

# User's Guide

## Budget and CIP Guide

### Purpose of an Annual Budget

The basic purpose of the City of Santa Clarita's budget is to serve as a "blueprint" for providing City services and a working financial plan, as well as providing a communication tool for City residents, businesses, and employees. The document is specifically designed to provide clear and accurate information to the community with respect to how its local government is organized and operates. The five-year CIP provides a comprehensive capital planning document and a context for future capital budget allocations.

The City of Santa Clarita's Municipal Code requires the City Manager to present a balanced budget in which ongoing revenues match or exceed ongoing expenditures to the City Council each year. This document authorizes appropriations or eligible expenditures for the City's fiscal year, which runs from July 1 to June 30 of the following year.

### Budget & Five-Year CIP Preparation

The budget is prepared each year by the City Manager's Office and the Administrative Services Department, in cooperation with other City departments and other agencies which receive public funds. The five-year CIP is prepared each year by the Transportation & Engineering Services Department, the City Manager's Office and the Administrative Services Department. The CIP preparation process has been integrated into the budget process.

In January of every year, each department is presented with a *Budget Preparation Manual*, and the Finance Division provides estimated revenues for the coming year as well as year-end projected revenues for the current fiscal year. Department

expenditure and CIP requests are prepared reflecting these projected revenue trends and estimates. The departments then submit their proposed budgets for the coming fiscal year to the City Manager in March. Budget review is the responsibility of a Budget Committee. In March and April, the City Manager's Office analyzes each individual budget and either approves, denies or revises the requested funding amounts.

In late March, the City Manager and staff begin reviewing the department budgets item by item, meeting with department heads and budget officers, department by department, to justify their budgets for the coming year. Department representatives are asked questions about their planned expenditures, previous year expenditures, staffing levels, program efficiency and so on. Often, budgets are modified during this process. If a department is asked to make adjustments, the budget request must then be resubmitted for final review by the end of April. The final product becomes part of the draft, proposed Annual Budget & Five-Year CIP document presented to the City Council.

Budget study sessions are conducted with the City Council during the months of January through June. Citizens have an opportunity to comment on the draft document during public hearings held in mid-June. During the budget study session and the public participation period, the draft Annual Budget & Five-Year CIP document may be revised or amended to reflect spending priorities that may differ from those presented in the original draft document. The final Annual Budget with the corresponding CIP budget is adopted by resolution of the City Council and takes effect on July 1. Once adopted, the City of Santa Clarita has a new operating budget and fiscal plan for the coming year and a five-year plan for capital spending.

Below is a calendar in which the process of planning and preparing the Annual Budget and Five-Year CIP Document is outlined:

<b>Budget Calendar 2003-2004</b>	
January 6	• Budget Instructions Distributed
February 21	• Current Year End Estimate and 2003-2004 Revenue Estimates Due
February 28	• City Council Budget Committee Meeting
March 4	• City Council Budget Study Session
March 7	• Department Budget Packages Due
March 24-April 18	• Department Budget Discussions
April 10	• City Council Budget Committee Meeting
April 15	• Capital Improvement Projects Funding Meeting
April 16-24	• Adjustments made, outstanding issues resolved
April 24	• City Council Budget Committee Meeting
May 6	• City Council Budget Committee Meeting
May 13	• Budget and CIP Presented to the City Council for Review
May 20	• City Council Budget Study Session
June 3	• Budget Presentation to Planning Commission
June 5	• Budget Presentation to Parks & Recreation Commission
June 10	• Public Hearing of Formal Annual Budget, CIP and CDBG
June 24	• Annual Budget and CIP Adoption

### **Level of Control and Changes to Adopted Budget**

For the ensuing fiscal year, the City adopts an annual budget by June 24. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations for the various City departments and capital improvement projects. These formal budgets are employed as a management control device during the year for the General Revenue Fund and all Special Revenue Funds. The City has prepared a line-item detail, which lists each account group within each of the three expenditure categories. This annual budget format is designed to provide a more comprehensive management and fiscal planning system to aid in the achievement of goals and objectives at the operational levels consistent with the City Council's policies.

Budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is exercised at the category level. Administrative policies provide guidelines on budget transfers and the authorization necessary to implement transfers. Generally, there are two types of budget transfers:

Budget Adjustment: This is a transfer that does not change the total appropriated amount within a fund and does not require Council action. Depending upon the budget category affected by the transfer, approval may be granted at the City Budget Officer or City Manager level.

