



June 24, 1997

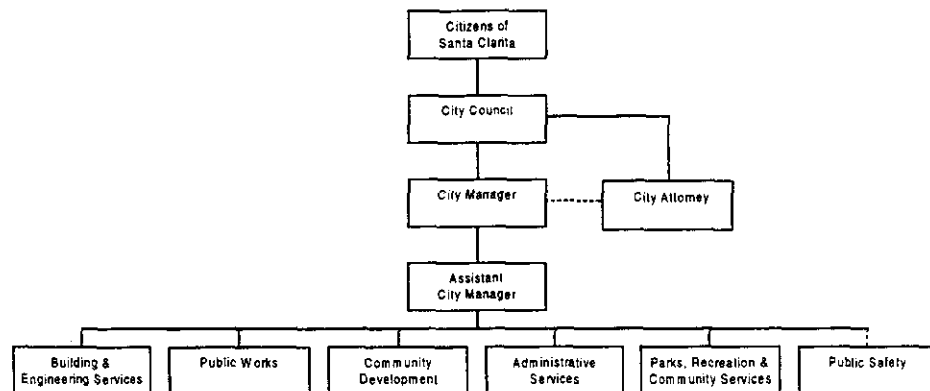
Re: 1997/98 Adopted Budget - 10th Anniversary Celebration

I am pleased to present to you the Fiscal Year 1997/98 budget and five year capital improvement program for the City of Santa Clarita. This budget reflects the City's ongoing commitment to continue to provide the citizens of our community with the utmost quality and level of service attainable. Furthermore, this document reflects the City's commitment to our mission, management philosophy and desire for quality service delivery by continuing to integrate the concepts of our strategic planning efforts and the new long range financial plan, into the budget process.

The 1997-98 budget contains the adjustments necessary to implement a new organizational structure for the City. In the first decade of cityhood, the organization was continuing to grow and evolve to provide a full array of municipal services. As we continued to grow and take on new and complex service areas, it became necessary to redesign the organizational structure to complement existing and anticipated needs while continuing to ensure that all services are provided in the most efficient and effective method possible. Therefore, this budget reflects the outcome of the restructuring effort.

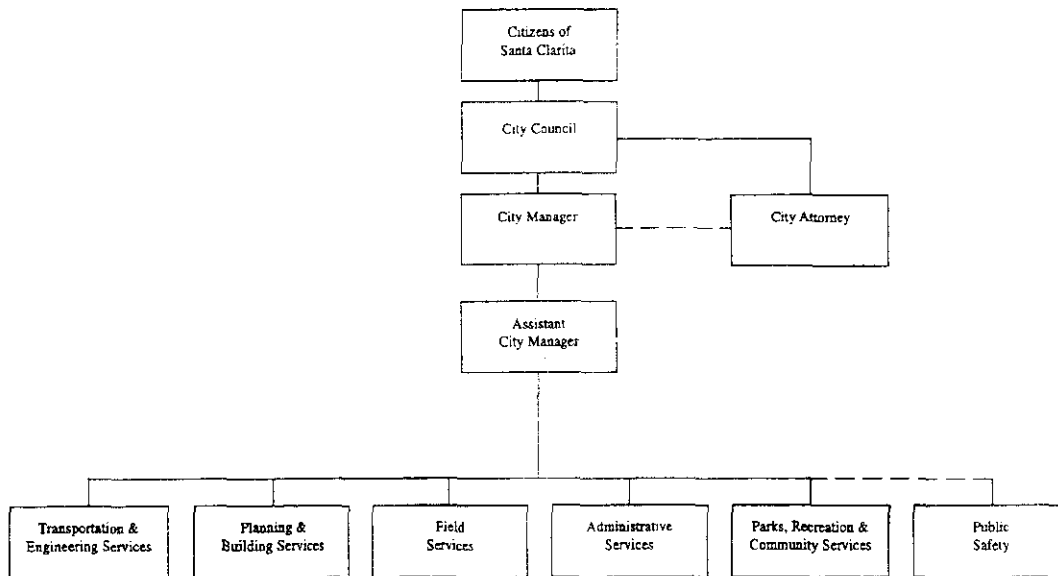
1996-97 Structure

Organizational Chart



1997-98 Structure

Organizational Chart



The restructuring efforts focus on linking like or complementary functions to achieve enhanced efficiencies and maximum use of resources. In addition, there is the recognition that change within an organization is good in that it allows for new opportunities; causes all to re-examine practices; and challenges the work force to be bold and take risks. Finally, it is a special opportunity to kick off the new fiscal year with a great sense of renewal and enthusiasm.

