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City of
Santa Clarita

July 1, 1995

Re: 1995/96 Adopted Budget

The Honorable Mayor and Members of the City Council:

It is a reality in municipal budgeting that the demands for funding of programs and services far exceed the capacity of financial resources to satisfy those demands. Budgeting means making tough policy choices in establishing program and service priorities and keeping the always delicate balance between the community's need for public service and the ability and willingness of the community to finance those services.

This annual deliberation on the operating and capital budget presents the City Council with the opportunity to implement a vision and direction for the future. The direction was set for the community during the Community Strategic Plan held in October of 1994. At that time, the Community, along with the Council and City Staff, outlined a twenty-two point priority list which guides the City of Santa Clarita into the year 1997. This budget represents a major step in successfully implementing many of the items within the Plan.

As expressed to the City Council in earlier study sessions, preparation of the FY 1995/96 budget has been far more difficult than prior years. Recommendations on program and services enhancements have been tempered in order to achieve my long standing policy of presenting a balanced budget in which ongoing revenues match ongoing expenditures. As previously discussed, one-time revenues are utilized to fund the purchase of other capital or equipment needs.

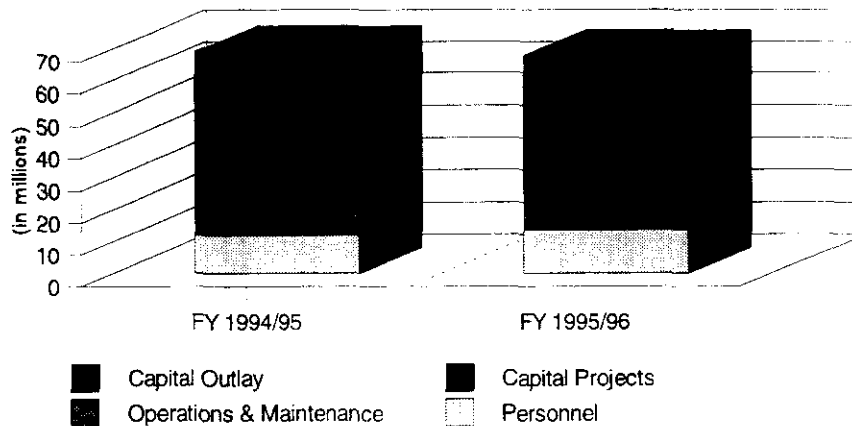


Message to the Mayor and Members of the City Council

BUDGET SUMMARY

The FY 1995/96 Budget totals \$67,875,348. A decrease of \$1,359,810 or .98% from the FY 1994/95 adopted budget. The operating budget, totaling \$52,645,695 includes personnel, operations and maintenance, debt service and capital outlay required for delivering an array of City services. Also reflected in the total budget for FY 1995/96 is the proposed Capital Improvement Program. The thirty-two capital projects proposed for FY 1995/96 total \$15,229,653. As in the prior several years, no General Fund revenues have been designated for Capital Projects.

Total Budget



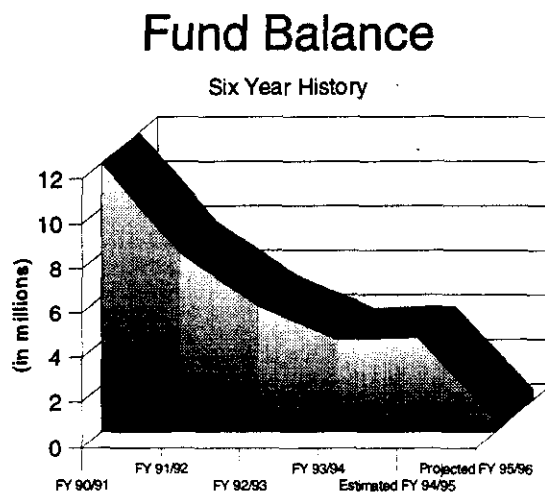
BUDGET OVERVIEW AND POLICY ISSUES

The proposed annual budget is a policy tool for the City Council. It is the point where the governing body is asked to approve a level of public programs and services, as well as the revenue base to support those services and programs, for the upcoming year. Staff was able to use goals set forth in *Share the Vision II* community strategic plan, *Taking the Best and Making It Better* organizational plan and, of course, the Mayor's contract with Santa Clarita as guiding points in the development of the budget. Based on these guiding points, the recommended budget was prepared with the objective of funding additional programs for youth, as well as continuing to enhance our long standing commitments to public safety and quality public services.