Department heads have discretion to reapportion funds between certain line items within a program but may not exceed total appropriated amounts for each category.

Additional expenditures for capital outlay items must be approved by the City Manager and City Council. Funds appropriated for salaries and benefits may not be expended for any other purpose without the approval of the City Manager. The City Manger may transfer funds within and between programs and departments. Increases to the Travel & Training or Legal Services objects require approval of the City Manager or designee.

Budget Amendment: This is an adjustment to the total appropriated amount within a fund which was not included in the original budget. These supplemental appropriations require formal action by the City Council. Types of modifications can be categorized as follows:

- Unanticipated revenue, which was not projected in the budget, may be appropriated by Council for expenditure in the year received.
- Prior year reserves or fund balances may be appropriated to fund items not previously included in the adopted budget. Reserves/fund balances exceeding minimum amounts required by administrative policies may be appropriated if it is determined to be in the best interest of the City. The City Council must also appropriate reserves in case of emergencies or unusual circumstances.
- Transfers between funds require formal action by the City Council.

Unexpended appropriations automatically lapse at the end of the fiscal year, and are included in the ending fund balance calculations within each fund.

## **Document Organization**

### ***Introductory Sections***

The first three sections of the annual budget document provide an introduction and overview of the Annual Budget and Five-Year CIP preparation process and contents.

The City Manager's Transmittal letter to the City Council outlines the key contents of the Fiscal Year Budget and the Capital Improvement Program. The fiscal health of all the fund types, as well as the City as a whole, is also discussed.

The summaries provide an easy to read overview of the City's revenues and expenditures, while this User's Guide provides an introduction to the City of Santa Clarita and an explanation of how to use this document.

It is important to note that the City's revenue estimates make assumptions based on actual experience and current knowledge of impending circumstances. Expenditure requests, in turn, reflect these assumed revenue trends.

### ***Department Budget Sections***

The next nine sections represent the main body of the Annual Budget. These sections contain all six City departments, Public Safety, and the Santa Clarita Redevelopment Agency budgets. Each of these sections begins with an overview of the department and budget summaries. Each program has a narrative page outlining the program's purpose, primary activities, performance goals, performance measures and a three-year budget history.

**Five-Year Capital Improvement Program Sections**

These sections contain detailed information about the capital improvement projects that the City plans to initiate over the next five years. Each project information sheet includes the project name, number and location (written and visual), a brief description of the project, a statement of justification, and a breakdown of project costs by typical expenditure category and a breakdown of project funding by source. Examples of a department's program budget and a CIP project information sheet follows.

**Appendix**

The Appendix contains additional information to further assist the reader. The primary account code numbers and designations are listed for further understanding of budgeted items, and budgetary and financial vocabulary found throughout the Annual Budget and Five-Year CIP document is included in the Glossary of Terms.

**Example of a Program Budget:**

<b>Funding Source: General Fund</b>		
<b>Account Number: 1200 ①</b>		
<b>Personnel</b>		
① 7011	Permanent Employees	601,070
7015	Temporary Employees	16,100
7017	Overtime	1,500
7101	Health & Welfare	40,190
7110	Life Insurance	115
7115	Long-Term Disability Insurance	② 3,545
7120	Medicare	8,950
7130	Worker's Compensation	9,730
7140	PERS	78,570
7150	Deferred Compensation	16,500
7160	Unemployment Taxes	2,160
<b>Total Personnel</b>		<b>778,430</b>
<b>Operations &amp; Maintenance ③</b>		
7301	Publications & Subscriptions	4,980
7302	Travel & Training	35,900
7303	Membership & Dues	4,650
7305	Education Reimbursement	2,200
7306	Auto Allowance & Mileage	13,020
7307	Office Supplies	2,730
7308	Printing	6,405
7309	Postage	1,155
7310	Advertising	35,000
7312	Special Supplies	5,000
7320	Promotion & Publicity	2,100
7373	Telephone Utility	1,600
8001	Contractual Services	2,070
8110	Professional Services	181,000
8117	Graphic Design Services	36,000
8200	Legal Services	90,000
8610	Equipment	17,800
8801	Computer Replacement	7,800
8802	Insurance Allocation	28,200
<b>Total Operations &amp; Maintenance</b>		<b>477,610</b>
<b>Total 2003/04 Budget ④</b>		<b>1,256,040</b>

① Account Code- the first four numbers indicate the department and division/subdivision. The second set of four numbers indicates a specific line item.

② Appropriation- for fiscal year.

③ Category- the budget is divided into three categories: Personnel, Operations & Maintenance and Capital Outlay. Each department is required to stay within the category allocation. (The City Council program does not have a Capital Outlay category.)

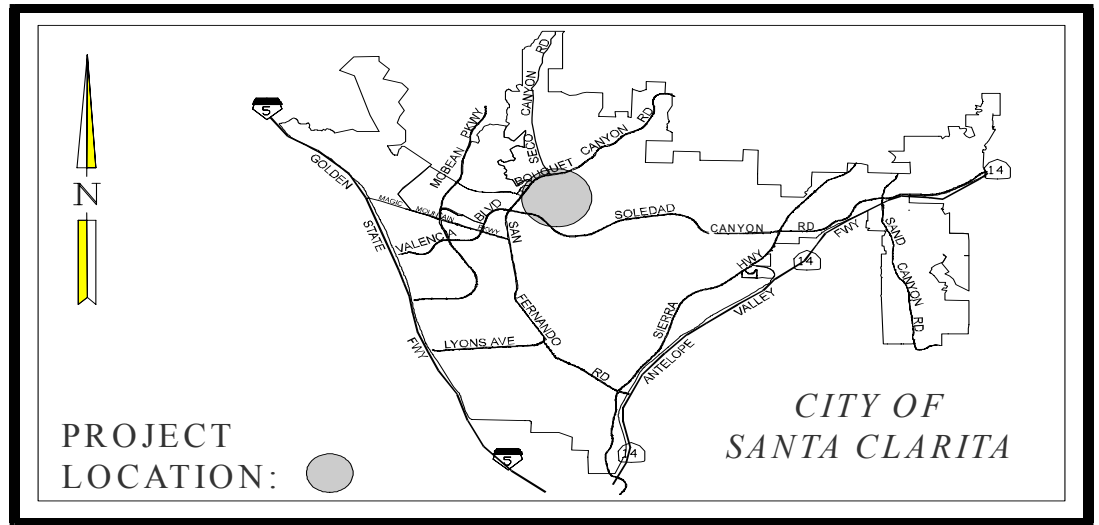
④ Bottom Line- total appropriation for the budget program.

# Capital Project Information Guide:

**Project Name:** VIA PRINCESSA ROADWAY/MAGIC MOUNTAIN PARKWAY

**Project Number:** S0005

**Project Location:**  
From Bouquet  
Canyon Road to  
Soledad Canyon  
Road.



**Description:**

This project will design and construct improvements identified in an agreement between Los Angeles County and various developers involved in the Second Access Group. It also includes improvements in the Bouquet Canyon Bridge & Thoroughfare District. Project formerly known as Rio Vista/Santa Clarita Parkway.

**Justification:** This project will improve traffic circulation in area that will be impacted by new development.

**Project Status:** In Progress. **Department:** Transportation & Engineering Services **Project Manager:** Chris Price

**Project Cost Est. (\$):**

<u>Expenditure Category:</u>	<u>Prior Years</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>Total</u>
Environmental	\$ 0	\$ 340,469	\$	\$	\$	\$	\$ 340,469
Design/Plan Review	291,460	345,405	880,000	980,000			2,496,865
Right-Of-Way							
Construction					8,000,000	10,000,000	18,000,000
Inspection & Admin.		15,000	30,000	20,000	150,000	150,000	365,000
Contingency			90,000		850,000	850,000	1,790,000
<b>Total Costs:</b>	<b>\$ 291,460</b>	<b>\$ 700,874</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 9,000,000</b>	<b>\$ 11,000,000</b>	<b>\$</b>

**Project Funding:**

<u>Funding Source:</u>	<u>Prior Years</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>Total</u>
B&T - 2nd Access Group	\$ 91,460	\$ 479,148	\$	\$	\$	\$	\$ 570,708
B&T - Bouquet	200,000	221,626					421,626
Unfunded			1,000,000	1,000,000	9,000,000	11,000,000	22,000,000
<b>Total Costs:</b>	<b>\$ 291,460</b>	<b>\$ 700,874</b>	<b>\$ 1,000,000</b>	<b>\$ 1,000,000</b>	<b>\$ 9,000,000</b>	<b>\$ 11,000,000</b>	<b>\$</b>

**Impact on Operations:** Ongoing street sweeping.

- Project Number:** S0003 S = Categorical location of capital project.  
0 = The area of the City in which the project is located.  
003 = The assigned project number (assigned in order according to area).

