



July 1, 2006

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita's Fiscal Year 2006-2007 Operating Budget and Five-Year Capital Improvement Program. Preparation of a balanced budget is paramount; moreover, one of the most important functions of the City Manager. Each year my goal is to identify and achieve necessary funding for established Council priorities, community priorities and the maintenance and enhancements of essential City services.

I am pleased to report that the City is in good fiscal health. Unlike previous years, the City's budget outlook is much more stable due to the passage of Proposition 1A, which prohibits the State from reducing local government tax proceeds, such as Sales Tax and Property Tax. We are now better able to project our General Fund revenue, and better plan our operating and capital expenditures. Much of this success is a result of your conservative and cautious approach, particularly when the fiscal health of the City was uncertain before the passage of Proposition 1A. This approach has without doubt served us well.

Our conservative approach and healthy fiscal status has placed us in a better position to address future challenges that could impact key revenue sources or place a heavy burden on expenditures. This includes: challenges in the regional economy with regard to the housing market that could directly impact Property Tax revenues; growing service demands on one of the fastest growing cities in California; upkeep and maintenance of very costly capital projects; future annexations; and on-going litigation for Cemex, Golden Valley Road, and South Santa Clarita Annexation.

As we all know, the decisions we make in good years are more important than the decisions we make in the bad years. With this, we continue to take a conservative approach in the area of revenue assumptions and recommended expenditures.

This year my direction to staff was to focus on "*Continuing the Vision*" described in the Big Picture Community Strategic Plan, which is one of the City's most extensive visioning processes that resulted in several action items. Although we have been successful implementing or completing many action items, the Big Picture is a three year plan and our goal is to achieve 100% completion.



The following executive summary provides an overview of the Fiscal Year 2006-2007 Budget which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

## **BUDGET OVERVIEW**

### *Total Appropriations*

The Fiscal Year 2006-2007 Budget totals \$139,044,919, which reflects an increase of \$4,012,185, or approximately 3% from the Fiscal Year 2005-2006 Adopted Budget. This increase is due to overall increases in departmental operations to keep up with growth and to maintain exceptional service levels to our residents and local businesses.

### *Capital Budget*

Of the total Fiscal Year 2006-2007 appropriation, 17% or \$23,186,900 is designated for the Capital Improvement Program (CIP). The CIP budget includes 41 capital projects, financed from 20 different funding sources. The capital budget is made up of \$20,585,600 of new funding and \$2,601,300 of re-budgeted funding from the prior fiscal year.

### *Total Revenues*

A significant milestone of the budget process is estimating revenues for the upcoming fiscal year. This process is critical, as appropriations are based on these projections. To ensure accuracy in our projections, several factors are considered including historical trends, population projections/growth, and inflationary factors. With this information, the City can best determine the revenues available for allocation. Additionally, the City utilizes long-range financial planning to ensure long-term solvency. Revenues for Fiscal Year 2006-2007 are projected at \$151,685,140. This is a decrease of 24% or \$48,682,556 from Fiscal Year 2005-2006. This decline is due to a decrease in special revenue associated with one time capital projects due to the completion of large projects such as the Newhall Community Center, Transit Maintenance Facility, Cross Valley Connector Gap Closure, Magic Mountain Interchange, and widening of the Bouquet Canyon Bridge.