As many are aware, traditional governmental budgeting concentrates on changes from year to year. The strategic planning process, adopted and successfully implemented as a management tool in Santa Clarita, formally provides a long term context for annual budget decisions. While strategic planning has been used successfully, it is sometimes difficult to see the connection between what a strategic plan says and what a budget does. To be useful, a plan must go beyond tasks, mission and vision. Good planning should answer two primary questions: "What are the issues?" and "What are we going to do about them?" If our strategic plans, both organizational and community-wide, are to influence results, their action plans must be the basis for programs and activities in the budget. The attached grid outlines the actual relationship between the goals of the Strategic Plan and the implementation tool of the 1997/98 adopted budget. It should be noted, however, that the plan or goals outlined will expire during the course of fiscal year 1997/98. Therefore during the upcoming months there will be a reconciliation of Strategic Planning accomplishments, as well as the introduction of a new generation of community goal setting and planning to ready the City for the challenges ahead. Please see Attachment #1 "Strategic Planning Items."

As in prior years, the City's Budget was developed with a series of objectives in mind. These objectives were communicated throughout the organization at the beginning of the budget process. The goals for 1997/98 are:

1. Focus on long term strategies and the steps needed to be taken now to achieve our future vision.
2. Focus on needs expressed by community residents through the strategic planning process.
3. Provide departments with more flexibility to devise strategies to reach organizational objectives.
4. Place an enhanced emphasis on measurable results and outcomes.

It must, however, also be stated that while strategic plans are about mission and vision, they do not address specific day to day, ongoing operational needs or resources necessary to achieve those items. Therefore, given the limited resources, a corresponding process began to address the goals expressed within the strategic plans, as well as reconcile the ongoing operational needs of the organization. With this in mind, a dedicated team of City staff set out to prepare this document.

It is my stated policy to present a budget to the City Council for review in which ongoing revenues meet or exceed ongoing appropriations. In addition, every opportunity is taken to reserve funds for both anticipated and unanticipated issues.

Such is the case with reserves previously established for FEMA earthquake expenditures, potential Elsmere litigation and the contingency reserve.

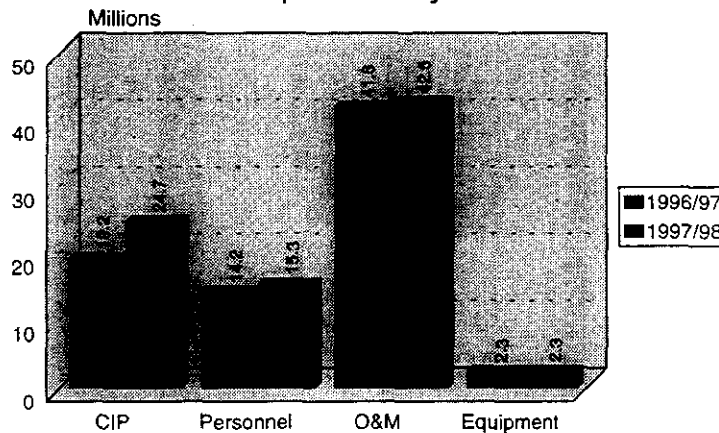
For 1997-98, I am pleased to state that ongoing revenues exceed appropriations. This fiscally prudent stance is taken as a result of several issues:

1. The continuing assessment of the ongoing impact of potential sales tax leakage as a result of the Valencia Market Place.
2. The inability to completely assess the impacts of the most recent annexations on the base budget.
3. The potential for increases to the Sheriff's budget as a result of contract negotiations for salary increases.