**Category Abbreviations:**

- B = Beautification & Landscaping
- C = Circulation
- D = Emergency
- E = Resource Management & Conservation
- F = Facilities & Buildings
- I = Intelligent Transportation Systems
- M = Maintenance
- P = Parks & Recreation
- S = Streets & Bridges
- T = Trails & Transit

**Area:**

- 0 = Citywide
- 1 = Valencia
- 2 = Newhall
- 3 = Canyon Country
- 4 = Saugus

**Project Cost Est. (\$):** This area shows a detail of the costs of the project by year and expenditure category.

# Budget Guidelines & Principles

## I. City Government Reporting Entities and Services

The budget includes all of the funds and account groups of the City of Santa Clarita. The City provides the following municipal services either directly or through contracts with the County of Los Angeles or private entities:

- Building Permit/Plan Approval
- Community Development
- Emergency Services
- Engineering
- Parks & Trails Maintenance
- Planning/Zoning
- Public Safety (Police/Fire)
- Recreation Services
- Street Maintenance
- Transit Service

## II. Financial Structure

### A. Accounting System and Budgetary Control

In developing and evaluating the City’s accounting systems, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a specific control feature should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits require estimates and judgments by management.

All evaluations of the City’s system of internal control will continue to occur within the above framework. The City’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### B. Fund Descriptions

The City’s accounting records are organized and operate on a “fund” basis, which is the basic fiscal accounting entity in governmental accounting. Each fund is designed by fund type and classification:

- **Governmental Funds** - General, Special Revenue, Debt Service and Capital Projects

- **Proprietary Fund** - Enterprise and Internal Service
- **Fiduciary Funds** -Trust and Agency
- **Account Groups** - General Fixed Assets and General Long-Term Debt

### C. **Governmental Funds**

Governmental Funds are used to account for the City's expendable financial resources and related current liabilities, except for those accounted for in proprietary funds. The basic financial statements necessary to fairly present financial position and operating results for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. Governmental funds are maintained using the modified accrual basis of accounting.

- **General Fund** - accounts for all the general revenue of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.
- **Special Revenue Fund** - account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.
- **Debt Service Fund** - account for accumulation of resources for, and payment of, interest and principal on long-term debt.
- **Capital Project Fund** - account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

### D. **Proprietary Funds**

Generally accepted accounting principles applicable to a private commercial business are applicable to proprietary funds of a governmental entity. The accrual basis of accounting is utilized. The measurement focus is based upon a determination of net income, financial position and cash flows. Accordingly, basic financial statements are required, such as balance sheet, statement of revenues, expenses and changes in retained earnings (deficit), and the statement of cash flows.

- **Enterprise Fund** - accounts for operations that are financed and operated in a manner similar to private enterprises, where the intent of City Council is that the cost and expense, including depreciation and amortization, of providing goods or services to the general public

on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- **Internal Service Fund** - account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in these funds and are charged to the user departments as such goods are delivered or services rendered.

#### **E. Fiduciary Funds**

Fiduciary Funds are maintained to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments and other funds.

- **Expendable Trust Fund** - account for assets and activities restricted to specific purpose in accordance with a trust agreement.
- **Agency Funds** - account for assets held by the City as an agent for the City employees deferred compensation plan and assets held by the City as agent for the Community Facilities District 92-1.

#### **F. Account Groups**

Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt.

- **General Fixed Assets Account Group** - account for long-term assets of the City, except for those accounted for in proprietary fund types.
- **General Long-Term Account Group** - account for long-term debt of the City, except for debt accounted for in proprietary fund types.

### **III. Budget Policies and Procedures**

#### **A. Policy**

The City Manager shall submit a proposed budget to the City Council each year. It is the stated policy of the Council and City Manager that ongoing revenues match or exceed ongoing appropriations.



## **B. Budget Basis**

The budgets of general government type funds (for example, the general fund itself, and gas tax funds) are prepared on a modified accrual basis. Briefly, this means that obligations of the City are budgeted as expenses, but revenues are recognized only when measurable and available.

The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases this conforms to the way the City prepares the budget. One exception is the treatment of compensated absences. Compensated absences, including accrued but unused holiday, administrative leave, compensatory time and vacation leave, are treated slightly different in the budget than in the CAFR.

## **C. Responsibility**

The department heads are responsible for preparing their budgets in accordance with the guidelines provided by the City Manager and Budget Officer. The Administrative Services Department provides cost experience data as required by City departments. The Director of Administrative Services prepares all revenue, debt service and reserve estimates.

## **D. Budget Preparation**

The process of developing the operating budget begins officially in January of each year. The budget preparation process provides department heads an opportunity to examine programs; to propose changes in current services; to recommend revisions in organizations and methods; and to outline requirements for capital outlay items.

## **E. Operating Budget**

Ongoing operating costs should be supported by ongoing, stable revenue sources. This protects the City from fluctuating service levels and avoids crises when one-time revenues are reduced or removed. Listed below are some corollaries to this policy:

- Fund balances or contingency accounts should be used only for one-time expenditures, such as capital equipment and capital improvements.
- Ongoing maintenance costs, such as street resurfacing and trail maintenance, should be financed through recurring operating revenues rather than through bond issuance.

- In addition, at least \$1 million of transportation related funding shall annually fund the annual overlay and slurry program.
- Fluctuating federal grants should not be used to fund ongoing programs.

**F. Revenue Policies**

A diversified and stable revenue system will be maintained to ensure fiscal health and absorb short run fluctuations in any one revenue source. User fees for all operations will be examined and adjusted annually to ensure that fees cover the direct and, where appropriate, indirect costs of service.

Development fees for one-time capital expenditures attributed to new development will be reviewed annually to ensure that fees match development related expenditures.

All applicable fees will be reviewed and adjusted annually according to the consumer price index (CPI) to maintain fees 100% recoverable.

The City Manager shall review the encumbrances and continuing appropriations to be submitted to the City Council for approval from one fiscal year to the next fiscal year. These encumbrances and continuing appropriations shall become a part of the City budget.

**G. Debt Management**

Short-term borrowing or lease/purchase contracts should be considered for financing major operating capital equipment when the City Manager along with the City’s financial advisor determines that this is in the City’s financial interest. Significant lease/purchase decisions should have the concurrence of the appropriate department head and Administrative Services Director.

**H. Cost Allocation**

The purpose of the City’s cost allocation from its Internal Service funds is to charge the departments for City resources that are being used by the individual departments.

Self Insurance Fund Allocation – The self insurance fund is used to account for the cost of the City’s insurance premiums (such as general liability, property, and automobile insurance), as well as claims adjuster services, and legal costs. Charges to department are calculated based on the number of permanent staff in each department.

Equipment Replacement Allocation – The equipment replacement fund is used to account for the acquisition, depreciation, and replacement of City vehicles. Charges to department are calculated based on the actual depreciation charge for vehicles used by each department.

Computer Replacement Allocation – The computer replacement fund is used to account for the acquisition, depreciation, and replacement of computers and related equipment. Charges to departments are calculated based on the number of computer workstations supported by the Technology Services staff in each department.

## **I. Capital Budget**

The Five-Year Capital Improvement Plan shall be prepared and updated each year. Although this plan may include “unfunded” projects that carry out the City’s strategic and general plans, it must also include a capital spending plan that identifies projects that can be completed with known funding sources. Each department must, when planning capital projects, estimate the project’s impact on the City’s operating budget.

Amendments to capital appropriations fall under the same guidelines as changes to the operating budget, with one exception: any project change exceeding 20 percent of the original contract price or \$100,000 must receive specific City Council approval. This approval can be by motion rather than resolution and may accompany a recommendation for award of bid, change order or other Council action. While this approval is not a strict legal requirement, it serves to keep the Council informed on capital activity and funding, and ensures that revisions of project priorities are in line with Council expectations.

## **J. Budget Review**

During the budget review phase, the City Manager’s Office, in conjunction with Department of Administrative Services, analyzes new positions, and operating and capital budget requests. This information is then compiled and presented to the Budget Officer. The budget team, comprised of the Budget Officer, Director of Administrative Services, and Accounting Manager, conduct meetings with each department to review their estimated expenditures for the current fiscal year and the proposed base line requests and enhancements for the proposed budget year. At the completion of these meetings, the Department of Administrative Services again compiles all the financial data and presents the proposed budget to the Budget Officer for final review and budget preparation.

