



City of  
**SANTA CLARITA**

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June 28, 2011

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita's Fiscal Year 2011-2012 Operating Budget and Five-Year Capital Improvement Program. Once again, our City will have a balanced budget for the new Fiscal Year. Preparation of a balanced budget is paramount; moreover, one of the most important functions of the City Manager.

The Great Recession has created serious economic and fiscal pressures for cities across the nation, thus requiring local governments to renovate practices and spending indefinitely. The City of Santa Clarita was no exception; however, our long history of conservative and strategic budget practices has allowed the City to maintain a balanced budget during every year of the Great Recession without layoffs or drastic cuts in services.

Instead of layoffs, the City implemented a hiring freeze which has resulted in 43 full-time vacant or eliminated positions. This represents an 11% decline in the City's workforce. Despite the budget cuts, City staff continues to do more with less, find creative ways to maintain services revered by our community, and provide award winning programs.

Each year since 2007, Santa Clarita has lost 15.3%, or \$14 million, of its annual General Fund revenues. This includes an almost 19% decline in Sales Tax and a 50% decline in fees charged for development services. The cumulative General Fund revenue impact to the City is \$47.5 million. This is money that could have been used to build another park or a community center, or fund new public safety programs and other important services. Unfortunately, it will take years for General Fund revenues to recover its losses. For this reason, the City must continue to adjust spending as the economy recovers.

Fortunately, there are signs of improvement in our local economy, with unemployment going down, retail sales going up, and many other positive indicators. However, the City's budget continues to be faced with threats from the State to eradicate or change Redevelopment Agencies and Enterprise Zones, which will impact economic development and revitalization efforts. In addition, the federal government has announced that cities should expect a cut in Community Development Block Grant (CDBG) funding. This could force the City to use scarce General Fund resources to backfill services and programs that were historically CDBG funded.

For Fiscal Year 2011-2012, departments were not asked to make operating cuts as in previous years since the recession. Instead, their focus was to continue maintaining current services with existing resources.



Given poor economic conditions, loss in revenues, budget cuts and the hiring freeze, it is amazing that Santa Clarita is able to maintain a balanced budget and continue to provide the highest quality services for the community.

Our success in weathering the recession did not happen by luck, but rather the City's long tradition of being proactive and penny-wise when it comes to spending. Although no one, including renowned economists, knew how bad the recession would actually be, the City Council anticipated the bad times and took steps to ensure that we could endure it.

When put to the test, we have proven that the City Council's method of budgeting works! Some of the principles the City lives by include:

- The decisions made in the good times are more important than the decisions made during the bad times
- Live below your means
- Run a lean organization
- Use conservative five-year projections
- Employ full cost recovery when setting fees
- Diversify revenue
- Use one-time money only for one-time expenses
- When in doubt, contract out

I am proud of what we have accomplished to date and recommend that we continue to adhere to our successful and proven budget practices. The following executive summary provides an overview of the Fiscal Year 2011-2012 Budget, which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

## **BUDGET OVERVIEW**

### ***Total Appropriations***

The Fiscal Year 2011-2012 Budget totals \$159.4 million which includes funding for the Redevelopment Agency and the Capital Improvement Program.

### ***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.

Total revenue resources for Fiscal Year 2011-2012 are projected at \$160 million (includes Redevelopment Agency revenues).

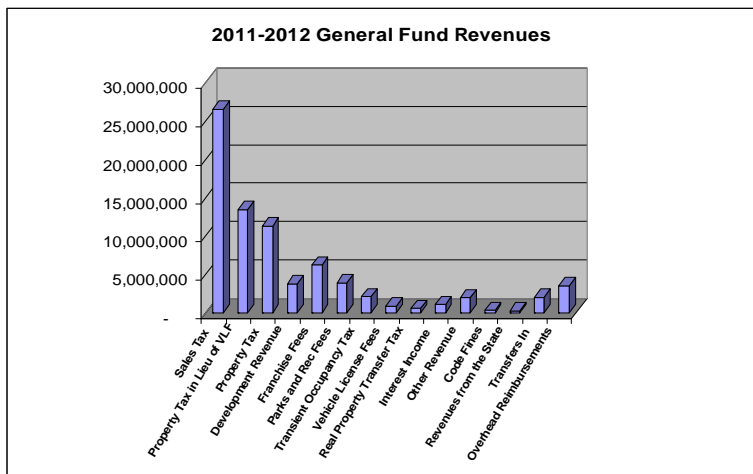
## General Fund

The General Fund is vital to the operation of the City because it is comprised of the most flexible revenue which the City Council can allocate toward any project or need within the community. The 2011-2012 Budget is consistent with our “Good Business” practice of ensuring that on-going revenues are greater than on-going expenditures.

General Fund revenues will exceed General Fund appropriations by almost \$200,000.

## General Fund Revenues

The City’s largest fund is the General Fund, representing \$77.8 million of total revenues (*includes transfers in and overhead reimbursements*). This projection represents a 4% decrease when



compared to revenues expected to be generated by the end of Fiscal Year 2010-2011. This decline is somewhat artificial because revenue projections for Fiscal Year 2010-2011 included a loan payment from the Redevelopment Agency and a reimbursement from the Landscape Maintenance District Fund. Without these payments to the General Fund, the difference in revenue from Fiscal Year 2010-2011 to Fiscal Year 2011-2012 is only a 1% decrease.

Sales Tax continues to be the City’s largest General Fund revenue source, accounting for 34% of the total General Fund revenue, or \$26.5 million. Sales Tax has been very susceptible to the slowing economy and has declined by almost 19% since 2007.

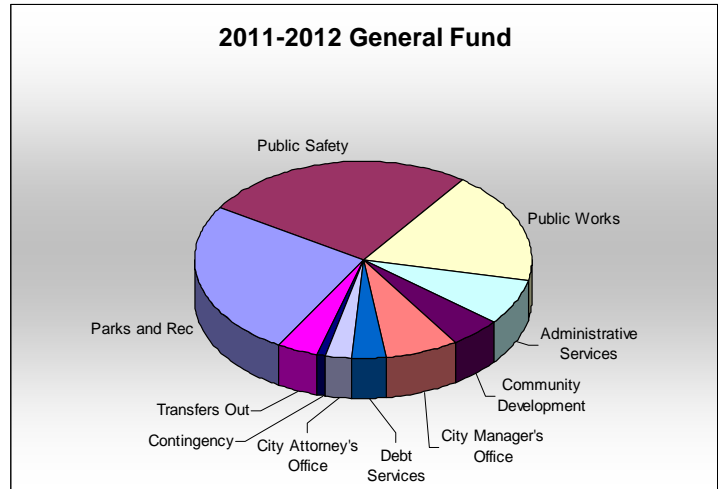
Property Tax in Lieu of Vehicle License Fees (VLF) is estimated at \$13.4 million, and Property Tax totals \$11.3 million. Property Tax estimation is not an exact science. The County Assessor’s office makes changes to the City’s property tax rolls daily to reflect transfers in ownership, new construction, assessment appeals, parcel splits, and other dynamic changes. When compared to revenues before the recession, Property Tax and Property Tax in Lieu of VLF have declined by 8.1% and 1.8% respectively.

Development Revenue represents charges for building and safety permits, and review of new developments for environmental and land use compliance. Development Revenues continue to decline. For the new fiscal year, Development Revenues are projected to decrease by 5.8% when compared to Fiscal Year 2010-2011. This downward trend is due to permit activity shifting from large projects to small-to-medium sized projects, thereby yielding lower fees and revenues.

## General Fund Appropriations

Fiscal Year 2011-2012 General Fund appropriations total \$77.6 million. The total General Fund expenditures for Fiscal Year 2011-2012 include funding for operating departments, debt services, contingency, and transfers to other funds.

Public Safety maintains the largest General Fund budget totaling \$20.3 million. Second to Public Safety is Parks, Recreation and Community Services. Providing parks and recreation programs for our youth has always been a priority and complements our proactive approach to public safety by keeping kids busy and out of trouble.