The Fiscal Year 1997-98 Budget totals \$84.8 million, an increase of \$9.3 million or 12% from the Fiscal Year 1996-97 adopted Budget. This increase is attributed to several large capital projects programmed for the upcoming fiscal year including the acquisition of property for recreational uses, as well as the construction of Railroad Avenue and improvements to Wiley Canyon Road. These projects are specifically discussed in the capital portion of the budget, as well as the Five Year Capital Improvement Program. The stability found in the operating

budget is the result of defining a sound base budget for all operating departments. This base ensures a stable source of funding for on-going day to day operations. Additional programs, studies, services and equipment then enhance the base budget on an annual basis. With the exception of personnel, these enhancements do not become part of the ongoing base allocation for departments. The operating budget, totaling \$60 million includes Personnel, Operations and Maintenance, Debt Service and Capital Outlay required for delivering an array of City services. Also reflected in the Budget for 1997-98 is the Capital Improvement Program. The new capital improvement program for the upcoming fiscal year, as well as a variety of re-budgeted projects, totals approximately \$24.7 million. The primary operating fund for the City, the general fund, totaling \$36.9 million, is anticipated to decrease by approximately \$650,000 from the 1996/97 adopted budget. This decrease is primarily due to a reduction in the various enhancements (i.e. special studies and programs provided for in the 1996/97 operating budget as well as previously paying off the remaining 600,000 in PFA debt service formerly required for the Corporate Yard Purchase).

Total Budget Comparison by Year



BUDGET OVERVIEW AND POLICY ISSUES

The annual budget is a policy tool for the City Council. It is the point where the governing body is asked to approve a level of public programs and services, as well as the revenue base to support those services and programs for the upcoming year. This budget, however, marks an important milestone in the history of the City. Ten years ago on December 15, 1987, the City of Santa Clarita became a reality. As a direct result of Cityhood, citizens can readily see the impact of

millions of dollars spent locally on services, systems and projects to improve the quality life for Santa Clarita residents.

With regards to fund balances, in the first few years of Cityhood, the organization was still building a strong foundation and developing standards for the level and types of services to be provided. While the organization continued to grow, revenues far exceeded overall expenditures, and General Fund balance savings resulted. Because of the initial savings, the City was able to acquire land, undertake substantial public improvements, and build up necessary tools and capital equipment needs for the organization as a whole. In most recent years, given these purchases, the City began to strive to again re-build its fund balance. While estimated General Fund Balance for Fiscal Year End 1997/98 is currently projected at \$1.5 million there are, in addition to these monies, recommended contingencies for Elsmere legal services of \$1 million, FEMA earthquake reserves of \$1 million, and general operating contingency of \$1.5 million. Therefore, in total, monies on reserve, both designated and un-designated, total \$5 million. These monies are typically utilized for one time capital or restricted expenditures and do not fund ongoing base budget operational needs.

REVENUES

The City's General Fund is composed of 87 separate revenue sources, totaling \$34.3 million dollars. The largest, sales tax, is estimated at \$14.7 million. This represents a \$200,000 increase from our projected revenue for year end. This increase is projected due to the strong performance of Valencia Town Center, the auto mall, Home Depot, Best Buy and other key retail outlets. The second largest source of General Fund revenue is Motor Vehicle in Lieu monies. This revenue is projected at \$5.2 million.

Property tax, Santa Clarita's third largest source of General Fund revenue, is projected at \$4.4 million. This projection includes the property tax associated with recent annexations.

Parks and Recreation fee revenues are also anticipated to increase by \$106,000 or 5% for the upcoming fiscal year. This revenue, estimated at \$1.6 million, is primarily due to increased attendance in all of the contract classes offered, expansion of class schedules to accommodate more patrons and a full year of fees recovered via the Management Services Institute (MSI) fee study.

In addition to the General Fund revenue, which comprises 47.8% of the City's total revenue picture, a variety of other key revenues fund the total spectrum of programs, services and projects for FY 1997/98. These include, but are not limited to Gas Tax; Community Development Block Grant (CDBG);

Transportation Development Act (TDA); Park Grants; restricted transit monies; and Stormwater Utility revenue.