#### **K. Budget Adoption**

The City Manager presents, via publicly noticed study sessions, the budget to the City Council. A public hearing is held and, after modifications and revisions, the budget is adopted by resolution.

#### **L. Budget Implementation**

A budgetary control system will be maintained to ensure compliance with the budget. The Department of Administrative Services is responsible for setting up the budget for tracking purposes and is charged with ensuring fund availability during the year to cover expenditures and appropriations. Reports comparing the budget with expenditures are generated and sent to departments on a monthly basis.

#### **M. Budget Revision**

The City Council approves total budgeted appropriations throughout the year. Actual expenditures may not exceed budgeted appropriations at the category level (e.g., Personnel, Operations & Maintenance and Capital Outlay). The City Manager or his designee is authorized to transfer budgeted amounts at the category level. The City has the following programs accounted for through its governmental funds: general government, public safety, public works, parks and recreation, community development and capital expenditures. Use of unappropriated reserves must be specifically approved by the City Council.

### **IV. Financial Policies**

#### **A. General**

The financial policies establish the framework for overall fiscal planning and management. The policies set forth guidelines for both current activities and long range planning. The policies will be reviewed annually to assure the highest standards of fiscal management.

#### **B. Overall Goals**

The overall financial goals underlying these financial policies are:

Fiscal Conservatism: To ensure that the City is at all times in a solid financial condition. This can be defined as:

- **Cash solvency** - ability to pay bills.

- **Budgetary solvency** - ability to balance the budget.
- **Long run solvency** - ability to pay future costs.
- **Service level solvency** - ability to provide needed and desired services.

Flexibility: to ensure that the City is in a position to respond to changes in the economy or new service challenges without an undue amount of financial stress.

Adherence to the Highest Accounting and Management Practices: as set by the Government's Finance Officers' Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards.

## C. **Cash Management**

### 1. **Purpose**

An investment policy has been adopted by resolution and is reviewed each year. The investment policy provides guidelines for the prudent investment of temporary idle cash and outlines the policies for maximizing the efficiency of the cash management system. The ultimate goal is to enhance the economic status of the City while protecting its pooled cash.

### 2. **Objective**

The cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity.

### 3. **Policy**

In order to maximize interest earnings, the City commingles the cash of all funds, except those funds held in trust for the City by various financial institutions in accordance with applicable trust agreements related to debt issues. Interest revenue derived from commingled cash is allocated monthly to the participating funds based on the relative cash balance of each fund.

#### 4. **Procedures**

Criteria for selecting investments and the order of priority are:

- Safety The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe and are allowable under Government Code Section 53601.
- Liquidity This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occasionally occurs.
- Yield This is the dollar earnings an investment can provide, and sometimes is described as the rate of return.

#### 5. **Debt Administration**

In October 1991, the Public Financing Authority Revenue Bonds-Series 1991 were issued in the amount of \$22,940,000. This was the City’s first rated bond issue in which Standard and Poor assigned an A- Bond rating to the City of Santa Clarita. In August 1997, the City refinanced these bonds, which were insured with an AAA rating. As of June 30, 2003, the City’s obligation for Public Financing Authority Revenue Bonds, Series 1991, is \$18,975,000.

In October 1991, the City entered into a lease with an option to purchase agreement in the amount of \$4,895,000 for the lease of 16 buses from Los Angeles County Transportation Commission (LACTC). The balance of the LACTC lease obligation, as of June 30, 2003, equals \$550,000.

In October 1992, the City received a distribution of loan proceeds totaling \$2,557,436 from the Price Company. This money has been used for the acquisition of certain infrastructure improvements surrounding the Price Club (Costco). Payments are due quarterly and will equal 70% of the sales tax revenue generated monthly from the operation of the Price Club Center. The payments will be made for 30 years. As of June 30, 2003, the City’s obligation for the note payable is \$2,665,846.

In January 1998, the City entered into a lease with option to purchase agreement with Kansas State Bank of Manhattan for \$1,539,232 for the purchase of four commuter buses. The term of

the lease is 12 years with annual payments of \$166,870. As of June 30, 2003, the balance of this lease is \$841,858.

In July 1998, the City entered into a lease with an option to purchase agreement with the Marquette National Bank for \$420,000 for the purchase of a telephone system. The term of the lease is seven years with annual payments of \$69,073, beginning July 1999. As of June 30, 2003, the balance of this lease is \$188,204.

