



July 1, 2007

“Building Upon 20 Successful Years”

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita’s Fiscal Year 2007-2008 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 needs and the maintenance and enhancements of essential City services.

This year the City is celebrating 20 years of successful Cityhood. This milestone leads to the most appropriate theme for this year’s budget, which is ***“Building Upon 20 Successful Years.”*** Through the commitment and leadership of the City Council, Santa Clarita has been victorious in building a premier City.

Since incorporation the City has created a positive reputation for itself and has been recognized within local, regional, state and national circles. Here are some of the accolades that the City has received as a result of your leadership:

- ❖ “Best Place to Live in California” (CNN Money Magazine)
- ❖ “Top 5 Business Friendly City in Los Angeles County” (Los Angeles Economic Development Corporation)
- ❖ “One of the Lowest Unemployment Rates in Los Angeles County: 3%” (CA Employment Development Department)
- ❖ “Best Affordable Suburb in the US” (Business Week)
- ❖ “One of the Best Economies in the County” (Union Bank)
- ❖ “One of the Best Communities for Young People” (America’s Promise)

This year I asked the Departments to focus on projects or issues that will allow the City to build upon its success and set the foundation for a healthy and prosperous future. During the next 20 to 25 years, the Santa Clarita Valley is expected to have a population of 500,000. Our strong fiscal health affords us the opportunity to prepare for this growth. In 20 years when the next generation of City Council Members and staff are discussing the Fiscal Year 2027-2028 budget process, it is my hope that they will be able to marvel at the legacy established over the last 40 years of Cityhood. I believe that this Budget helps us start the long process to accomplish this goal.



The following executive summary provides an overview of the Fiscal Year 2007-2008 Budget which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

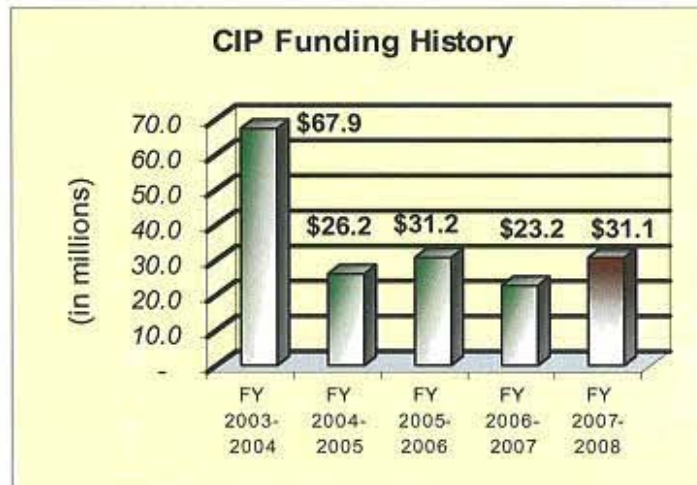
BUDGET OVERVIEW

Total Appropriations

The Fiscal Year 2007-2008 Budget totals \$159,048,379 (including \$1,570,207 in Redevelopment Agency appropriations), which reflects an increase of \$18,480,590, or approximately 13% from the Fiscal Year 2006-2007 Adopted Budget. This is due to an increase in departmental operations, particularly for Public Safety, Special Districts, Transit, and maintenance programs, to keep up with the 4.6% growth the City has incurred as a result of annexations and to maintain exceptional service levels to our residents and local businesses. In addition to departmental operations, the increase is also a result of an enhanced Capital Improvement Program.

Capital Budget

Of the total Fiscal Year 2007-2008 appropriation, 20%, or \$31,106,398 is designated for the Capital Improvement Program (CIP). This is an increase of \$7,919,498 or 34% from the Fiscal Year 2006-2007 Adopted Budget. The CIP budget includes 45 capital projects, financed from 24 different funding sources. The capital budget is made up of \$22,997,386 of new funding and \$8,109,012 of re-budgeted funding from the prior fiscal year.



Total Revenue Resources

A significant part 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.