Transit related revenues continue to increase as ridership and corresponding service needs continue to increase. Transit related funds currently fund the total cost of the \$8.9 million Transit Division, as well as approximately \$4.5 million of the Capital Improvement Program for the upcoming year. Key Transit related revenues include Proposition C, Proposition A, Farebox revenue, ISTEPA and Transit Capital Improvement monies.

Finally, the third year of the Stormwater Utility surcharge revenue is reflected for FY 1997/98. This revenue, projected at \$1.9 million, reflects the \$24.00 per equivalent dwelling unit surcharge implemented in FY 1994/95. Revenues associated with this program fully affect all direct and indirect costs associated with the costs of implementation of this federally mandated program.

APPROPRIATIONS

DEPARTMENT HIGHLIGHTS

City Council

The base budget for the City Council is anticipated to increase by a nominal 3% from prior year spending levels. This increase is attributed to the 10th Birthday Celebration as well as costs associated with conducting a third community-wide planning effort to guide us into the next century.

City Manager's Office

As compared to programs consistent with the present budget, the funding for the City Manager's Offices decreases for 1997/98. This is primarily due to the transfer of monies, associated with the defeat of the Elsmere Canyon Landfill effort, to the Maintenance Services Department. As a result of the reorganization, the Economic Development Division, as well as the Redevelopment Agency work program, joins the Administration, City Clerk's Office and Human Resources Divisions in the City Manager's Office.

The Economic Development Division will continue the development of a City wide marketing and retention strategy. An assistant planner II position adopted in the Economic Development budget for 1997/1998, addresses the City Council's desire for increased emphasis on small business outreach and retention.

The City Clerk division reflects a substantial increase over 1996/97 funding levels. This is due to the \$170,000 necessary to conduct the next municipal election slated for April 14, 1998. In addition two positions within the City Clerk division, administrative clerk and deputy city clerk, have been adjusted to address the actual scope of work performed.

Administrative Services

The new Administrative Services Department includes Finance, Technology Services, Property Management and the Community Development Block Grant (CDBG) program. This department functions as support to all divisions within the City, as well as serving as a key department in external delivery to our local merchants and vendors. Proposed additions to the Administrative Services department for the upcoming fiscal year include increases for necessary contract banking and audit services as well as costs for the reclassification of two account clerk positions.

The CDBG effort has been transferred to this area to highlight the need for continual finance coordination of federal money, as well as to ensure the timely expenditure of funds on capital and service-oriented programs.

The Community Development Block Grant Program for 1996/1997 includes the development, coordination and implementation of projects for low and moderate income residences. These programs include fair housing, infrastructure improvements in appropriate areas of the City, and the successful handy-worker program. The supplemental monies received following the 1994 Northridge earthquake, totaling \$3,709,038 for fiscal year 1996-97, include funding for residential grants and loans. These funds are no longer available to the City after February of 1998.

Finally, the HOME Program provides additional relief from earthquake recovery. This program, totaling \$1,499,500, funds only rehabilitation of single and multi-family properties owned and occupied by low income persons. These funds are, however, scheduled to expire in February of 1998.

Transportation & Engineering Services

Transportation & Engineering Services Department, formerly Building & Engineering Services, is comprised of Administration, Engineering (traffic, capital projects, engineering services), Special Districts and Transit. The new linkages, created by the formation of this department, places an enhanced emphasis on "transportation" planning and development through the integration of roadway planning, design and the transit function. The marrying of these divisions will aid in taking a comprehensive look at transportation needs. Proposed additions to the department in the upcoming fiscal year include the addition of \$60,000 for

autoscope monitoring to aid in the traffic engineer's review and correction of traffic flow at specific intersections; and the addition of a vehicle for capital improvement project managers.

Field Services

The new Field Services Department represents the consolidation of many maintenance and field functions within the organization. Field Services now provides for maintenance at City Hall, the Field Services facility, Metrolink Stations, park facilities and the Community Center. In addition, Street and Vehicle Maintenance, as well as Urban Forestry are represented in this department.

The Street Maintenance division reflects the proposed addition of a maintenance assistant. This position, designed as an entry level street maintenance worker, will allow the organization to recruit and train personnel with the intent of later providing the opportunity to achieve the journeyman level street maintenance worker now within the department. All future openings in this area will be filled with the maintenance assistant level personnel.