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As represented to the City Council previously, the formulation of the 1995/96 Budget required bringing ongoing appropriations in line with ongoing recurring revenues. Based on the initial review of the proposed department budget needs, it appeared that Staff needed to begin the process of closing a \$1.5 million dollar gap, improve the overall General Fund year end balance and address a requested listing of \$1.7 million in General Fund budget enhancements from the various City departments. In order to achieve these goals, each department received a 2% reduction to their operations and maintenance budgets. This reduction resulted in a decrease of funds for special studies and reports; decreased funds for professional training city-wide; less after-hours computer maintenance funding; and increased cycle time for tree service throughout the City to name a few.

In addition to providing for a balanced budget, it was essential to ensure that the City General Fund year end balance remained healthy. In the first several years of Cityhood, the organization was still building a strong foundation and developing standards for the level and type of services to be provided. While the organization continued to grow, revenues far exceeded overall expenditures, and fund balance or savings resulted. Because of the initial savings, the City was able to acquire land, undertake substantial public improvements and build up the necessary tools and capital equipment needs for the organization as a whole. The graph below reflects the activity of the General fund balance since 1991.



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Estimated Fund Balance for fiscal year end 1995/96 is currently projected at \$460,800. In addition to these monies, however, it is recommended that contingencies for Elsmere legal services of \$900,000, FEMA earthquake reserves of \$750,000 and a General Fund operating contingency of \$1,600,000 be set up for the upcoming fiscal year.

Revenues

The City's General Fund is composed of fifty-two separate revenue sources totaling \$30,981,548. The largest, Sales Tax, is estimated at \$13,592,600 for FY 1995/96. This represents a \$400,000 increase from FY 1994/95 year end estimates. This increase is projected due to the strong performance of Valencia Town Center, the auto mall, Home Depot and anticipated additional commercial/retail centers planned during FY 1995/96.

The second largest source, Motor Vehicle in Lieu, is projected at \$4,900,000 for the upcoming fiscal year. It must be noted, however, FY 1995/96 originally marked the eighth and final year that this and other State per capita based revenue would be allocated at three times number of registered voters formula or 147,000. Beginning in the 1996/97 fiscal year it is proposed that this revenue be allocated based on the revised State Department of Finance population for Santa Clarita of 123,000. This formula would cause a direct loss of approximately \$600,000 to the City's General Fund. Strategies to address this loss will be formulated throughout the upcoming fiscal year.

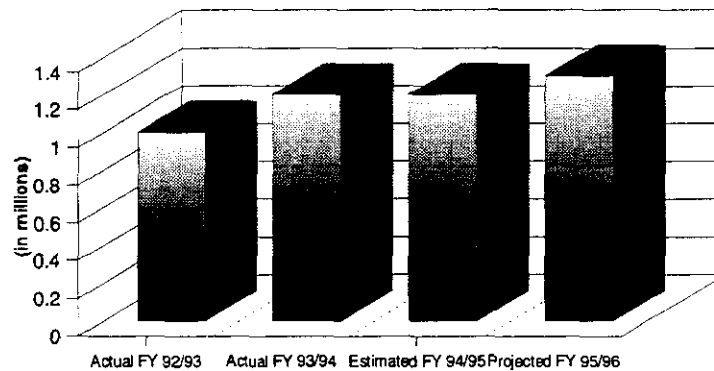
Property Tax, Santa Clarita's third largest source of General Fund revenue, is projected to decrease by 3.7% (\$200,000) for FY 1995/96. The decrease is primarily due to the revaluation of homes since the January 17, 1994 Northridge earthquake.

Building and Safety revenue estimated at \$1,047,000, is projected to increase by approximately 9% for FY 95/96. This increase is attributed to an anticipated increase in permit activity as a result of initial signs of a favorable turn in the local economy.

