



City of
SANTA CLARITA

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June 26, 2012

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita's Fiscal Year 2012-2013 Operating Budget and Capital Improvement Program. Once again, our City will have a balanced budget for the new Fiscal Year.

This year the City will celebrate 25 successful years of Cityhood. We became a City to create a better living and business environment for everyone. We have had 25 very productive years, but I believe that the best is yet to come!

Despite the economic challenges faced by cities across the nation, Santa Clarita has still been able to annex more areas, have a robust Capital Improvement Program, and continue making improvements within the areas that need it most. Through the City Council's leadership, we have positioned ourselves for another 25 years of progress and success.

This year we are processing seven annexation applications with the Local Agency Formation Commission. This will add approximately 6,700 acres to the City and an estimated 25,870 in population, making Santa Clarita the third largest city in Los Angeles County. The Fiscal Year 2012-2013 budget provides the resources needed to serve these areas with excellence.

In addition to a focus on annexations, this year's budget will give special attention to our older communities: Canyon Country and Newhall. Since incorporation, the City has spent millions of dollars on improvements to these areas. However, we aren't done yet. There is more work to do within these communities to keep them thriving.

The City's budget is in a much better place today than three years ago, or at the start of the Great Recession. We are seeing positive changes in the economy, such as a declining unemployment rate, healthy increase in sales tax revenues, and a rise in home sales.

However, we must not forget where we were just three years ago when we were forced to cut our budget in order to be in line with drastic declines in revenues. Overall, General Fund Revenues are still 11.6% less when compared to revenues generated before the recession. Although this is an improvement from 17% at the peak, it will take more time for us to recover our losses, as long as the economy continues its slow yet steady upward trend.



The City's success in budgeting is due to the City Council's timeless and proven budget practices. Some of these practices include:

- The decisions made in the good times are more important than the decisions made during the bad times
- Always live below our 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 strategic budget practices.

The following executive summary provides an overview of the Fiscal Year 2012-2013 Budget, which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

BUDGET OVERVIEW

Total Appropriations

The Fiscal Year 2012-2013 Budget totals \$183 million. This includes funding for the Capital Improvement Program, the Redevelopment Successor Agency, operations and maintenance, and debt services. This is a 15% increase when compared to the Fiscal Year 2011-2012 adopted budget. The reason for this increase is mostly due to an increase to the Capital Improvement Program. The City was successful in securing \$14 million in new federal and state grants, which resulted in more projects being funded.

Total Revenues

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. Several factors are considered to ensure accuracy in our projections, 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.

For Fiscal Year 2012-2013 revenue resources will total \$183 million.

General Fund

The General Fund is vital to the operation of the City because it is comprised of the most flexible revenue that the City Council can allocate toward any project or need within the community. The 2012-2013 Budget is consistent with our practice of ensuring that on-going revenues are greater than on-going expenditures.

General Fund revenues will exceed General Fund appropriations by \$197,469.

General Fund Revenues

The City's largest fund is the General Fund, representing \$81.1 million of total revenues. This projection represents a 1% increase when compared to Fiscal Year 2011-2012.

Sales Tax continues to be the City's largest General Fund revenue source. For Fiscal Year 2012-2013, Sales Tax is projected to total \$30.4 million, which is a 4.4% increase when compared to the current year. There are two reasons for the increase. The first is that during Fiscal Year 2011-2012 the state over-withheld on our triple flip advances by over \$500,000. Thus, Sales Tax receipts for the current fiscal year are short; however, the money will be received during Fiscal Year 2012-2013. The second reason for the increase factors in the opening of Mini Cooper. Other openings include Larsen's, Lucille's, Ross, and H&M.

Property Tax in Lieu of Vehicle License Fees is estimated at \$13.1 million and Property Tax totals \$11.2 million. This represents a decline of 2.3% and .9% respectively. This decline is due to ongoing Prop. 8 appeals, which have seen success. Unfortunately, this results in a reduction to the City's Property Tax projections.

Development Revenue represents charges for Building and Safety permits, and for 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 12.9% when compared to Fiscal Year 2011-2012. This downward trend is due to permit activity shifting from large projects to small-to-medium sized projects, thereby yielding lower fees and revenues. Overall, Development Revenue has declined by 55% since the Recession.

General Fund Appropriations

Fiscal Year 2012-2013 General Fund appropriations total \$80.9 million. The total General Fund expenditures for Fiscal Year 2012-2013 include funding for operating departments, debt services, contingency, and transfers to other funds.

