



City of
SANTA CLARITA

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June 25, 2013

Honorable Mayor and Members of the City Council:

It is my pleasure to present the adopted City of Santa Clarita's Fiscal Year 2013-2014 Operating Budget and Capital Improvement Program. Once again, our City will have a balanced budget for the new Fiscal Year.

This budget provides the necessary funding to deliver exceptional service to the newly annexed areas, increase sports field opportunities, beautify and enhance Canyon Country and Newhall, maintain existing infrastructure and facilities, and looks forward to potential new opportunities. Through the City Council's leadership, we are positioned to build the next 25 years for an even better Santa Clarita that future generations can enjoy.

This budget does not include any requests for new positions. This continues to demonstrate our commitment to maintaining a lean approach to staffing, which is not only part of our culture, but something we believe fosters efficiency and creativity. The City currently has 370 regular, benefitted employees, which is a 6% staff reduction from our 2007 pre-recession count and even lower yet when you consider the City has added 26,000 residents and increased the size of our City through recent annexations.

We continue to see positive changes in the economy, such as a declining unemployment rate, an increase in sales tax revenues, and a recovering housing market.

Although we are slowly starting to close the gap in revenues, we have yet to be at pre-recession levels. Overall, General Fund Revenues are 7.3% less when compared to revenues generated before the Recession. This is an improvement from 17% at the peak. It will take more time to recover our losses as long as the economy continues its slow yet steady upward trend.

Regardless of this positive change, we are painfully aware of the last four years when we were forced to cut our budget in order to be in line with declines in revenues. We must continue our budget strategy, which is cautious and conservative with spending. This includes being mindful of ongoing expenses or services that could present a burden and limit our flexibility in responding to difficult times ahead.

Some challenges on the horizon include the potential increased overhead costs for Sheriff's services as a result of a recent audit commissioned by the Los Angeles County Board of Supervisors, and the recent decision by CalPERS to raise employer contribute rates by roughly 50% over five years resulting in a \$4.4 million impact to the City's budget.



Other long-term costs to consider include future funding challenges and opportunities associated with improvements to our older communities such as Canyon Country and Newhall and the newly annexed areas. Although the budget provides additional funding for these endeavors, our commitment to these areas must continue in future years in order to fully realize the changes we want to see. This will require ongoing dedication of resources.

In addition to our older communities and the services for the new annexations, other funding challenges include ongoing operating expenses for the Central Park expansion, a permanent Canyon Country Community Center, and the potential for expanded library services and community rooms in Saugus.

Finally, Cemex and Whittaker Bermite are other fiscal liabilities to consider. Given all of these funding challenges, the following budget prioritizes spending to keep us focused on key City services and future priorities.

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
- 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 2013-2014 Budget, which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

BUDGET OVERVIEW

Total Appropriations

The Fiscal Year 2013-2014 Budget totals \$180.6 million. This includes funding for the Capital Improvement Program, personnel, the Redevelopment Successor Agency, operations and maintenance, and debt services.

When compared to the Fiscal Year 2012-2013 adopted budget, this represents a 1.31% decrease, which is consistent with our goal to be conservative with spending and mindful of future challenges and opportunities.

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 2013-2014, total resources meet total expenditure appropriations, with the General Fund yielding a revenue surplus of \$501,697. For certain one-time capital projects, fund balance is appropriated.

General Fund

The General Fund is vital to the operation of the City because it is comprised of the most flexible revenue the City Council can allocate toward any project or need within the community. The 2013-2014 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 \$501,697.

General Fund Revenues

The City's largest fund is the General Fund, representing \$85 million of total revenues, which is relatively flat when compared to Fiscal Year 2012-2013.

Sales Tax continues to be the City's largest General Fund revenue source. For Fiscal Year 2013-2014, Sales Tax is projected to total \$31 million, which is a 2.1% increase when compared to Fiscal Year 2012-2013.

Property Tax in Lieu of Vehicle License Fees is estimated at \$13.5 million, which is a 1.2% increase when compared to Fiscal Year 2012-2013. This increase is in proportion to the growth of assessed valuation Citywide.

Property Tax totals \$13.2 million. This projection is 1.3% less when compared to Fiscal Year 2012-2013 as a result of one-time settlement payment the City received during Fiscal Year 2012-2013 in the amount of \$1.8 million from the County as a result of their overpayment of Property Tax Administrative Fees.