The Vehicle Maintenance Division reflects the proposed replacement of several vehicles acquired in the first several years of Cityhood. Each year the vehicle replacement committee reviews the listing of vehicles scheduled for replacement. Based on the replacement criteria, as well as an independent assessment by the City's vehicle maintenance staff, one general use vehicle and two heavily used street maintenance trucks are proposed for scraping and replacement. The total cost for replacement is \$70,000.

Public Safety

The budget for law enforcement services through the Los Angeles County Sheriff's Department is anticipated to decrease by \$150,000 for 1997/98. Fiscal Year 1997/98 marked the second year in which the City did not need to immediately budget for increased salary and benefits for the Sheriff's personnel. It is however unclear when, or if, this increase will materialize. Therefore, the 1997/98 Budget does not reflect the substantial increase seen in prior years.

Planning & Building Services

Planning & Building Services, formerly known as the Community Development Department, consists of Planning, Building & Safety and the newly created Environmental Services Division.

The Planning Division funding remains consistent with prior year funding levels. Key activities scheduled for 1997/98 include the continuation of the City's annexation program, as well as the update to the housing and circulation element of the General Plan. In addition, \$10,000 is proposed for outreach efforts pertaining to the sign task force effort.

The new Environmental Services/Waste Management Division is responsible for environmental planning, as well as the continued coordination of the AB 939 requirements; recycling; and NPDES/Storm Water education, outreach and inspections.

Parks, Recreation and Community Services

The Parks, Recreation and Community Services Department is comprised of Administration, Recreation, Community Services including, OCJP and Emergency Preparedness, Youth Services, Parks Maintenance and Operations, as well as Landscape Maintenance Districts.

Each year Recreation and Community Services staff strive to enhance current programming and introduce innovative programs suited to the community. Key program additions to the department are \$12,000 to continue the Youth Summit; \$55,000 for the summer youth employment expansion and compensation for minimum wage increases; extended teen programming; pilot programs in the area of therapeutic recreation and adaptive aquatics; Daddy Daughter Night; and \$80,000 in grant funds to provide a tobacco awareness program to the community. In addition, to enhance participation and availability of Community Center programming, a van has been requested to shuttle children from schools to programs currently offered at the Center.

The Parks Maintenance Division focuses on the key areas of ground maintenance and park planning and development. Over the last several years, these areas have exhibited tremendous growth. In 1997/98, contractual services monies as well as a grounds keeper position have been added to keep pace with the addition of Creekview Park and the increased trail system.

In addition to these activities, the Parks, Recreation and Community Services Department is now responsible for the oversight and maintenance of several landscape maintenance districts formerly managed via Los Angeles County. Per the request of Los Angeles County, the City assumed control of several of the districts in June of 1997. It is anticipated that additional districts will be transferred to the City over the course of the next several years.

THE 1997/98 ADOPTED CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program adopted for the upcoming fiscal year totals \$24.7 million. The capital program is broken down into eight different categories to appropriately classify projects. The categories and adopted funding is as follows:

Beautification and Landscaping	\$207,000
Circulation	1,401,000
Facilities and Buildings	4,613,000
Maintenance	4,822,310
Parks	4,049,550
Streets and Bridges	7,653,535
Trails and Transit	2,003,300
Resource and Conservation	0
TOTAL	<hr/> \$24,749,695

The Capital Improvement Program adopted for 1997/98 represents an increase of \$5.5 million from the program adopted by the City Council at the beginning of the 1996/97 fiscal year. Primarily, projects within the new program include San Fernando Road Beautification; signal interconnects funding for a new traffic signal at a location consistent with the priority listing; the annual overlay and slurry; and the continuation of the design for Santa Clarita Parkway. In addition, continued funding for the Magic Princessa Roadway studies and design, the Newhall Metrolink Station, the Railroad Avenue road improvements and the Wiley Canyon interim realignment is included within the adopted capital program. These projects set the foundation for overall enhancement to the City's transportation program.