Public Safety continues to maintain one of the largest General Fund budgets, totaling \$20.5 million, which is a 30% increase since the Great Recession. During the recession, all departments experienced cuts, with exception to the Public Safety budget. This demonstrates the City Council's commitment to protecting residents and businesses from crime. The Parks, Recreation and Community Services budget will total \$20.6 million. Providing parks and recreation programs for our youth has always been a priority and compliments 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 this is a funding source that can be counted on in case of an emergency or unforeseen opportunity. The City has been very fortunate to be able to maintain a healthy reserve during slow economic times. At the request of the City Council, we will be able to increase the operating reserve from 15% to 16% of operating expenditures. For Fiscal Year 2012-2013, the City's operating reserve will total \$12.1 million.

NECESSARY ADDITIONS TO THE OPERATING BUDGET

The Fiscal Year 2012-2013 budget provides the necessary resources to service the new annexation areas with excellence. It also provides funding to continue to improve the older communities of Canyon Country and Newhall.

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

- Canyon Country Deputies: \$540,574
- Drug Free Youth in Town (DFYT): \$6,223
- Sheriff's 2.23% COLA: \$415,202
- Sheriff's 4% Liability Trust Fund (LTF): \$717,393
- Canyon Country Outreach: \$50,000
- CEMEX Advocacy: \$60,000
- Film Local Incentive Program: \$50,000
- Conference Center Study: \$50,000
- Canyon Country Community Center: \$303,666
- Metrolink Stations Pressure Washing: \$21,000
- Increased Street Maintenance Budget to Service New Annexations: \$204,299
- Relocation of Special Districts to old Newhall Library Facility: \$335,000
- Increased Landscape Maintenance District Budget to Service New Annexations: \$195,353
- Art in Median Project: \$15,000
- FirstHOME Program: \$700,000
- Community Preservation Officer and Vehicle: \$76,895
- Redevelopment Successor Agency: \$2,537,674

CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The Capital Improvement Program (CIP) is a key component of this document and is 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. Comprised of a variety of multi-year and multi-funded capital projects, the CIP for 2012-2013 totals \$46.6 million.

In the community of Canyon Country, the capital budget will provide funding to continue to improve this older area of the City. Some of the capital projects in Canyon Country include: \$8.5 million to widen the Golden Valley Road Bridge over the 14 Freeway and provide landscaped medians; \$1.8 million to beautify the freeway ramps at Sand Canyon Road; \$750,000 for median landscape improvements along Sierra Highway, between Friendly Valley and Via Princessa; and \$91,162 for the design and construction of approximately 510 feet of bike path north of Soledad Canyon Road to Valley Center Drive.

The capital budget will include \$6.9 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. The streets to be included in the Overlay Program 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 these funds, the City will prevent excessive roadway deterioration, which would ultimately result in higher repair costs.

The capital budget will also include \$8.1 million to widen McBean Parkway Bridge over the Santa Clara River. This project will widen the north and south McBean Parkway Bridge to eight lanes and construct a Class 1 bike path connecting McBean Parkway and the Santa Clara River Trail.

In the area of parks, the capital budget includes \$400,000 to maximize the availability of sports fields for use at Central Park and the Santa Clarita Sports Complex to help meet this growing demand. Funding would be used for the design of sports fields on seven acres of park space at Central Park. This would also include parking lot improvements. The funding would also be used to design and install lighting at the existing sports field at the Santa Clarita Sports Complex.

The entire Capital Improvement Program represents a proactive approach to 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, with corresponding location maps, can be found in the Capital Projects section of this document.

CONCLUSION

I would like to congratulate the City Council for its fiscally responsible leadership and direction, which have resulted 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 Sarona Vivanco, Alex Hernandez, Elena Galvez, David Koontz, and Casey Bingham.

I would also like to recognize each member of the lead budget team, including Ken Striplin, Tina Haddad, Darren Hernández, Carmen Magaña, Mary Ann Ruprecht, and Kevin Tonoian, for their work in preparing the budget.

In addition, I would like to thank the Executive Team, Curtis Nay, and Mary Navarro for their work in preparing the Capital Improvement Program.

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. Thanks to the City Council's leadership, I am confident that we will enter the new budget cycle strongly positioned, renewed in spirit and determination, and prepared for more progress and success.

Sincerely,



Ken Pulskamp
City Manager