In December 1998, the City entered into a lease with option to purchase agreement in the amount of \$2,335,964 for the lease of six buses. The term of the agreement is 12 years with annual payments of \$260,148 beginning in December 1999. As of June 30, 2003, the balance of this lease is \$1,697,139.

In September 1999, the City entered into a lease with an option to purchase agreement in the amount of \$31,892 for the lease of two copiers through Ricoh Corporation. The term of the agreement is six years with annual payments of \$8,228 beginning in September 2000. As of June 30, 2003 the balance of this lease is \$10,195.

In December 1999, the City entered into a loan with the Secretary of Housing and Urban Development for the amount of \$2 million. The purpose of this loan is for installation of curbs, gutters and sidewalks in the West Newhall area. The term of the agreement is fifteen years with annual payments of approximately \$260,000 beginning in August 2000. As of June 30, 2003, the balance of this loan is \$1,610,000.

In November 2001, the City of Santa Clarita, entered into a loan agreement with Zion Bank to secure funding for the purchase of the Ruether Avenue land acquisition in the amount of \$3,200,000. The term of the agreement is 15 years. The City expects to repay this loan within five years with annual payments of approximately \$750,000 beginning in November 2002. As of June 30, 2003, the balance of this loan is \$2,765,000.

In June 2002, the City entered into a lease with an option to purchase agreement in the amount of \$1,200,000 for the lease of a parking lot through the Public Financing Authority. The term of the agreement is fifteen years with semi-annual payments of approximately \$76,000 beginning in September 2002. As of June 30, 2003 the balance of this lease is \$1,103,913.

**6. Risk Management**

The City is self insured for the first \$250,000 on each general liability claim against the City. Third party coverage is currently maintained for general liability claims greater than \$250,000 up to a limit of \$15 million and for all workers' compensation claims. The City has a Safety Committee to promote safe and healthy work practices. The objectives of the Committee include identifying, reviewing, and correcting unsafe conditions and practices, establishing employee safety training programs, and promoting a system of communications with employees regarding safety and health matters. In addition, the City maintains a comprehensive risk assessment program and annual hazard survey to identify areas that may pose liability issues. Furthermore, the City has a policy of vigorously defending claims filed against Santa Clarita and continues to maintain an excellent loss history.

**7. Annual Audit**

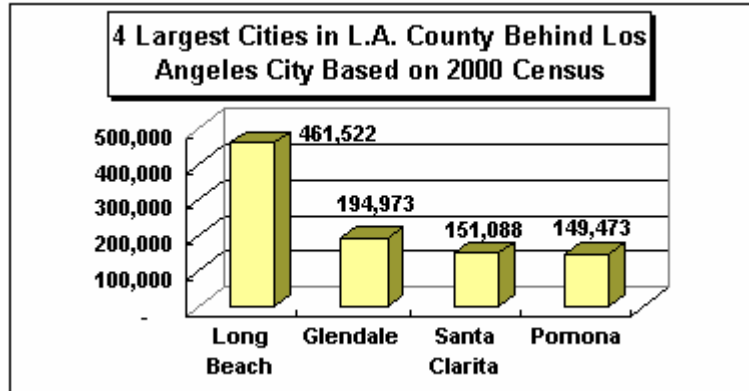
Sound accounting practices suggest that an annual audit is a prudent business decision. The City requires an annual audit by a qualified independent accountant of the books of account, financial records, inventories and reports of all City officers and employees involved in the handling of financial matters. In compliance with the requirement of an annual audit, Diehl, Evans & Company, LLP, a firm of Certified Public Accountants, completed the audit for the fiscal year ending June 30, 2002.



# Comparative Survey

## Population

The City of Santa Clarita is the fourth largest city in Los Angeles County based on the 2000 Census with a population of 151,088 people. In 2003, the City of Santa Clarita remains the fourth largest city in the county and the 25<sup>th</sup> largest city in the State of California. The largest city in the county is the City of Los Angeles with over 3.8 million people. Based on its size, the City plays an important role in the county.



## Budget

The City of Santa Clarita continues to grow in population and size. The growth is due to immigration to the City limits as well as a number of annexations that have occurred since Cityhood. Santa Clarita prides itself in providing an efficient delivery of quality service to its community. In a per capita comparison of total General Fund budget expenditures for fiscal year 2003-2004, the City of Santa Clarita demonstrates its efficient delivery of service as compared to other surrounding cities and as compared to the four largest cities described above.