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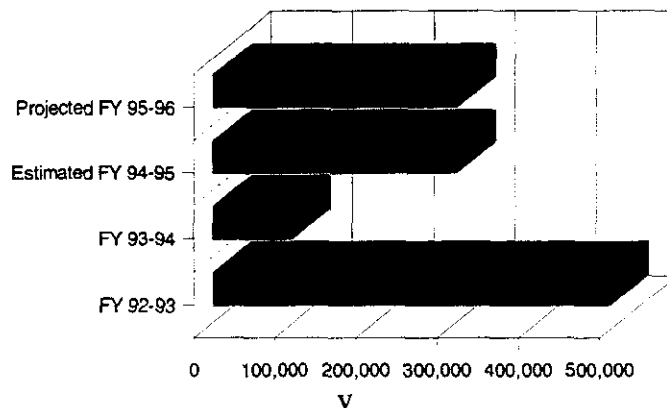
Parks, Recreation and Community Services revenues are anticipated to increase for the fourth consecutive year. The increase of 9% or \$104,371 reflects continual programming of fee-based services and contract classes, as well as consistent participation in the wide array of programs and services offered through our recreation division.

Recreation Revenue



Interest income revenue for FY 1995/95 is projected at \$200,000, which reflects an overall decrease of \$100,000 or 50%. This decrease is directly attributed to the continued decline in General Fund Balances over the last several years. As referenced, fund balance has been utilized to make a variety of priority purchases including land, facilities, equipment and a variety of other one-time capital expenditures. However as fund balance decreases, the ability of the City to generate interest income from saving is directly impacted.

Interest Income Revenue



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In addition to the General Fund revenue which comprises 53% of the City's total revenue picture, a variety of other key revenues fund the total spectrum of programs, services and projects proposed for FY 1995/96. These include, but are not limited to Gas Tax; Community Development Block Grant (CDBG); Transportation Development Act (TDA); Park Grants; restricted transit monies; and Storm Drain Utility revenue.

Gas Tax revenue for FY 1995/96 is anticipated to decrease by 2%. This revenue, allocated by the State on a per capita basis, used primarily to fund the Public Works Street Maintenance operations and engineering services, is also anticipated to be impacted in FY 1996/97. It is now anticipated that due to revised State Department of Finance revenue estimates, Santa Clarita may lose over \$300,000 of the Gas Tax revenue for FY 1996/97.

Transit related revenues continue to increase as ridership and corresponding service needs continue to increase. Transit related funds currently fund the total cost of the \$ \$7.8 million Transit Division, as well as \$1 million of the Capital Improvement Program for the upcoming year. Key Transit related revenues include Proposition C, Proposition A, farebox revenue, ISTEA and Transit Capital Improvement monies.

Finally, the second year of the Storm Drain Utility surcharge revenue is reflected for FY 1995/96. This revenue, projected at \$1,776,090, reflects the \$24.00 per equivalent dwelling unit surcharge implemented in FY 1994/95. Revenues associated with this program fully affect all direct and indirect costs associated with the costs of implementation of this federally mandated program.

DEPARTMENT PROGRAM ADJUSTMENTS

The 1995/96 Budget includes several adjustments to the organizational structure. These adjustments were designed to enhance the overall efficiency of internal and external delivery, as well as provide for a more flexible and streamlined organization. In addition, the adjustments made offer the ability to focus on priority issues within the City while also providing a variety of opportunities for in-house personnel to take on new and challenging tasks.

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Adjustments include the expansion of the Special Projects Office within the City Manager's Office. This office will allow the Deputy City Manager of Public Works the opportunity to fully direct attention to the opposition of the Elsmere Canyon Landfill effort. Both City Council and the community have continued to stress the ongoing importance of our fight. Therefore, the Deputy City Manger will focus his efforts on Elsmere to ensure that all resources directed toward the campaign are effectively utilized. In addition to the opposition to the Elsmere Canyon Landfill, the Special Projects Office will focus on the Anti-gang Task Force, Human Relations Forum, and other projects as assigned by the City Manager.

Additional adjustments to the organizational structure include the shift of Information Resources and General Services, formerly of Management Services and Public Works respectively, to the newly created Administrative Services Department. This department now comprised of Finance, General Services and Information Resources will provide overall support services to the City organization, as well as provide critical support and outreach to the business community.

Also established for FY 1995/96 is the reconfiguration of the Community Development Department and the creation of a Building & Engineering Services Department. The reconfigured Community Development Department will represent the combination of Economic Development, Housing, Community Development Block Grant and Redevelopment efforts. Over the next several years this City will be programming approximately \$13 million in Economic Development and Community Development Block Grant funds. Also shown within the Economic Development budget is the City's efforts towards film and tourism. The new Building & Engineering Services Department is designed to place increased emphasis on earthquake recovery and the increasing efforts of capital projects, traffic, subdivisions, building services and the stormwater utility program.

DEPARTMENT HIGHLIGHTS

The budget focuses on continued ways to reduce costs, streamline operations and simply due more with less. In order to balance the General Fund, in fiscal year 1995/96, departments were asked to absorb many costs increases and still reduce overall base budget operations and maintenance costs by 2%.

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City Council

The budget for the City Council is projected to decrease by 9% for the upcoming fiscal year. Costs included within this budget are three pancake breakfasts. These "Flap Jack" Forums will serve as an additional vehicle to interact with the community and share important information.

City Manager's Office

Funding within the City Manager's Office remains consistent with the prior year's funding. As throughout the City, the City Manager's office sustained the necessary reductions to bring ongoing expenditures in line with current ongoing revenues. An area which has, however, exhibited significant growth is Risk Management. As the number of claims filed with the City continue to rise, cost associated with the overall management and litigation of claims has continued to increase. In addition, Self Insurance has been augmented by \$150,000 to cover the expense of any claims which may be filed against the City.

Administrative Services

The Administrative Services division is new to the budget for FY 1995/96. As indicated earlier, this department represents the combination of Finance, Information Resources and General Services. This department will function as support to all divisions within the City, as well as a key department in external service delivery to our local merchants and vendors. Like all departments, the Administrative Services Department has been reduced slightly to balance the proposed appropriations with our resources. Specific reductions can be found within Information Resources in which funding was reduced for after-hours computer maintenance. This reduction will result in increased computer down time during offices hours. For FY 1995/96 the City has, however, recognized the need to now begin the long term planning for replacement of the current computer system. Therefore, \$74,000 has been designated to form the computer replacement fund. The \$74,000 represents 24.6 % of the total \$300,000 goal set to achieve over the next two years. One of the few positions recommended for the upcoming fiscal year is found in the Finance Division of Administrative Services. The position of Special

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Funds Analyst has been added to assist the City in tracking and recording the influx of grant and other speciality funds now received. Over the last several years the City has been extremely successful in receiving a variety of grants and restricted state and federal monies. While this is a great benefit, it also presents the need for increased management and audit of these funds if we are to continue to receive such monies on a consistent basis. This position is funded through a combination of special funding sources, grants and increased revenues. No General Fund monies would be used to fund this position.

Building & Engineering Services

The new Building & Engineering Services Department is comprised of Administration, Building & Safety, Code Enforcement, Engineering and the Stormwater Utility. As with all departments, Building & Engineering Services exhibits a decrease in virtually every division's operations and maintenance accounts. Most notable among the recommended reductions is a 10% decrease in engineering contractual services. The specialized services, formerly funded in project development, traffic operations and subdivision, offered staff the ability to immediately respond to requests for such services by the City Council and citizens. Given that funds are not recommended in the base budget for FY 1995/96, all requests for such services and studies will be directed to the City Council for funding approval as necessary.

An overall increase of 8% is reflected in Building & Safety for FY 1995/96. This increase is primarily due to a representation of a full year's cost of four additional building and safety positions approved by the City Council in the 1994/95 fiscal year.

The Engineering & Building Services budget also reflects the second year of funding and the continued implementation of the Stormwater Utility. In order to implement the goals of the Utility and NPDES program, four new positions are recommended for FY 1995/96. These positions are street maintenance worker; hazardous waste coordinator; public information and education officer; and engineering technician. Each of these positions, along with all components of the Utility, are funded with Utility revenue derived by \$24.00 per equivalent dwelling unit service charge initiated in 1994. Also,

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funded within the scope of the Stormwater Utility are street sweeping services previously funded through Gas Tax Revenue.

Public Works

The Public Works Department, formerly comprised of Administration, Solid Waste Management, Transit, General Services, Property Management, and Streets and Vehicle Maintenance, will undergo several changes in the early 1995/96 fiscal year. In an ongoing attempt to effectively manage operations and enhance overall organizational flexibility, both General Services and Property Management were transferred to Administrative Services. The remaining General Fund related divisions reflect a 15% decrease from the prior fiscal year. The decreases are primarily attributed to minor reductions in professional services and studies within the department.

