



City of
SANTA CLARITA

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July 1, 2014

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita's Fiscal Year 2014-2015 Operating Budget and Capital Improvement Program. Once again, our City will have a balanced budget for the new Fiscal Year and a spending plan that provides the necessary funding to deliver exceptional services to our residents and businesses.

The economy continues to show signs of recovery. Although economists predict that there will be some "swells and dips," they also suggest that conservative estimates continue to show signs of a more stable economy.

General Fund revenues, as a whole, are back to pre-recession levels. It has taken us six long years from the start of the Great Recession to recover our losses.

I'm also proud to mention that this year Standard and Poor's reconfirmed the City's AAA credit rating. This elite financial category continues to be achieved as a result of the City Council's long standing and conservative budget practices.

Overall, we are in a better place and it is exciting to know we will not have to endure another tumultuous budget process during the Fiscal Year 2014-2015 budget cycle.

That being said, one of the reasons we have been able to endure the recession is mainly due to the City Council's conservative approach to budgeting. This must continue even during more stable economic times.

I would like to point out although General Fund revenues are back at pre-recession levels, the cumulative loss in revenues is as much as \$46 million since the recession hit. This is money that could have been used to build and maintain new facilities. It will take us several more years to make up this difference.

Although we are experiencing economic stability, we must remember history has shown us the economy has its ups and downs.

In fact, every four to six years, the U.S. experiences an economic slowdown. Currently, we are in our fourth year of a "recovering economy," which could suggest we might already be primed for another correction.

For this reason, the budget is consistent with the City Council's budget philosophy, which has proven to be a successful method in enduring difficult economic times and maintaining a responsible budget. The City Council's budget philosophy is as follows:



- 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

In addition to being consistent with the City's budget philosophy, the budget is consistent with goals that were set out at the start of the budget process. These goals include:

- **Focusing on Aging Infrastructure:**

Our first goal was to focus on aging infrastructure. As the City ages, so has our facilities, roads, sidewalks, irrigation systems, and other infrastructure we maintain.

Over the last several years our City has focused on building new capital projects, such as parks, libraries, community centers, Metrolink stations, roads, trails, and beautification projects.

While it matters how much public infrastructure a city has, it is equally important that it is maintained and stays in good condition.

Maintenance of aging facilities prevents future and more expensive issues from occurring. It also ensures the high quality of a community.

The budget provides funding for several projects that are geared toward improving our valuable facilities, roads, sidewalks, and medians.

- **Futuristic Approach:**

The second goal of the budget process was to take on a futuristic approach and anticipate the future needs of the community.

Santa Clarita has always been a proactive community and I'm pleased to say the recommended budget includes funding for future needs of the community, including potential electric vehicle charging stations within the City, plans to modernize park facilities, design of a new tennis center at Central Park, and additional funding to support the Senior Center and the Boys and Girls Club.

- **Increase Operating Reserve to 18%:**

Finally, another goal of the budget was to increase General Fund Operating Reserves to 18%, which we were able to achieve in this year's budget.

I am proud of what we have accomplished to date and recommend we continue to adhere to our strategic budget practices.

The following executive summary provides an overview of the Fiscal Year 2014-2015 Budget, which includes a summary of appropriations, revenues, department budgets, and the Capital Improvement Program.

BUDGET OVERVIEW

Total Appropriations

The Fiscal Year 2014-2015 Budget totals \$191.5 million. This includes funding for the Capital Improvement Program, personnel, the Redevelopment Successor Agency, operations and maintenance, and debt services.

When compared to last year's adopted budget, this represents a 6% increase, which is primarily due to spending increases in Transit for bus procurement and expansion of services.

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 2014-2015, total revenue meets total expenditure appropriations. 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 2014-2015 Budget is consistent with our practice of ensuring on-going revenues are greater than on-going expenditures.

General Fund revenues will exceed General Fund appropriations by \$462,458.

General Fund Revenues

The City's largest fund is the General Fund, representing \$91.3 million of total revenues. This projection is consistent with pre-recession levels.

Sales Tax continues to be the City's largest General Fund revenue source. For Fiscal Year 2014-2015, Sales Tax is projected to total \$33.5 million, which is a 3.1% increase when compared to Fiscal Year 2013-2014.

Property Tax in Lieu of Vehicle License Fees is estimated at \$14.3 million, which is a 4.9% increase when compared to Fiscal Year 2013-2014. This increase is in proportion to the growth of assessed valuation Citywide.

Property Tax totals \$14.2 million. This projection is a 2.2% increase when compared to Fiscal Year 2013-2014.

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 total \$5.2 million. Overall, this projection is 31% less when compared to pre-recession levels.

General Fund Appropriations

Fiscal Year 2014-2015 General Fund appropriations are recommended to total \$90.8 million. The total General Fund expenditures for Fiscal Year 2014-2015 include funding for operating departments, debt services, contingency, and transfers to other funds.