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 see little growth. For the new fiscal year, Development Revenues are projected to decrease by 4.2% when compared to Fiscal Year 2012-2013. 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 46% since the Recession.

General Fund Appropriations

Fiscal Year 2013-2014 General Fund appropriations total \$84.5 million. The total General Fund expenditures for Fiscal Year 2013-2014 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 \$21 million, which is a 33.5% increase since the start of 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 \$20.7 million. 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 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 16% to 17% of operating expenditures. For Fiscal Year 2013-2014, the City's operating reserve will total \$13.1 million.

NECESSARY ADDITIONS TO THE OPERATING BUDGET

The Fiscal Year 2013-2014 operating budget provides the necessary resources to provide exceptional services for the benefit of our residents, businesses, and the new annexation areas.

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

- Extension of Jakes Way Enforcement: \$134,633
- Sheriff's Mobile Command Unit: \$100,000
- Sheriff's 2.4% Contract Adjustment: \$455,175
- Cemex: \$120,000
- General Municipal Election: \$20,000
- Ranger Services in Open Space: \$20,000
- Canyon Country Community Center Maintenance: \$44,932
- Annual Vehicle Replacement: \$545,900
- Truck Mounted Line Striper: \$72,000
- Bobcat Compact Track Loader and Trailer: \$133,000
- Young Adult Library Programing: \$192,510
- Saugus Library and Community Room Assessment: \$50,000
- Urban Forestry Annexation Impact: \$80,000
- Streetlight Maintenance Annexation Impact: \$250,000
- LMD Reserve and Asset Management Study: \$90,000
- LMD Maintenance: \$780,500
- Historic Preservation Grant: \$25,000
- Boys and Girls Club After School Program: \$25,000

FIVE-YEAR 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 2013-2014 totals \$40.1 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: Monument Signs at the 14 Freeway ramps located off of Soledad Canyon Road and Lost Canyon (\$155,000); a Public Art project along the Soledad Canyon Road and Sierra Highway corridor (\$30,000); Soledad Canyon Road Median Refurbishment (\$2.8 million); Via Princessa Median Refurbishment (\$231,615); Canyon Country Library Roof Restoration (\$126,500); design and environmental work for the Sierra Highway Bridge over the Santa Clara River (\$200,000); and Canyon Country's first Paseo Bridge at Sierra Highway and Golden Valley Road (\$1.4 million).

The capital budget includes \$8 million for our annual Road Overlay Program. This is about a \$1 million increase over Fiscal Year 2012-2013. 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.

In the area of parks, the capital budget includes \$3 million to maximize the availability of sports fields at Central Park to help meet this growing demand. Funding will be used to construct two additional lighted multi-use sports fields, 170 parking spaces, pedestrian walkways, and landscaping. The project's completion will bring the total number of multi-use fields at the park to ten.

The capital budget includes \$75,000 to install an acoustic system throughout the Multi-Purpose Room at the Newhall Community Center. Currently, there is no acoustic system in this large room. The sounds in the room are amplified and the interior block walls cause vibrations and sound distortions, which limit use of the room.

The capital budget includes \$521,880 in funding to address wear and tear at the Sports Complex, and at other recreational facilities located at seven parks.

Funding in the amount of \$2.1 million is included to design the widening of the Newhall Ranch Road / San Francisquito Creek Bridge. The design would widen the bridge from six lanes to eight lanes and provide a multi-use path. Construction will take place in a future year.

In the community of Newhall, funding in the amount of \$82,500 will be provided for Way Finding Signs and \$101,000 will go towards the improvement of the two Park-and-Ride Lots on Newhall Avenue.

Finally, the capital budget includes \$850,000 for the Sidewalk Repair Program which is a 70% increase when compared to Fiscal Year 2012-2013.

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 Saron Vivanco, Alex Hernandez, Elena Galvez, Denise Covert, and Casey Bingham.

I would also like to recognize each member of the lead budget team, including Frank Oviedo, Tina Haddad, Darren Hernández, Carmen Magaña, Mary Ann Ruprecht, and Jennifer Curtis, for their work in preparing the budget.

In addition, I would like to thank the Executive Team as well as 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 continued progress and long-term success.

Sincerely,



Kenneth W. Striplin
City Manager