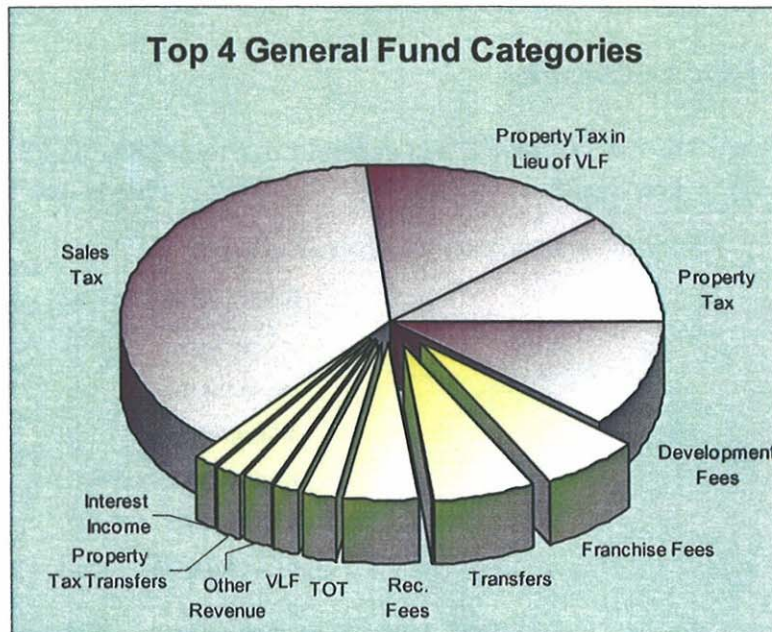
### *General Fund*

The General Fund is vital to the operation of the City because it is composed of the most flexible revenue, which the City Council can allocate toward any project or need within the community. The 2006-2007 Budget is consistent with our "Good Business" practice of ensuring that revenues are greater than expenditures.



## General Fund Revenues

The City's largest fund is the General Fund, representing 57% or \$86,168,050 of total revenue (includes transfers which total \$2,725,870). The four major General Fund revenue sources are Sales Tax, Property Tax in Lieu of VLF, Property Tax, and Development Revenue which comprise 76% of the total General Fund revenue.



Sales tax continues to be the City's largest General Fund revenue source accounting for 38% of the total General Fund revenue, or \$32,374,985 this year. The projected increase of approximately 7% in Sales Tax revenue is indicative of the contribution the citizens of Santa Clarita make by shopping Santa

Clarita and keeping tax dollars in the City.

Second to Sales Tax is Property Tax, which accounts for 27% or \$22,710,120 of the General Fund revenue. Of the total Property Tax amount, 56% or \$12,804,395 is property tax in lieu of Vehicle License Fees (VLF). Property Tax is imposed on real property and tangible personal property located within the City. The tax comprises one percent of the assessed value of the property.

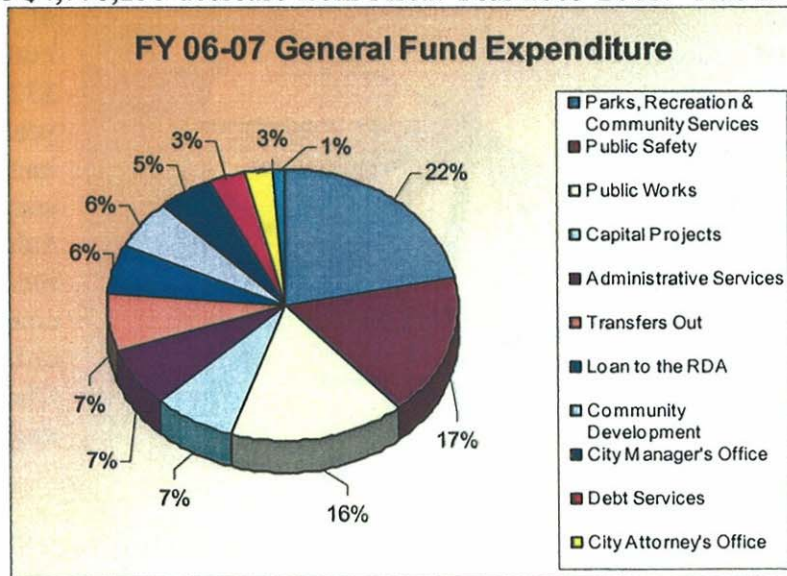
Development Revenue represents charges for building and safety permits and review of new developments for environmental and land use compliance. This accounts for 12% or \$9,506,415 of the General Fund revenue.

The remaining 23% of the General Fund revenue includes Franchise Fees, Recreation Fees, Transient Occupancy Tax (TOT), Vehicle License Fees (VLF), Real Property Transfer Tax, Interest Income, and the Other category. Franchise Fees are fees received from the cable company, trash franchise(s) and other utilities. This accounts for 6% or \$5,302,420 of the General Fund revenue. Recreation Fees are generated from parks and recreation classes conducted throughout the year and represent 4% of General Fund revenues. TOT (2%) is derived from local hotels and motels and is a 10% tax on the room rate. VLF (2%) is a State vehicle license fee imposed on motorists for the use of public highways. Real Property Tax Transfer (2%) is

collected when properties are sold. The City receives \$.55 for every \$1,000 of real property sold within the City. Interest Income (2%) is earned as the City invests its idle funds in various investment opportunities. The goal of the City's investment is to protect each investment while achieving the highest rate of return. Finally, General Fund revenues also include reimbursements and transfers from other funds to the City and the Other category which represent revenues received for film permits, animal license fees, rental income, and other miscellaneous revenues.

**General Fund Expenditures**

Fiscal Year 2006-2007 General Fund expenditures total \$84,762,223 which is a 5% or \$4,778,258 decrease from Fiscal Year 2005-2006. This is due to a decrease in



General Fund contribution to capital projects, resulting in more capital projects being funded out of Special Revenue sources.

The total General Fund expenditures for Fiscal Year 2006-2007 includes funding for operating departments

(\$63,788,294), capital projects (\$6,356,400), debt services (\$2,825,729), Council Contingency (\$1,000,000) and transfers to other funds (\$5,791,800). Funding for seven new positions is included for programming and maintenance that will be coming on-line during the fiscal year. In addition, the total General Fund expenditure also includes a \$5,000,000 loan to the Redevelopment Agency to fund the Streetscape and Restriping projects in the Downtown Newhall Area. The City Council has identified the recently adopted Downtown Newhall Specific Plan as a priority. This loan will help realize implementation of this Plan.

Of the total General Fund expenditure, Parks, Recreation and Community Services accounts for 22% of the City's General Fund operating budget. This is consistent with the City's philosophy of making parks and recreation programs and opportunities for our children and teens a priority.



### *General Fund Reserves*

General Fund reserves total \$25,850,000. This includes a 15% operating reserve that totals \$12.7 million, a 1% increase from Fiscal Year 2005-2006. This was a goal set by the City Council in previous years. The total General Fund reserve also designates funding for Newhall Redevelopment, Cemex, Whittaker Bermite, South Santa Clarita Annexation, MTA Grant Match and Capital Projects. Reserves are critical because it is a funding source that can be counted on in case of an emergency or unforeseen opportunity.

### *Special Revenue*

In addition to General Fund revenues, there are several other key revenues that fund programs, projects, and services. For Fiscal Year 2006-2007 these revenues represent 43% of the City's total revenue picture, or \$65,517,090. They are referred to as Special Revenues or revenues that have a restricted use and include Gas Tax, Community Development Block Grants (CDBG), Federal Transit Administration (FTA) grants, Park grants, Special Districts, Transit funds, and Stormwater Utility revenues.

## **DEPARTMENT HIGHLIGHTS**

In developing the budget, the operating departments were asked to thoroughly evaluate their current levels of funding, programs and services, and to submit a fiscally responsible department budget. Additionally, each department was charged with the following:

- To focus on further enhancements to expenditure and revenue projections...balancing the extremes of under and over estimating.
- Maintenance of City services...paying great attention to the importance of maintaining the fundamental City services.
- Future service needs as related to the Valley's growth and demand...looking past today and thinking about addressing the City's future growth.

The following department summaries represent the results of those efforts, as well as highlights of those items included in the Fiscal Year 2006-2007 budget.

### *City Manager's Office*

The budget represents the resources needed for the City Manager's Office to provide management and administrative services to the organization and the community. The

City Manager's Office is a service-oriented department that provides services to the City Council, the community, the Executive Team, businesses, other agencies, and staff. The following areas are represented within the City Manager's Office budget: City Council, Environmental Services, Public Information, Human Resources, and Intergovernmental Relations.

One key addition to the City Manager's Office budget is funding for an additional State of the City Newsletter. This would allow two newsletters to go out during the year instead of one to provide a more regular means of communicating with our residents and businesses.

### *Administrative Services*

Functions of the Administrative Services Department include Finance, Transit, Technology and GIS Services, Grant Administration, City Clerk, Risk Management, and Special Districts. This Department is essential in supporting all divisions within the City through quality fiscal operations and technology, and providing superior maintenance of landscape districts, and enhancement of transit services.

Key additions to the department include a new Senior Financial Analyst position in Finance, \$500,000 for the maintenance and operations of the new Transit Maintenance Facility, \$400,000 for diesel emissions retrofits of 44 Transit buses as required by the State, and \$100,000 to upgrade outdated Transit security cameras.

### *Community Development*

The Community Development Department is comprised of Planning, Economic Development, Redevelopment, Community Preservation and Community Development Block Grants (CDBG). The Department continues to meet the challenge of managing the demands of growth and is actively working on the first Joint City/County General Plan, Cemex, clean-up of the Whittaker Bermite site, implementation of the Downtown Newhall Specific Plan, aggressively seeking business attraction and retention opportunities, promoting filming in the City, and preserving the integrity of our neighborhoods through implementation of the Neighborhood Reinvestment effort.

