



July 1, 2003

Honorable Mayor and Members of the City Council:

It is my pleasure to present the City of Santa Clarita's Fiscal Year 2003-2004 Proposed Operating Budget and Five-Year Capital Improvement Program. One of the most important duties of the City Manager is to carefully prepare and recommend the annual operating and capital budget to you and the community.

We began the budget process facing the uncertainties of the State Budget deficit and the potential impacts to the City of Santa Clarita's budget. The State budget shortfall is currently anywhere between \$35 and \$40 billion. To date, no formal recommendation has been presented to balance the State budget; however, there is potential that the State will divert cities' revenues to balance the shortfall. Santa Clarita's most vulnerable revenue source is the state general fund "backfill" for the Vehicle License Fee (VLF) reduction made in 1999. If this occurs, the City could be impacted with a loss in revenue up to \$7 million per year.

With these realities in mind, my philosophy was to ask all City departments to hold-the-line, analyze how we do business, be creative, find efficient yet effective ways to operate, and to present a responsible budget that maintains a good level and mix of municipal services. In addition, we identified a list of items that could be funded at a future time once more information regarding the State Budget shortfall is known. This "future considerations list" resulted in items totaling \$4 million.

I am especially proud of the results of this budget submittal. Despite the uncertainties of the State budget crisis, I am pleased to present the City Council with a balanced budget that addresses the potential loss in revenue from the State, increases reserves, increases efficiency, addresses new maintenance needs of the Aquatics Center and new parks, and continues the City Council's commitment to deliver quality services to the community.

The following executive summary provides an overview of the 2003-2004 Fiscal Year Budget. This overview includes a summary of appropriations, revenues, department budgets, annual accomplishments, and the Capital Improvement Program.

## **BUDGET OVERVIEW**

### *General Fund*

The General Fund is vital to the operation of the City as the most flexible revenue, which the City Council can allocate toward any project or need within the community. Additionally, it is the funding source (through VLF) that is at the highest risk of impact from the State as it resolves its budget dilemma.

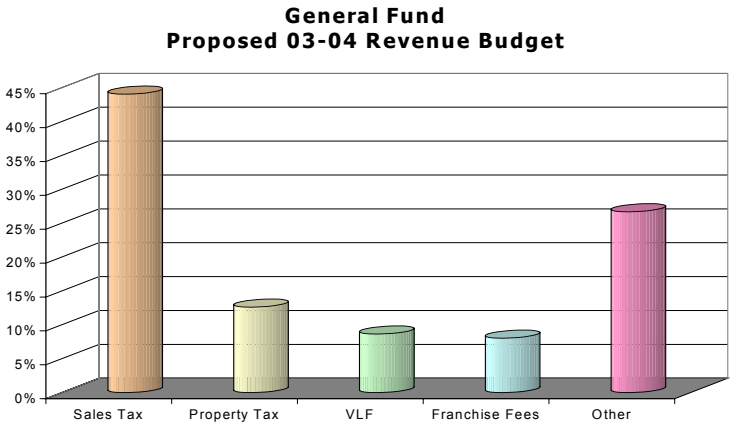


This proposed budget recommends an overall decrease in General Fund expenditures of 2%. Revenues are estimated to increase approximately 5%, with the difference being used to rebuild our reserves.

**General Fund Revenues**

The City’s largest fund is the General Fund, representing 39% of the total revenue picture, or \$58,008,850. The three major General Fund revenue sources are Sales Tax, Property Tax, and Motor Vehicle License Fees, which comprise 66% of the total General Fund revenue.

Sales tax continues to be the City’s largest General Fund revenue source accounting for 44% of the total General Fund revenue, or \$25,500,000 compared to the projected revenue of \$22,500,000 for Fiscal Year 2002-2003. This increase in revenue is attributed to the projection of a 13% increase in Sales Tax revenue indicative of the contribution the citizens of Santa Clarita make by shopping local and keeping the tax dollars in the City.



Additional projections to General Fund revenue include a 9% (\$600 k) increase in Property Tax, and a 6% decrease in Vehicle License Fee (VLF) which is dropping from 15% of the revenue budget to 9% due to the anticipation of a \$4 million loss in VLF.

The remaining two General Fund revenue categories are Franchise Fees which make up \$4,650,000 or 8% of General Fund revenues and the Other category. The Other category includes General Fund revenue from charges for current services, fees from developers and parks and recreation, and a variety of other miscellaneous sources that total \$15,050,000 or 26% of the General Fund revenues.

**General Fund Expenditures and Reserves**

The Fiscal Year 2003-2004 General Fund expenditure budget totals \$57,791,116 and includes four new positions for maintenance of new facilities that are coming on-line. However, it is important to note that the net increase in personnel is zero, since the funding for four existing vacant positions were reallocated to provide funding for the new positions.

General Fund operating expenditures for Fiscal Year 2003-2004 are \$53.4 million, which is virtually flat compared to last fiscal year, and includes funding the operating departments, debt service and reserves including Council Contingency, TMC, Las Lomas, MTA Grant Match, and Capital Projects Reserve.

The General Fund contribution to capital projects is \$4.4 million, which represents only 6% of the total \$69 million capital budget. In addition, we set aside an operating reserve of 10%, or \$6 million, to use in the event of unforeseen changes. As stated earlier, the State's budget crisis continues to be a concern. As a result, we have built in an unreserved fund balance of \$3.5 million that we can turn to in the event the City loses more than the \$4 million to the State.