In the area of Parks, \$400,000 is proposed for maintenance and upgrades to the various parks buildings and landscape. The primary projects proposed in the Parks area for 1997/98 are the City Central Park Phase I design and development, as well as the continuation of the river park program. In addition, the City has allocated \$4.1 million to acquire facilities to provide for enhanced youth sports programming. These projects reinforce the City's ongoing commitment to continue to provide parks and recreational facilities that all can enjoy for years to come.

The entire CIP represents a proactive and tangible effort toward enhancing the quality of life of our residents while continuing to address priority issues expressed in the community and organizational strategic plans. A detailed description of all projects contained within the adopted 1997/98 CIP, as well as

corresponding location maps, can be found in the Five Year CIP section of this document.

HIGH PRIORITY UNFUNDED NEEDS

Each year a variety of requests are presented to the City Manager for review and consideration during the budget process. The following represents a list of many items requested by the departments, not yet recommended for funding.

Administrative Analyst-Transportation & Engineering	\$59,400
Part-Time General Maintenance Worker	13,000
Project Aid Position-CIP	28,500
Senior Mechanic	50,800
Brake Lathe	8,800
Clerk Typist-Community Services	38,150
Professional Services-Plan Check	30,000
We Tip Membership	6,500
TOTAL	<u>\$235,150</u>

CAPITAL PROJECTS/HIGH PRIORITY UNFUNDED

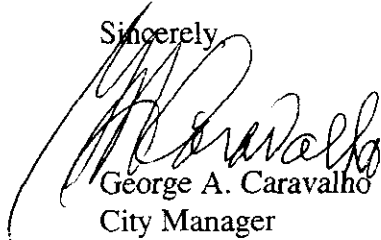
Overlay and Slurry	\$1,900,000
Alley Construction	52,000
Curb and Gutter Repair City-Wide	100,000
Shadow Pines Boulevard Construction	1,000,000
Vermont Avenue/Everett Drive Improvements	430,000
City Hall Parking Lot Overlay	150,000
Transit Maintenance Facility	10,000,000
Via Princessa Station Improvements	\$ 1,500,000
Priority Traffic Signals - Citywide	840,000
TOTAL	<u>\$15,972,00</u>

CONCLUSION

This year's budget, more than ever before, truly represents a team effort, in which all departments came together in order to ensure that the needs and desires expressed by the citizens in the "Share the Vision II" strategic planning effort and "Taking the Best and Making It Better" organizational strategic planning effort

will be addressed. Many thanks go to each of the budget officers, who worked diligently throughout the winter and spring to prepare the document now before you. Specifically, thanks go to each member of the lead budget team, Terri Maus, Assistant to the City Manager, Barbara Boswell, Accounting Manager, and Steve Stark, Director of Administrative Services, for their work in preparing the Budget each year. Finally, I would like to extend special thanks to Mary Cusick and Nina Giangreco for their work and creativity in preparing the quality document now before you. In addition, I would like to thank Amelia Rietzel and Mary Navarro for their hard work preparing the Capital Improvement portion of the document. As always, throughout the Budget process, the utmost consideration was given to providing the optimum level of service to the citizens of our City. They expect and truly deserve the very best that we, as staff and local government officials, have to offer. The new fiscal year holds great promise for the City of Santa Clarita. We look forward to, as a community, celebrating our 10th year of Cityhood and continuing to strive for excellence in municipal services in 1997/98 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read "George A. Carvalho". The signature is fluid and cursive, with a large initial "G" and "C".