The budget for Community Development includes three new positions in the Planning Division (Two Associate Planners and Planning Technician), \$300,000 to continue the Cemex opposition effort, \$60,000 to support the clean-up of the Whittaker-Bermite property, \$10,000 for the Enterprise Zone application process, \$35,000 for Newhall Redevelopment marketing, and \$10,000 for the Neighborhood Reinvestment community and Hispanic outreach.



### ***Public Works***

The Public Works Department contains such functions as Traffic Engineering, Transportation and Capital Grant Funding, Development Services, Building and Safety, Public Works Inspection, design and construction of Capital Improvement Projects, Urban Forestry, and the maintenance of City streets, vehicles and facilities. This department continues to work on a variety of critical capital projects while providing quality engineering services and a high standard for the maintenance of public infrastructure.

The budget for Public Works includes two new positions in the Street Maintenance Division (Assistant Streets Supervisor and Street Maintenance Worker), \$31,850 for annual dues to the Orange Line Development Authority, and \$500,000 to expand the successful Photo Red Light Enforcement Program to more intersections.

### ***Parks, Recreation, & Community Services***

Functions of the Parks, Recreation, and Community Services Department include Parks Maintenance, Median Maintenance, Park Development and Planning, Recreation, Emergency Preparedness, Cultural Arts, and other community services. This department is committed to creating community through people, parks and programs. This Department's budget represents 22% of the City's general fund operating budget, which supports the City Council's philosophy of making parks and recreation programs for our children a priority and to curb teen crime.

The key allocations to this Department include \$150,000 to update the Parks, Recreation and Open Space Master Plan, \$100,000 for the Community Services Grant Program, and \$20,600 for Celebrating Diversity Month and Operation US. Also, additional funding in the amount of \$87,794 is included for the graffiti abatement program to add temporary employees to help with the removal of graffiti, one pressure washer, three recapture and recycling units, three water filtration systems, wireless laptops, and digital cameras.

### ***Public Safety***

This section of the budget represents the cost of contracting for fire protection and police services with Los Angeles County Fire and Sheriff's Departments.

The total contract cost for public safety services for Fiscal Year 2006-2007 is at \$14,487,909, representing an approximate increase of 4% over Fiscal Year 2005-2006.

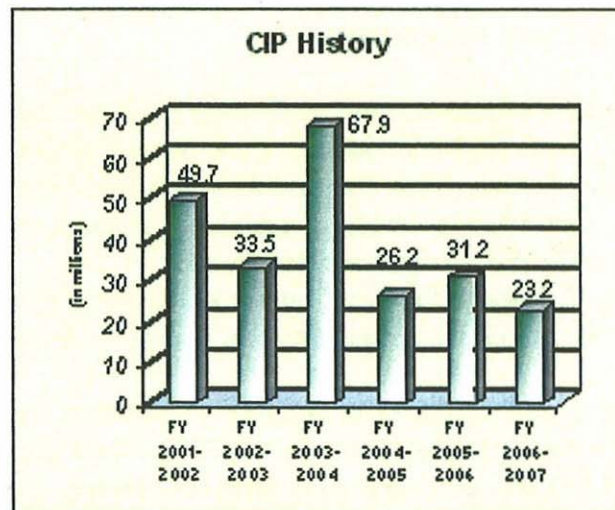
Significant items in this recommended budget include a 4.9% increase or \$655,837 to the Sheriff's contract, \$26,600 to start a Community Court program, and \$10,000 for

a DUI communications and advertising campaign. Another addition to the Public Safety budget is \$120,000 for probation officer services. This new service is necessary to ensure that follow-up is as good as the arrests.

Also included within the Public Safety budget is funding for fire protection and prevention. This year the City is committed to realizing an additional fire station within the City (Fire Station # 132).

As a result of the City's ongoing commitment to public safety, Santa Clarita is consistently ranked as one of the top five safest cities of its size (population over 150,000) in the nation.

**FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM**



The Capital Improvement Program (CIP) is a key component of this document and of vital importance to the community as a whole. The CIP represents a balanced approach for meeting the community's current and future capital improvement needs. The CIP accomplishes the City's major goals for projects, while maintaining critical ongoing maintenance.