Revenue resources for Fiscal Year 2007-2008 are projected at \$159,048,379, which is in line with total appropriations. This includes \$10,740,278 of prior year fund balance dollars, or revenues generated in previous years that will be used to fund one-time projects.

Total revenues for Fiscal Year 2007-2008 are projected to decrease by 4% or \$5,631,039 from the Fiscal Year 2006-2007 Adopted Budget. This decline is a result of a slowdown in construction activity and the housing market.

Construction activity slowed down for the first time in several years due to a drop in residential tract development, and several anticipated projects were delayed by developers due to the softening market. Revenues tied to construction activities include Building Permits, Bridge and Thoroughfare, Developer Fees, and Quimby.

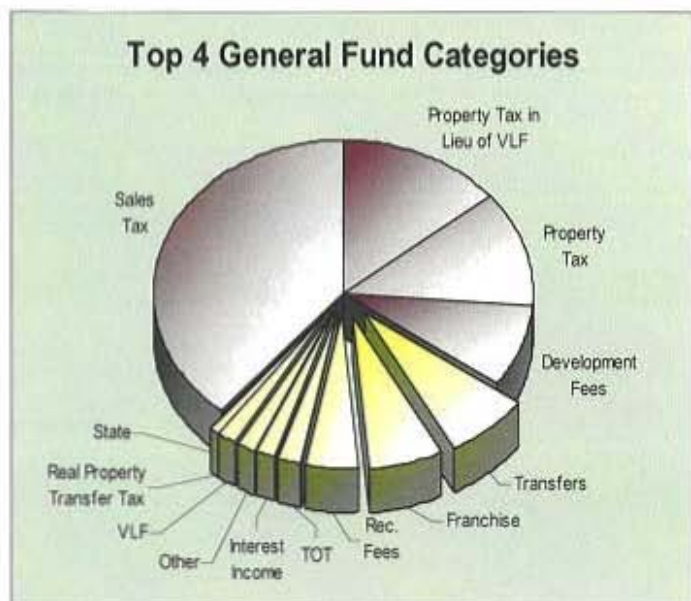
General Fund

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 2007-2008 Budget is consistent with our "Good Business" practice of ensuring that on-going revenues are greater than on-going expenditures. For Fiscal Year 2007-2008 General Fund revenues will exceed General Fund appropriations by \$507,177.

General Fund Revenues

The City's largest fund is the General Fund, representing 55%, or \$87,755,865 of total revenue resources (including transfers-in which total \$2,720,843). This projection is a 2% increase over the Fiscal Year 2006-2007 Adopted Budget.

The four major General Fund revenue sources are Sales Tax, Property Tax in Lieu of VLF, Property Tax,



and Development Revenue which comprise approximately 74% of the total General Fund revenue.

Sales Tax continues to be the City's largest General Fund revenue source accounting for 39% of the total General Fund revenue, or \$34,243,567 this year. The projected increase of approximately 5% 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 26%, or \$22,986,160 of the General Fund revenue. Of the total Property Tax amount, 53%, or \$12,260,760 is Property Tax in Lieu of Vehicle License Fees.

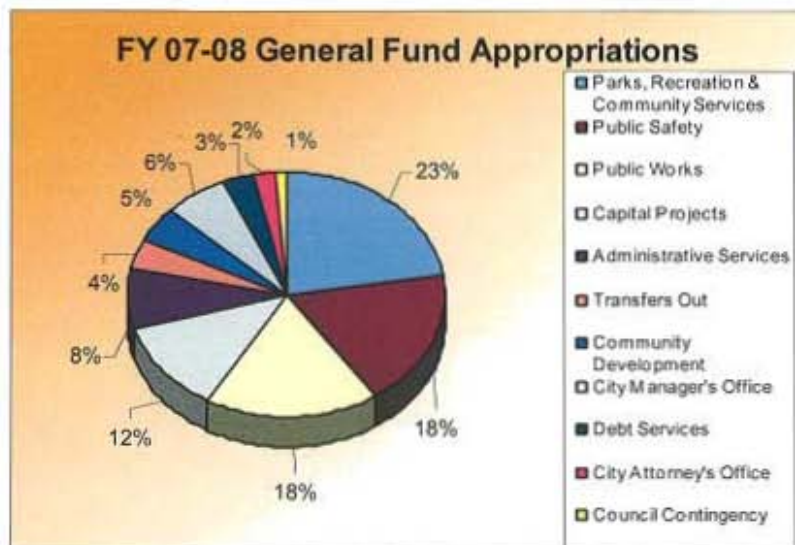
Development Revenue represents charges for building and safety permits and review of new developments for environmental and land use compliance. This accounts for 9%, or \$7,568,300 of the General Fund revenue. This projection is approximately 8%, or \$638,813 less than revenues anticipated during Fiscal Year 2006-2007. This is due to a slowdown in construction as explained above.