***Operating Budget***

The operating budget, totaling \$95,451,800 includes personnel, operations and maintenance, debt service and capital outlay required for delivering an array of City services.

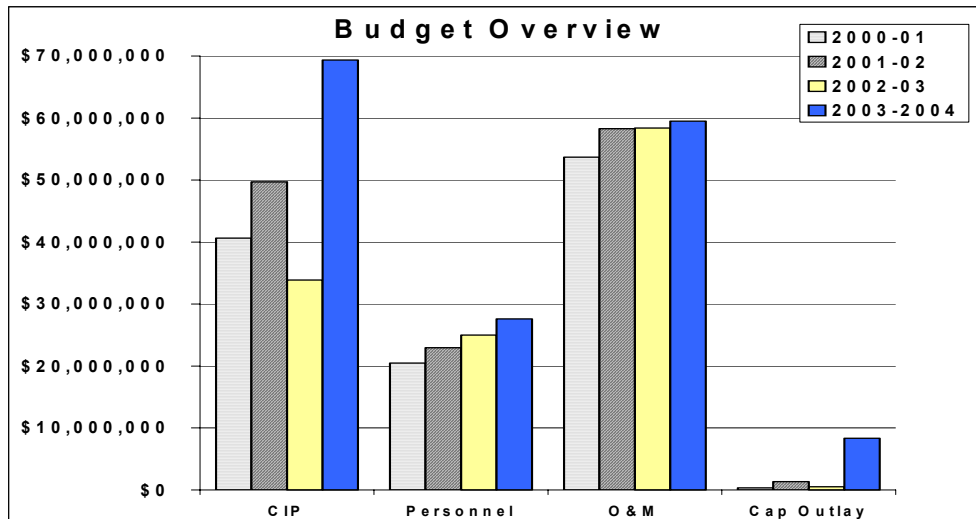
The operating budget has increased 14% or \$11.5 million over last year. This is attributed to new operating and maintenance costs required for the new Aquatics Center, new parks, and transit related service costs. Furthermore, the operating budget experienced an increase due to rising costs in personnel benefits including Public Employees Retirement System (PERS), Workers' Compensation and health benefits.

***Capital Budget***

The Capital Improvement Program (CIP) budget includes 38 capital projects and 25 funding sources totaling \$69,358,512.

The capital budget is made up of \$47 million of new funding and \$22 million of rebudgeted funding. New funding is new money that is identified to fund capital projects for Fiscal Year 2003-04. Rebudgeted funding is money that was identified (funded) in previous year(s) and is carried over to Fiscal Year 2003-04. This occurs because the capital program is made up of multi-year projects with the funding moving from year to year along with the progress of the capital project.

Significant to this year's capital budget is the funding level of the General Fund contribution. The total General Fund contribution to the capital budget equates to only 6% of the total CIP budget; this is the lowest contribution the General Fund has made to the capital program in the last five years and reflects a 23% decrease over the level of funding in the current capital budget.



### ***Total Appropriations***

The Fiscal Year 2003-2004 Budget totals \$164,810,312, which reflects an increase of \$47,038,525 or 40% more than the Fiscal Year 2002-2003 adopted budget. The budget increase is largely due to the rebudgeting of capital funding from Fiscal Year 2002-2003 to Fiscal Year 2003-2004 and the addition of new federal funding and grants to several large capital projects (see the Five Year Capital Improvement Program section for more information).

### ***Special Revenue***

In addition to General Fund revenues, there are several other key revenues that fund programs, projects, and services. For Fiscal Year 2003-2004 these revenues represent 61% of the City's total revenue picture, or \$90,234,787. They are referred to as Special Revenues, which include Gas Tax, Community Development Block Grants (CDBG), Federal Transit Administration (FTA) grants, Park grants, Transit funds, and Stormwater Utility revenues.

These special revenues have increased by \$31 million or about 53% from last year. The increase includes approximately \$7 million in Highway Bridge Rehabilitation and Replacement (HBRR) grant and a \$6 million increase in our FTA grants.

### ***Total Revenues***

A significant step in 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: historical trends, population projections/growth, known activities that affect revenues, and inflationary factors. With this information, the City can determine what revenues will be available for allocation. Additionally, the City utilizes long-range financial planning to ensure long-term solvency.

Revenues for Fiscal Year 2003-2004 are projected at \$148,243,637. In addition to these revenues, \$16,566,675 of fund balance dollars is being appropriated for one-time uses. This brings total resources to \$164,810,312, which is in line with total appropriations.

## **DEPARTMENT HIGHLIGHTS**

In developing the budget, the operating departments were given a base allocation and asked to thoroughly evaluate their current levels of funding and submit a fiscally responsible department budget.

In addition, departments were challenged with looking for operating efficiencies, analyzing the way they do business, and making prudent recommendations for change to the City Budget Team. This effort resulted in net, on-going operating adjustments of \$1.1 million to the City's General Fund.

The following department summaries represent the results of those efforts as well as highlights of those items being funded for the fiscal year.

### ***City Manager's Office***

The budget represents the resources needed for the City Manager's Office to provide administrative services to the organization and the community. The City Manager's Office is a service-oriented department that provides services to the City Council, the community, businesses, other agencies, and staff. The following areas are represented within the City Manager's Office budget: City Council, