



City of
SANTA CLARITA

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July 1, 2008

“Designing the Future”

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita’s Fiscal Year 2008-2009 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 City Council priorities, community needs, and the maintenance and enhancements of essential City services.

This next fiscal year presents a critical time for the City due to the slowdown in our economy related to the housing market, financial services, and consumer spending sectors. The City has not been immune to this national economic downturn and, as a result, will likely see a decline in General Fund revenues, which is used to fund a variety of services.

Special funds will also be impacted as a result of across the board cuts taking place at the State level. Fortunately, with the passage of Proposition 1A in 2004, there are limitations as to what the State can take from our coffers; however, this does not protect special revenues that we have counted on to provide essential services such as transit, parks, road maintenance, etc.

Despite the depressed economy, our City Council’s conservative approach to budget during the last several years has prepared the City for this predicament and will allow the City to continue pending projects that are vital in *“Designing the Future”* of our great City.

There are a number of key capital projects in the pipeline that are nearing construction, in design or being conceptualized. These include: the Santa Clarita Sports Complex Phase 4; Central Park Expansion; Old Town Newhall Library, streetscape and parking structures; Canyon Country Community Center; Cross Valley Connector; and the Joint County and City Civic Center.

These infrastructure projects are fundamental in addressing imminent growth over the next 20 years and help us design a future at which upcoming generations will marvel.

My direction to staff was to continue focusing on these projects and many others that are currently in the pipeline that are a key part of *“Designing the Future.”* This is not the year to be adding new projects that could strain expenditures. My recommendation is to wait at least six months into the new budget process, when we will have actual revenues to evaluate and can more fully understand the impacts that this economy will have on our financial solvency.



For this reason, additions to this budget were kept to a minimum and only include what is absolutely necessary to maintain exceptional service levels.

The following executive summary provides an overview of the Fiscal Year 2008-2009 Budget, which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

BUDGET OVERVIEW

Total Appropriations

The Fiscal Year 2008-2009 Budget totals \$165,587,422 (*including \$2,498,990 in Redevelopment Agency operating appropriations*), which reflects a 4% increase from the Fiscal Year 2007-2008 Adopted Budget. The majority of this increase will be funded out of special revenue; specifically, landscape and street light maintenance districts. In addition, the increase also includes an enhanced public safety budget.

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 the state of the economy, 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 2008-2009 are projected at \$176,549,862. This includes Redevelopment Agency Funds and operating transfers in.

General Fund

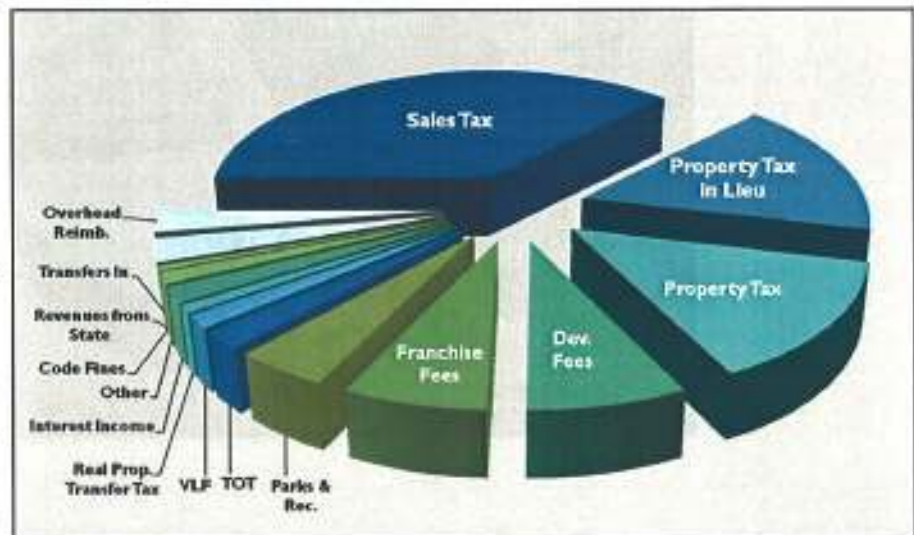
The General Fund is vital to the operation of the City because it is composed of the most flexible revenue, which the City Council can allocate toward any project or need within the community. The 2008-2009 Budget is consistent with our "Good Business" practice of ensuring that on-going revenues are greater than on-going expenditures. For Fiscal Year 2008-2009, General Fund revenues will exceed General Fund appropriations by \$5.1 million.

General Fund Revenues

The City's largest fund is the General Fund, representing 48%, or \$87.3 million, of total revenues (includes transfers in and overhead reimbursements). This projection is a 1.5% decrease when compared to revenues we expect to generate by the end of Fiscal Year 2007-2008. This decline is the result of a flat sales tax projection, decrease in development revenue, interest income, and revenues from the State.

The five major General Fund revenue sources are Sales Tax, Property Tax in Lieu of Vehicle License Fees (VLF), Property Tax, Development Revenue and Franchise Fees. These comprise approximately 82% of the total General Fund revenue.