The remaining 26% of the General Fund revenue includes Transfers in and Reimbursements (7%), Franchise Fees (6%), Recreation Fees (4%), Transient Occupancy Tax (2%), Vehicle License Fees (2%), Interest Income (2%), Other Revenue (2%), Real Property Transfer Tax (1%) and Revenues from the state.

General Fund Appropriations

Fiscal Year 2007-2008 General Fund appropriations total \$87,248,688 which is a 3%, or \$2,486,465

increase from Fiscal Year 2006-2007. The total General Fund expenditures for Fiscal Year 2007-2008 includes funding for operating departments (\$69,265,867), capital projects (\$10,536,817), debt services (\$2,939,356), Council Contingency, (\$1,000,000) and transfers to other funds (\$3,506,648).



Funding for 15 new positions is included for programming and maintenance that will be coming on-line during the fiscal year. However, only four of these positions will require 100% new General Fund monies. The remaining 11 new positions will be funded out of Special Revenues or expenditure offsets.

Of the total General Fund expenditure, Parks, Recreation and Community Services accounts for the most, or 23% of the City's General Fund operating budget. This is consistent with the City's philosophy of making parks and recreation programs for our children and teens a priority.

General Fund Reserves

General Fund reserves total \$26,140,000. This includes a 15% operating reserve that totals approximately \$10.9 million. The General Fund reserve also designates funding for Capital Projects (\$9,000,000), Newhall Redevelopment (\$5,135,000), MTA Grant Match (\$500,000), Cemex (\$250,000), Whittaker Bermite (\$150,000), and South Santa Clarita Annexation (\$115,000). 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 mentioned above, there are several other key revenues that fund specific programs, projects, and services. For Fiscal Year 2007-2008 these revenues represent \$60,552,236, or 38% of total revenues. 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. The City is aggressive in seeking special revenues as they have the benefit of funding specific one-time projects.

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.

The following department summaries represent the results of those efforts, as well as highlights of those items included in the Fiscal Year 2007-2008 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, Economic Development, Communications, Human Resources, and Intergovernmental Relations.

The City Manager's Office budget includes funding for the following projects: Event Tourism Marketing (\$15,000); Enterprise Zone Marketing (\$48,000); Contract Enterprise Zone Vouchering Agent (\$25,000); and a Project Technician for the Film program (\$55,735).

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: contribution to College of the Canyons for their University Center and Grant Writer program (\$200,000 over two years); April 2008 General Election (\$200,000); Property Tax for Open Space (\$35,000); Special Districts Program (\$590,051); Project Technician for Special Districts (\$57,760); Increased Transit Contractor Costs (\$404,506); three Transit Customer Service Agents (\$117,816); Transit Local Service and Bus Fleet Expansion (\$2,668,300); Transit Marketing Program (\$65,000); Tree Inventory Software (\$50,000); Mail Clerk (\$33,046); and Constituent Relationship Management (CRM) Application (\$60,000).

Community Development

The Community Development Department is comprised of Planning, Redevelopment, Community Preservation and Housing. 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, clean-up of the Whittaker Bermite site, implementation of the Downtown Newhall Specific Plan, and preserving the integrity of our neighborhoods through implementation of proactive code enforcement.