Public Safety and Parks, Recreation, and Community Services continue to maintain the largest General Fund budget. Each department maintains a budget of \$21.6 million.

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 17% to 18% of operating expenditures. For Fiscal Year 2014-2015, the City's operating reserve will total \$14.5 million.

NECESSARY ADDITIONS TO THE OPERATING BUDGET

The Fiscal Year 2014-2015 operating budget provides the necessary resources to provide exceptional services for the benefit of our residents and businesses.

Below is a summary of the most notable themes or additions to the budget.

Public Safety:

- 2.6% Sheriff's Contract Adjustment: \$506,742
- Special Assignment Team (SAT) Deputy: \$183,093
- Drug Free Youth in Town (DFYIT): \$5,440

Community Support and Advocacy:

- CEMEX Advocacy: \$135,000
- Increase to Community Services & Arts Grants Program: \$30,000

- Increased Contribution to the Senior Center: \$100,000
- Boys and Girls Club: \$40,000
- Santa Clarita Public Television Equipment: \$55,000
- Consortium for Updated Aerial Imagery: \$83,200

Arts and Events:

- Arts and Events Coordinator: \$64,612
- Arts and Events Truck: \$61,250
- Marathon Base Budget Increase and Relay Event: \$10,000
- Beach Party Event in Canyon Country: \$10,000
- Holiday Decorations for Old Town Newhall: \$80,000
- Arts Master Plan: \$75,000

Service Expansion:

- Vehicle Maintenance Technician and Vehicle Lift: \$75,311
- Street Maintenance Staffing and Equipment: \$213,505
- Urban Forestry: \$50,000
- Increased Plan Check and Inspection Services: \$483,840
- Park and Trail Maintenance Expansion: \$198,662
- Transit Service Expansion: \$427,530

Asset Replacement:

- Transit Buses and Trolley Replacement: \$4,749,560
- Annual Vehicle and Equipment Replacement: \$689,000
- Turf Mower for Central Park Sports Field and LMD Zones: \$78,000
- Corporate Yard Improvements: \$56,000
- LMD Reserve Projects: \$2,189,550

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 2014-2015 totals \$39.1 million.

Of the proposed amount, \$8.6 million is for re-budgets or pending capital projects that were funded in previous years that need to be carried over to the new fiscal year. Some examples include the City Hall Retrofit project, Canyon Country Paseo Bridge, and I-5 Magic Mountain Parkway Interchange.

The capital budget includes funding to participate in a multi-agency effort between the City, Southern California Association of Governments (SCAG), and Cleantech Institute, to build one Direct Current (DC)-fast fill and two, level-2 electric vehicle charging stations in Santa Clarita near the Interstate 5 Freeway.

This partnership requires the City to contribute \$50,000 to upgrade one electric service line to accommodate the DC-fast fill. In exchange, SCAG and Cleantech Institute would use a California Energy Efficiency Grant to install the DC fast fill and two vehicle charging stations.

This effort will be contingent upon SCAG and Cleantech Institute being awarded the grant. It is anticipated that a decision would be made during Fiscal Year 2014-2015, which is why it is necessary to include funding as part of the budget.

The capital budget includes \$10.5 million for our annual Road Overlay Program. This is roughly a \$3 million increase over last fiscal year. 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 a recommendation from the City's pavement management survey and field inspections.

In the area of parks and recreation, the capital budget includes \$520,000 to design a tennis center at Central Park, which is consistent with the 1998 Park Master Plan and the 2008 Parks, Recreation, and Open Space Master Plan. It is anticipated that this center would contain six to ten courts, including one championship court, restroom facilities, and a staff office with check-in counter and locker areas. The project would also include ADA access and lighting to the adjacent dog park.

The capital budget includes funding in the amount of \$50,000 to conduct a comprehensive planning and public participation process to re-evaluate Old Orchard Park. Old Orchard Park was constructed in 1968 and its facilities and infrastructure are nearing the end of their useful lives. One example is the entire irrigation system requires replacement. In addition, the small recreation meeting room is not currently being used for any programming and the restroom facility is not in compliance with current ADA standards. The community process would help explore possible reconfiguration of the park, with the current community needs in mind.

Finally, the capital budget includes \$1 million for the Sidewalk Repair Program, which makes necessary repairs to City sidewalks damaged by tree roots and pavement settlement.

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 has 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 and support staff who worked diligently to prepare the document now before you, including Sarona Vivanco, Alex Hernandez, Elena Galvez, Denise Covert, Tess Simgen, Casey Bingham, Matt Levesque, and Nancy Alcantara.

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

In addition, I would like to thank the Leadership 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,

A handwritten signature in black ink that reads "Ken Striplin". The signature is written in a cursive, flowing style.

Kenneth W. Striplin
City Manager