Sales Tax continues to be the City's largest General Fund revenue source, accounting for 37% of the total General Fund revenue, or \$32,581,000, this year. It is projected that there will be no growth in sales tax revenue in light of the economic downturn



related to the housing market, financial services, and consumer spending sectors.

Second to Sales Tax is Property Tax, which accounts for 30%, or \$26,585,957, of the General Fund revenue. Of the total Property Tax amount, \$14,403,708 is Property Tax in Lieu of Vehicle License Fees.

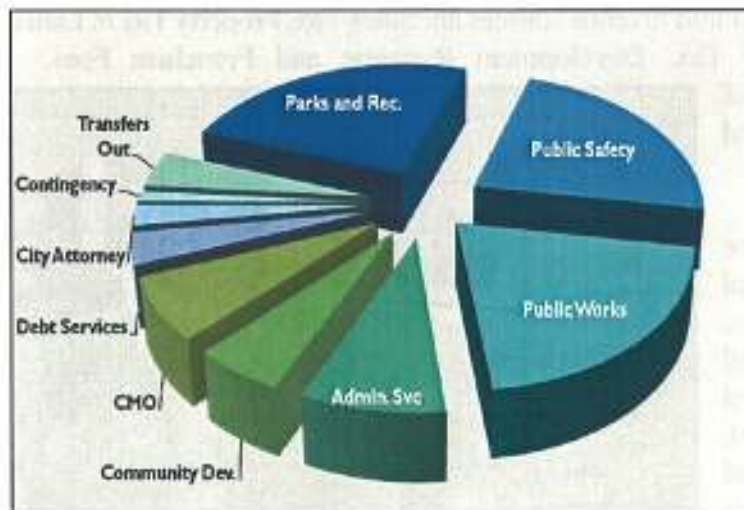
Development Revenue represents charges for building and safety permits and review of new developments for environmental and land use compliance. This accounts for 8%, or \$6,622,965, of the General Fund revenue. This projection is 10.7% less than revenues anticipated during Fiscal Year 2007-2008. Again, this is due to the downturn of the national economy.

The fifth largest General Fund revenue category is Franchise Fees, which represents 7%, or \$5,980,474, of total General Fund revenues. Franchise Fees are imposed on various utilities and organizations, such as trash and cable services, to allow them to operate their facilities within the City.

The remaining General Fund revenue categories include: Parks and Recreation Fees (5%); Transfers In (3%); Overhead Reimbursements (2%); Transient Occupancy Tax (2%); Interest Income (2%); Vehicle License Fees (1%); Other Revenue (1%); Real Property Transfer Tax (1%); and Revenues from the State and Code Fines (1%).

General Fund Appropriations

Fiscal Year 2008-2009 General Fund appropriations total \$82.2 million, which is a 1% increase from Fiscal Year 2007-2008. The total General Fund expenditures for Fiscal Year 2008-2009 include funding for operating departments, debt services, contingency, and transfers to other funds.



The nominal increase in General Fund appropriations for Fiscal Year 2008-2009 is the result of redirecting expenditure offset to fund new budget requests. In addition to expenditure offset, the minimal increase is also a result of not carrying forward one-time budgetary items funded during Fiscal Year 2007-2008.

The General Fund budget for Fiscal Year 2008-2009 includes additional funding for an enhanced public safety program. Specifically, two new patrol deputies will be added to increase staffing in the field, keep response times low, and provide for increased pro-active enforcement. In addition to the patrol deputies, the General Fund budget includes funding for a commercial enforcement deputy who will focus on enforcing commercial transportation law on the increasing number of "big rig" haulers who traverse City roadways. Commercial enforcement generates a substantial amount of citation based revenue for overweight violations, which is anticipated to result in a 100% revenue offset for this new position.

Of the total General Fund expenditures, Parks, Recreation and Community Services accounts for the most, or 26% 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 Operating Reserve

As a result of the City Council's leadership and conservative approach to the budget, the City has been successful in maintaining a 15% operating reserve. Reserves are critical because it is a funding source that can be counted on in case of an emergency or unforeseen opportunity. **For Fiscal Year 2008-2009, the operating reserve will total \$11,820,000.**

Capital Budget

Of the total Fiscal Year 2008-2009 appropriation, 15%, or \$25,052,737, is designated for the Capital Improvement Program (CIP). The CIP budget includes 42 capital projects, financed from 24

different funding sources. The capital budget is made up of \$14,189,777 of new funding and \$10,862,960 of re-budgeted funding from the prior fiscal year.



This year's CIP is a 19% decrease from the Fiscal Year 2007-2008 Adopted Budget. The reason for this decrease is that many of our Special Funds could face some cuts as a result of the budget deficit experienced by the State. It is my recommendation that we take a conservative approach, wait six months into

the new budget process to evaluate our special revenues, and then determine whether more projects can be carried through the budget process.