The budget for Community Development includes: Whittaker Bermite (\$60,000); One Valley One Vision Phase V (\$250,000); Project Technician for Housing (\$57,685); North Newhall Specific Plan Rail Project (\$40,000); Clerk Typist for Planning (\$39,281); and a Grant Match for Light Rail Feasibility Study (\$25,000).

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, Environmental Services 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: funding for the Annual Vehicle Replacement Program (\$360,000); Air Quality Compliance (\$100,000); Clerk Typist for Public Works Administration (\$42,181); Tree Trimming (\$100,000); Brush Chipper and Truck (\$82,500); General Maintenance Worker (\$48,400); Senior Transportation Planner (\$112,822); and an Administrative Analyst for CIP (\$66,557).

Parks, Recreation, & Community Services

Functions of the Parks, Recreation, and Community Services Department include Graffiti Abatement, 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. The Parks, Recreation and Community Services budget represents 23% of the City's General Fund operating budget, which supports the City Council's philosophy of making programs for our children a priority and to help curb teen crime.

The key allocations to this Department include: Graffiti Abatement Program Specialist (\$43,696); Pressure Washer Accessory and Trailer (\$17,000); Paint Matching System and Trailer (\$35,000); Todd Longshore Park Operations and Maintenance (\$20,063); Part-Time Clerk Typist for Parks (\$19,520); Clerk Typist for Arts and Events (\$38,981); Increase to Street Art Festival Budget (\$75,000); Season of Diversity and Operation US (\$25,000); Special Events Cost of Living Increase (\$70,000); City of Santa Clarita Presents / Community Services Grants (\$50,000); Public Art Project (\$30,000); Veterans Day Event at Veterans Plaza (\$5,000); and Recreation Inclusion/ADA Compliance (\$56,215).

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 2007-2008 is \$16,126,718.

Significant items in the Public Safety budget include: 7.5% increase to the Sheriff's Contract (\$1,070,878); Business Community Sergeant (\$174,589); Patrol Deputy (\$151,917); Mobile Automated License Plate Recognition Program (\$48,550); and Community Court Classes and Community Services Projects (\$18,850).

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

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

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 that have been identified by the City Council as being the top priority infrastructure

improvements for the City over the next five years. The Capital Improvement Program for 2007-2008 totals \$31,106,398. The Capital Program project classifications are broken down in the bar chart above.

This year's CIP will include funding to do a feasibility study and preliminary design for a Big League Dreams Sports Park (\$850,000). This study will include a thorough

evaluation of land options, conceptual design and master planning. This project will come back to the City Council in key intervals for City Council approval.

Also included is \$2.2 million for the design of the Central Park Recreation Center Phase III. Included in this phase is a recreation center, gym, recreation pool, completion of the outdoor basketball area, perimeter trail/cross country course, parking, landscaping, and other amenities. Another priority project included in this year's CIP includes over \$2.4 million for grading Phase IV of the Santa Clarita Sports Complex for expansion of that facility.

In addition, this budget also includes funding in the amount of \$75,000 to conduct a feasibility study to identify a location for a Community Center in Canyon Country. Finally, the CIP for this fiscal year will also include a loan to the Redevelopment Agency in the amount of \$1 million to carry out the proposed new and larger Newhall Library, specifically the site design and building design. In addition to this recommended appropriation, the City will partner with the County of Los Angeles to obtain a commitment of funding toward this project.

New funding of \$7,025,510 has been identified and budgeted for in 2007-2008 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.

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 2007-2008 CIP, as well as corresponding location maps, can be found in the Capital Projects section of this document.

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, Tina Haddad, Darren Hernandez, Gina Schuchard, Kelli Ganley, and 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. I would also like to thank all other staff who contributed to the actual preparation of this budget document, including Farah Awan and Carol French. 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 that we will continue to "*Build Upon 20 Successful Years*" and achieve an even better Santa Clarita.

Sincerely,

A handwritten signature in black ink, reading "Ken Pulskamp". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Ken Pulskamp
City Manager

