee movements within authorized compensation schedules. The combination of all of the above changes set the anticipated departmental “base” budget for FY 18-19. Those departments seeking changes to their base budgets or service levels were required to submit a supplemental request to the City Manager for each change.

The highest priority requests are recommended for approval by the City Council as reductions and supplements to the departments’ FY 2018-19 base budgets. The City is primarily a service organization and nearly 60 percent of our costs associated with the personnel that provide these services reside in the General Fund.

Conclusion

The Annual Budget is the single most important matter that comes before the Mayor and City Council. I would like to express my appreciation to the Mayor and City Council for providing the vision and support that are crucial for the City to achieve its goals. I would also like to recognize the contributions of all department heads and their staff that allowed us to meet the economic challenges, while maintaining the high service levels expected by our community.

Special thanks to the Finance Department who provided detailed revenue projections to the best of their abilities as well as accurate departmental expenditure reports to formulate the Proposed FY 2018-19 Budget. Additional thanks are also due to City Attorney, City Clerk and City Treasurer.

The City of Hawthorne is determined to maintain an excellent quality of life for our residents and, strives to continue with revitalization efforts, to create a strong economic base for years to come.

Sincerely,

A handwritten signature in cursive script that reads "Arnold Shadbear". The signature is written in black ink and is positioned above the printed name.

Arnold Shadbear
Interim City Manager