As mentioned above, the downturn in the national economy has not stopped the City from continuing to work on a number of key capital projects that are nearing construction, in design, or being conceptualized. This includes: the Santa Clarita Sports Complex Phase 4; Central Park Expansion; Old Town Newhall Library, streetscape and parking structure; Canyon Country Community Center; Cross Valley Connector; and the Joint County and City Civic Center.

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 2008-2009 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: Cemex Opposition Effort (\$200,000); and Audio Visual Room Upgrade (\$96,000).

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 in providing superior maintenance of landscape districts, and enhancement of transit services.

Key additions to the Department include: Special Districts Specialist (\$67,308); Tree Specialist (\$69,955); LMD Base Budget Increase (\$425,670); Special Districts Base Budget for New and Modified Zones (\$3,051,497); Capital Asset Repair and Replacement Work (\$1,109,531); Purchase of Two Commuter Buses (\$1,250,000); Commuter Parking Study (\$150,000); and Emergency Telecommunications and Technology Replacement (\$170,000).

Community Development

The Community Development Department is comprised of Planning, Redevelopment and Housing, and Community Preservation. 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: Community Preservation Officer (\$68,008); Old Town Newhall Professional Services and Marketing (\$100,000); Whittaker Bermite (\$125,000); Las Lomas Communications and Advocacy (\$100,000); Annexation Processing Costs (\$85,000); and CDBG Consolidated Plan and Analysis of Impediments to Fair Housing Choice (\$30,000).

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: Annual Vehicle Replacement (\$127,700); Cargo Van for Traffic Signal Maintenance (\$56,000); Compressed Natural Gas Vactor Truck (\$407,000); 15-Ton Vehicle Lift (\$45,000); Property Data Records Management (\$35,000); Revenue Offset Base Budget Increase (\$129,000); and Oak Tree Preservation Project (\$43,000).

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.

The key allocations to this Department include: Increase to SCV Committee on Aging Contract (\$75,000); Arts and Events Coordinator (\$56,780); Arts Advisory Committee (\$30,000); Senior Center COLA Increase (\$25,000); Youth Sports Base Budget Increase (\$30,000); Graffiti Removal Temp Hours (\$14,463); Todd Longshore Park Maintenance (\$17,500); Dog Park Maintenance at Central Park (\$9,300); Newhall Community Center Temp Hours for Sports Programming (\$25,845); and Flag Football League (\$25,900).

Public Safety

This section of the budget represents the cost of contracting for police services with Los Angeles County Sheriff's Department.

Public Safety remains a top priority for the City. The City is consistently ranked as being one of the top five safest cities in the country, when compared to cities with a population of over 150,000.

Significant items in the Public Safety budget include: Two Patrol Deputies (\$319,730); Commercial Enforcement Deputy and Vehicle (\$212,685); 4.8% COLA Increase for the Sheriff's Contract (\$767,276); Growth Deputy Base Increase (\$439,631); Community Services Assistant (CSA) Program (\$151,135); Business Alliance Budget (\$40,000); Community Court (\$12,430); Project Lifesaver (\$10,000); and New Radar and Laser Speed Measurer (\$41,573).

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. The Capital Improvement Program for 2008-2009 totals \$25,052,737. The Capital Program project classifications are broken down in the bar chart below.

This year's CIP will include funding for the Old Town Newhall Library Phase 1 in the amount of \$200,000. This funding will allow the City to conduct demolition and clean-up on the site where the new and expanded library will be located.

FY 2008-2009 Capital Projects by Category



The CIP also includes \$2.2 million for Old Town Newhall Streetscape Phase 1. This funding will be used to construct Phase 1 of the streetscape plan, which includes the entire storm drain and selected portion of the streetscape palate. The improvements will be located on Main Street between Lyons Avenue and 5th Street.

New funding of \$5 million has been identified and budgeted for 2008-2009 for the Overlay and Slurry Program. The Overlay and Slurry 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 CIP also includes an allocation of approximately \$3.4 million for the Intelligent Transportation System Phase 3. Traffic management continues to be a priority for our City. This year's funding for the Intelligent Transportation System will install traffic detector stations at locations Citywide to enhance the City's traffic monitoring efforts. These traffic detectors monitor the level of traffic and speeds coming through intersections. If the level of traffic is unusual at a given intersection for a certain part of the day, this technology will communicate this to our Traffic Monitoring Center. The City would use this information to email residents about any significant traffic issues to facilitate the use of different roads and routes.

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 2008-2009 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, including Toi Chisom, Elena Galvez, Ingrid Hardy, David Peterson, and Sarena Vivanco. I would also like to recognize each member of the lead budget team including Ken Striplin, Tina Haddad, Darren Hernandez, Carmen Magana, and Mary Ann Ruprecht for their work in preparing the budget.

In addition, I would like to thank the Executive Team and Mary Navarro for their 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 our successes and achieve an even better Santa Clarita.

Sincerely,



Ken Pulskamp
City Manager