**General Fund Operating Reserve**

Reserves are a critical component of the budget because it is a funding source that can be counted on in case of an emergency or unforeseen opportunity. The City is very fortunate to be able to maintain a healthy reserve during this difficult time. For Fiscal Year 2011-2012, the operating reserve will total \$11.2 million, or 15%, of operating expenditures.

**NECESSARY ADDITIONS TO THE OPERATING BUDGET**

Although the focus of the Fiscal Year 2011-2012 budget was to maintain existing service levels, some necessary additions have been made.

For example, the Fiscal Year 2011-2012 budget will include a \$4.2 million budget in Library Fund money to establish an operating base for the new Santa Clarita Public Library. The City will assume the management of our three local libraries and undertake the responsibility of providing library services to our community effective July 1, 2011.

The ongoing operating budget will allow the City to provide library services of the highest professional quality. This includes \$750,000 to purchase materials such as books, periodicals, newspapers, microfilms, ebooks, and audio and video materials. This is a 67% increase from the current annual book budget. The budget also includes funding to maintain the three library facilities and purchase new computers.

I am pleased to note that even with improved services and more spending on materials and technology, the City will be able to maintain a surplus in the Library Fund and this is without the special library tax that is currently imposed on residents. This special library tax will cease to exist when the City takes over library services effective July 1, 2011, thus providing a tax cut for every City resident.

The following is a summary of the necessary additions to the budget:

- Santa Clarita Public Library: \$4.2 million
- Los Angeles County Sheriff's 3.07% COLA: \$563,732
- TMDL Compliance: \$265,000
- Annual Vehicle Replacement: \$229,000
- Sheriff's Juvenile Intervention Team: \$170,000
- Transit Contract Adjustment: \$100,387
- Boundary Changes: \$100,000
- Redevelopment Professional Services: \$95,600
- Santa Clarita Public Television: \$62,000
- Engineering and Traffic Survey: \$60,000
- Federal ADA Mandate for Inclusionary Program: \$57,240
- General Municipal Election: \$50,000
- Waste Discharge Report: \$50,000
- Traffic Signs and Markings: \$25,000

## **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 CIP for 2011-2012 totals \$25,957,836.

This year's capital budget will be 49% less than the capital budget for Fiscal Year 2010-2011. The difference in the budget is due to funding for construction of the Newhall Library, which totaled \$19.3 million and was budgeted in the Fiscal Year 2010-2011 budget. This funding will not be carried over to Fiscal Year 2011-2012.

The Fiscal Year 2011-2012 capital budget will include funding to continue enhancing the Downtown Newhall area. This includes \$2.2 million for the 5<sup>th</sup> Street and Newhall Avenue Roundabout and Public Art project. This funding will be used to design and construct a traffic circle at the intersection of 5<sup>th</sup> Street and Newhall Avenue. The traffic circle will allow for a smoother flow of traffic around the Old Town area of Newhall, while creating a focal point to landscape and monument the entrance to Main Street.

The capital budget will also include \$8 million for our annual Road Overlay Program. The annual Road Overlay Program reflects the implementation of the City's commitment to sound pavement management of the roadway infrastructure by overlaying and slurry sealing streets in need of attention. Streets will be selected based on recommendation from the City's pavement management survey and field inspections.

This effort strives to maintain the quality and viability of the City's streets. In order to meet the pavement management survey's projected five-year need, the City must commit funds to the

Overlay Program. By committing funds, the City will prevent excessive roadway deterioration, which would later result in higher repair costs.

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 2011-2012 CIP, with corresponding location maps, can be found in the Capital Improvement Program 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 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 the budget officers from each department, including Sarona Vivanco, Alex Hernandez, Elena Galvez, David Koontz, Patrick Bryant, and Casey Bingham, who worked diligently to prepare the document now before you.

I would also like to recognize each member of the lead budget team, including Ken Striplin, Tina Haddad, Darren Hernández, Carmen Magaña, 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.

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. With 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