The CIP is made up of a variety of multi-year and multi-funded capital projects. Significant in this year's CIP is the inclusion of several large capital projects. New funding of \$7 million has been identified and budgeted for in 2006-2007 for the Overlay (streets) Program. The Overlay Program reflects the implementation of the City's commitment to sound pavement management of the roadway infrastructure. The effort maintains the quality and viability of the City's streets; this year's program includes various major arterials and local roads.

Another important capital project is the allocation of \$1 million for the Golden Valley Road Bridge over the Santa Clara River. This will provide funding for necessary environmental work and design. The Cross Valley Connector project continues to be a priority for the City Council as it is critical link to Golden Valley Road. This funding brings us closer to realizing this vital project's completion.

An allocation of \$1.37 million for the Santa Clarita Sports Complex Phase IV is also budgeted for 2006-2007. This will fund the design for the expansion of the



gymnasium, new skate park, walkways, parking lots, landscaping and other site improvements.

In an effort to support the concept of sports tourism to make Santa Clarita a destination point, an allocation of \$75,000 for the Santa Clara River Sports Facility Feasibility Study is also included in the CIP budget. This funding will determine the feasibility of a sports facility on a portion of a 58-acre site owned by the City.

In addition, \$3 million has been allocated to fund the construction of Whites Canyon Park. Amenities will include a restroom, play area, picnic shelters, walking paths and a parking lot.

The Capital Improvement Program for 2006-2007 totals \$23,186,900. The Capital Program is broken down into the following eight project classifications:

<b>Project Category</b>	<b>Amount</b>
Beautification & Landscaping	\$965,000
Circulation	\$590,000
Facilities & Buildings	\$1,561,600
Intelligent Technology	\$1,450,000
Maintenance	\$8,692,300
Parks Development	\$4,688,000
Resource Management & Conservation	\$40,000
Streets & Bridges	\$2,272,000
Trails & Transit	\$2,928,000
<b>TOTAL</b>	<b>\$23,186,900</b>

The Capital Improvement Program for 2006-2007 is comprised of 20 different funding sources with the general fund accounting for \$6,356,400 or 27% of the total Capital Improvement Program.

The entire Capital Improvement Program represents a proactive and physical effort toward enhancing the quality of life for our residents, while continuing to address priority issues and needs expressed by the community. A detailed description of all projects contained within the 2006-2007 CIP, as well as corresponding location maps, can be found in the Capital Projects section of this document.

## **A SUCCESSFUL YEAR**

The City of Santa Clarita continues to be a thriving community. Many significant projects and programs have been implemented and completed or will be this fiscal year (06-07), including:

- Completion of the Transit Maintenance Facility
- Completion of the Newhall Community Center

- Completion of the Cross Valley Connector Gap Closure
- Begin grading for the expansion of the Sports Complex
- Bouquet Canyon Bridge Widening (Summer 2006)
- Groundbreaking for White's Canyon Park (Fall 2006)
- Implementation of the Graffiti Abatement Program
- Adoption of the Downtown Newhall Specific Plan
- Completion of the Blue Ribbon Task Force Youth Grove Memorial
- Implementation of the Neighborhood Reinvestment Program

## CONCLUSION

This budget has been established, according to our "good business" budgeting practice, to provide the necessary funding for the City to continue meeting the challenges this next fiscal year and thereafter. I would first like to take this opportunity to congratulate the City Council for its great fiscally responsible leadership and direction, resulting in significant achievements and financial stability for the City. I would also like to thank all the Commissioners and City staff who, every day, commit themselves to maintaining the quality of life enjoyed by all Santa Clarita residents.

Furthermore, I would like to recognize each of the budget officers, who worked diligently to prepare the document now before you. Specifically, thanks to each member of the lead budget team including Ken Striplin, Darren Hernandez, Gina Schuchard, Renee Bojorquez, and Tina Haddad for their work in preparing the budget. In addition, I would like to thank the Executive Team and Mary Navarro for her work in preparing the Capital Improvement Program section, and all other staff who contributed to the preparation of this budget document. Lastly, I would like to thank you for allowing me to play a role in realizing the goals of the City Council and the community.

Through the City Council's continued leadership, I am confident we will realize this year's theme, "*Continuing the Vision*," and achieve an even better Santa Clarita.

Sincerely,



Ken Pulskamp  
City Manager