		Gen. Fund Budget	Total Budget	Year 2003 Population	Gen. Fund Per Capita Spending
Santa Clarita	Appropriations	53,353,407	164,810,312	162,900	327.52
	Revenues	58,008,850	148,243,637		
Long Beach	Appropriations	368,163,055	1,666,106,115	481,000	765.41 (proposed)
	Revenues	361,336,443	1,723,973,622		
Pomona	Appropriations	71,031,629	230,683,148	156,500	446.63
	Revenues	69,898,158	200,989,373		
Glendale	Appropriations	113,894,727	563,463,404	202,700	561.89
	Revenues	114,457,124	472,596,661		
Burbank	Appropriations	108,994,464	404,955,417	104,500	1,043.01 (proposed)
	Revenues	113,782,360	427,966,940		
Lancaster	Appropriations	41,039,287	145,674,111	126,100	325.45
	Revenues	40,846,495	113,000,844		
Palmdale	Appropriations	46,719,170	169,069,410	127,200	367.29
	Revenues	27,830,850	119,246,190		
Pasadena	Appropriations	172,066,128	465,807,109	142,200	1,210.03
	Revenues	168,819,596	456,585,350		
San Fernando	Appropriations	15,673,478	41,189,431	24,500	639.73
	Revenues	15,958,560	35,356,845		
Simi Valley	Appropriations	49,678,000	134,489,700	117,700	422.07
	Revenues	49,678,000	103,326,600		

# Annual Appropriations Limit

The Appropriations Limit, established by the State of California per Article XIII B of the California State Constitution, sets a limit for the annual appropriations of tax proceeds for all municipalities.

Article XIII B was recently amended by Proposition 111 to change the method of calculating the annual appropriations limit. Prior to Proposition 111, the annual appropriations limit was adjusted annually by the change in the cost of living or by the change in California per capita personal income, whichever was less, and by the percentage change in the population of the City.

Under the new guidelines set forth by Proposition 111, the annual appropriations limit will not exceed a base year adjusted by the change in population of the City or the County combined with either the change in California per capita personal income or the change in the local assessment roll due to local nonresidential construction. Proposition 111 also changed the base year for all municipalities to 1986-87.

Starting with a base year limit of \$47,350,022 for 1986-87 and increasing it to the 2003-2004 limit by using the guidelines set forth in Proposition 111, the calculation would be as follows:

Fiscal Year	Prior Year's Limit	Add Change in Personal Income		New Base	Add Change in Population		Appropriations Limit
1988-89	55,273,979	4.66%	2,575,767	57,849,746	12.29%	7,109,734	64,959,480
1989-90	64,959,480	5.19%	3,371,397	68,330,877	5.85%	3,997,356	72,328,233
1990-91	72,328,233	4.21%	3,045,019	75,373,252	4.75%	3,580,229	78,953,481
1991-92	78,953,481	4.14%	3,268,674	82,222,155	7.01%	5,763,773	87,985,928
1992-93	87,985,928	(.64%)	(563,110)	87,422,818	2.67%	2,334,189	89,757,007
1993-94	89,757,007	2.72%	2,441,391	92,198,398	1.18%	1,087,941	93,286,339
1994-95	93,286,339	0.71%	662,333	93,948,672	3.94%	3,701,578	97,650,250
1995-96	97,650,250	4.72%	4,609,092	102,259,342	(.52%)	(531,749)	101,727,593
1996-97	101,727,593	4.67%	4,750,679	106,478,272	1.54%	1,639,765	108,118,037
1997-98	108,118,037	4.67%	5,049,112	113,167,149	1.13%	1,278,789	114,445,938
1998-99	114,455,938	4.15%	4,749,921	119,205,859	9.69%	11,551,048	130,756,907
1999-00	130,756,907	4.53%	5,923,288	136,680,195	2.37%	3,239,321	139,919,516
2000-01	139,919,516	4.91%	6,870,048	146,789,564	3.39%	4,976,166	151,765,730
2001-02	151,765,730	7.82%	11,868,080	163,633,810	2.18%	3,567,217	167,201,027
2002-03	167,201,027	(1.27%)	(2,123,453)	165,077,574	2.93%	4,836,773	169,914,347
2003-04	169,914,347	2.31%	3,925,021	173,839,368	2.99%	5,197,797	179,037,166