George A. Carvalho
City Manager

Strategic Planning Items Budget Relationship

<i>Share the Vision II 1994 - 1997 Community</i>	<i>Taking the Best and Making It Better 1994 - 1997 Organizational</i>	Budget Relationship	Department
New Roads	Prepare Infrastructure Master Plan/ Open Roads Not Open.	Monies for Master Plan designated in 96/97. Magic Princessa and Railroad in CIP.	Building & Engineering Services
Community Plan for Youth		Summer Youth Employment, Extended Teen Programs, Youth Summit.	Parks, Recreation and Community Services
Revitalize Old Newhall	Address Areas East of Newhall	Railroad Avenue NRDA Effort CDBG Program	Community Development and Building & Engineering Services
Defeat Elsmere Landfill	Defeat Elsmere Landfill	\$75,000 dedicated to effort with \$1m in reserve.	City Manager's Office & Public Works Department
Reduce Gang Activity	Evaluate Role of City in Human and Community Services	\$40,000 dedicated to Anti-gang Task Force programs.	Parks, Recreation and Community Services
Enhance Economic Development	Enhance Economic Development	Economic Assistant Added - \$30,000 PGA marketing. Full Expenditure of EDA grant monies remaining anticipated in 97/98.	Community Development
Increase Cultural Activities	Establish Programs for Cultural Development	\$15,000 in base budget for Human Relations Forum & Cultural Awareness programs.	Parks, Recreation and Community Services
Preserve SEA's, Open Space and River	Implementation of River Plan Acquisition/Acquire Saugus Rehab Site	\$90,000 for restoration, Central Park development \$365,000, River Park \$1 million.	Parks, Recreation and Community Services
Reduce Crime	Achieve Safest City	Ongoing work effort of public Safety. \$9.7M dedicated to Sheriff Services.	Public Safety and Parks, Recreation and Community Services

<i>Share the Vision II</i> 1994 - 1997 Community	<i>Taking the Best and Making It Better</i> 1994 - 1997 Organizational	Budget Relationship	Department
Redevelopment		Newhall Redevelopment Agency work effort	Community Development
Create Fully Integrated Transit System	Prepare Transit Master Plan/Establish Standards Regarding Alternative Transportation	Transit Plan/ Railroad Metrolink/ Princessa Station Improvement	Public Works and Building & Engineering Services
Provide for Affordable Housing	Develop Strategy to Manage Aging Housing	Housing programs in CDBG Budget. Part of ongoing work effort.	Community Development
Construct Bike Trails		\$100,000 in CIP for enhancements to backbone trail system.	Parks, Recreation and Community Services
No Blighted Areas within City		Monies dedicated to Capital and CDBG eligible projects.	Building & Engineering Services and Community Development
Respect for Diversity and Cultural Awareness		Programs provided in base budget and through Human Relations Forum and recreational events.	Parks, Recreation and Community Services
Central Civic Center for Meetings and Cultural Events	Continue Civic Center Design	Completed design.	City Manager's Office
Provide Citizen Service Centers/ Satellite City Hall		Community Center operations in base budget. Access to City Hall via WEB page soon to be fully operational.	Administrative Services
Build and Market Conference Center		City's contribution of \$3m in CIP. Now under construction	Community Development and Building & Engineering Services
Establish Long-Range Financial Plan/Update City Fee Schedule	Prepare Financial MasterPlan	Ongoing work effort.	Administrative Services
Conduct General Plan Update.		Work effort with 96/97 monies carried to money for housing and circulation element proposed in 97/98.	Community Development and Building & Engineering Services

<i>Share the Vision II 1994 - 1997 Community</i>	<i>Taking the Best and Making It Better 1994 - 1997 Organizational</i>	Budget Relationship	Department
	Staff Development	Reflected in training budgets throughout City departments.	All departments
	Enhance Internet Communication	Ongoing staff work effort. Complete for 97/98	Administrative Services
	Analyze Compensation Equability	Ongoing staff work effort.	City Manager's Office
	Teen Center	Extended Teen Program provided.	Parks, Recreation and Community Services
	Consistency in Procedures and Reporting	Ongoing staff work effort.	City Manager's Office
	Automation of Building Permits	Complete	Building & Engineering Services
	Neighborhood Groups	Ongoing staff work effort. Report to City Council in mid 1997.	City Manager's Office
	Explore Live and Taped City Council Meetings	Complete on-going enhancement.	Administrative Services and City Manager's Office
	Cowboy Poetry Festival	Funding set for 97/98.	Parks, Recreation and Community Services
	Implement Plan for Future Use of Reclaimed Water	Ongoing staff work effort.	Building & Engineering Services
	Conduct Golf Course Feasibility Study	Ongoing work effort monitoring project.	Community Development and Parks, Recreation and Community Services