The Transit Division of Public Works reflects a decrease from the prior year funding level. This decrease is primarily due to the decrease in costs per hour for operation of the overall system. In addition funds were allocated in the prior fiscal year for increased maintenance on all buses as well as several engine rebuilds. These cost are not reflected in the 1995/96 budget. While costs per hour for operating of the system has decreased, total ridership continues to increase. Most recent figures represent a 20% increase in local ridership, a 26% increase in Dial a Ride and a 43% increase in commuter ridership from this period last year.

Street Maintenance is projected to decrease by 12% for the upcoming fiscal year. This decrease is primarily due to enhanced monitoring of the various contacts administered through the Streets Maintenance Division as well as charging various costs associated with storm water clean up to the storm water utility.

Public Safety

The recommended budget for law enforcement services through the Los Angeles County Sheriff's Department is anticipated to decrease by .4% for FY 1995/96. Fiscal year 1994/95 marked the third year of a three-year salary increase previously negotiated by Los Angeles County with the

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deputies. Therefore, FY 1995/96 does not reflect the substantial increases seen in prior years. Several enhancements are suggested to the Public Safety budget which will increase the efficiency of the station and provide for additional service hours within the community.

Additions to the Public Safety budget include two additional Community Service Officers to handle clerical and administrative tasks within the COBRA and crime prevention units. The City will fund 90% or \$50,580 of the total cost of the positions. The remaining 10% will be funded through the County. An additional \$24,000 is proposed for communication equipment for the recently acquired emergency command post trailer.

The proposed Public Safety budget of \$9,821,800 will provide the following services for FY 1995/96:

- General Law Enforcement
- Traffic Safety
- Crime Prevention
- Special Investigators
- Community Service
- Parking citation processing

In addition, the Public Safety budget includes recommended funds for special event police presence; helicopter patrol; and the City's share of costs for the liability fund totaling \$549,500.

Parks, Recreation and Community Services

Due to the City of Santa Clarita's ongoing commitment to youth and family services, areas of Parks and Recreation reflect proposed increases for the upcoming fiscal year. Specifically three recreation coordinators have been added. The coordinators would focus their efforts on both programming and direct services at the Community Center, cultural and performing arts, and youth and family programming throughout the City. Over \$100,000 will accompany the addition of the coordinators for actual provision of services in each of these areas. At this time, Staff is awaiting the outcome and recommendations from the Community-wide Youth Master Plan before making final recommendations on the allocation of programming monies.

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The Parks Maintenance division of Parks, Recreation and Community Services focuses on the key areas of building maintenance, grounds maintenance, urban forestry and park planning and development. Over the last several years each of these areas have exhibited tremendous growth. Two new park sites, as well as miles of trails, additional landscaped medians and thousands of additional trees, have increased the demand for service. In order to assist the division as a whole and provide the necessary staff and tools to respond to the increasing needs, one new Grounds Keeper I position, as well as three vehicles, have been added for the 1995/96 fiscal year.

The Emergency Preparedness division, like others within Parks, Recreation and Community Services, experienced growth and new opportunities during FY 1994/95. Capitalizing on many of these opportunities, the 1995/96 budget is geared toward providing innovative quality emergency preparedness programs and services and the continued refinement of the award winning S.E.C.U.R.E. program.

Community Development

Community Development represents a new structure for the organization for FY 1995/96 consisting of Planning; Economic Development Administration; Community Development Block Grant; Housing; and Redevelopment. With a total budget of \$ 6,206,475, this department is anticipated to face many challenges, as well as opportunities, for FY 1995/96. Currently, Staff is preparing programs for Council to review and discuss in order to expend over \$5 million in Economic Development and \$8 million in specialized CDBG funds. For 1995/96 the specialized CDBG funds include a \$2,418,000 allocation of supplemental CDBG funds designed to assist in residential, commercial and industrial earthquake repair, as well as public safety improvements City-wide. Secondly, \$1.4 million of HOME program grant revenue, designed to provide disaster relief to low to moderate income residents is budgeted for FY 1995/96. The allocation of the remaining CDBG monies will be addressed throughout the fiscal year.

Along with specialized CDBG revenue, the City will receive \$991,000 in our annual entitlement program allocation. These funds are proposed for continued infrastructure improvements in the area east of Newhall, SANE Camp and the Handy Worker program.

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The Economic Development Division effort will continue its overall marketing, business retention and outreach services for FY 1995/96. Included within this budget is continued support for the Tourism and Film funding at levels consistent with prior years. A key work effort for the FY 1995/96 Economic Development will also take the lead in the implementation of programs associated with the \$5.0 million Economic Administration Planning Grant awarded for this fiscal year.

The Redevelopment Budget is estimated at \$502,395 for the upcoming fiscal year. It is recommended that the Agency continue to fund 66% of the salaries and benefits attributed to the Director and clerical support for the Agency. The remaining portion of the salaries, as well as a nominal portion of costs associated with operations and maintenance, will be funded through the CDBG supplemental monies. Key items represented within the Agency budget for the upcoming fiscal year include \$55,000 for professional services and studies. In addition \$150,000 is provided for legal services to defend the Agency against legal actions taken by the Castaic Lake Water Agency. Finally, the Recovery Agency budget carries a \$233,900 reimbursement to the General Fund for a portion of Economic Development costs, charges for space rental and staff time pertaining to the recovery effort.

CAPITAL PROJECTS

Fiscal year 1995/96 marks the second year of the City's second five-year Capital Improvement Program. Thanks to the continued diligent efforts of Staff in securing funding sources, a \$15.3 million Capital Improvement Program is presented for your consideration in 1995/96. No General Fund monies have been directed to the CIP for the upcoming fiscal year. A detailed description of each of the projects and funding mechanisms are reflected in the capital project section of the budget.

HIGH PRIORITY UNFUNDED NEEDS

Each year a variety of requests are presented to the City Manager for review and consideration during the budget process. The following represents a list

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of many items requested by the departments, however, not funded this fiscal year.

District Attorney Services	\$15,000
Sr. Code Enforcement Officer	60,460
Teen Activity Programming	60,000
Newhall Day Camp	4,187
Grounds Keeper II	33,800
Increase Landscape Maintenance Services	60,000
Emergency Generator	60,000
Audio Visual Equipment Enhancements	20,000
Hauler Study	40,000
Field Service Improvements	105,000
Enterprise Zone Study	20,000
Franchise Audit	20,000
City Hall Improvements	273,000
Vacuum Sweeper	18,500
Message Board	36,000
Street Striper Replacement	80,000
Asphalt Crew	277,000
Mapping Equipment	100,000

In total, over \$3.6 million in departmental budget requests were not funded for the upcoming fiscal year.

CONCLUSION

This year's budget, more than ever, truly represents a team effort in which all departments came together to address an initial \$1.5 million General Fund revenue imbalance and present the best possible document to the City Council for review and approval.

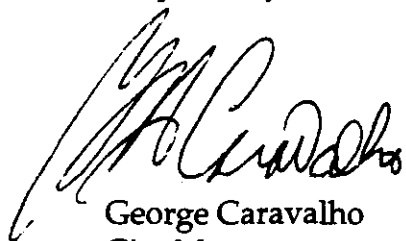
While this was a difficult budget to develop, my job would have been far more difficult without the professional commitment of the Department Heads, the Finance Department and the Staff within my office. Specifically, many thanks go to each of the department budget officers, Barbara Boswell, Sr. Accountant and Terri Maus, Assistant to the City Manager, as well as Ken Pulskamp, Assistant City Manager and Steve Stark, Director of

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Administrative Services for their work in preparing the Budget each year. Finally, I would like to extend a special thanks to Mary Cusick, as well as Nina Giangreco and Elizabeth Ackerman for their work and creativity in preparing the quality document now before you.

As always, throughout the budget process, the utmost consideration was given to providing the optimum level of service to the citizens of our City. They expect and truly deserve the very best we, as Staff and local government officials, have to offer. While FY 1995/96, as well as the next fiscal year, holds little hope for great expansion and significant revenue growth, City staff is committed to continue to strive for excellence in all programs and services provided.

Respectfully submitted,

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

George Carvalho
City Manager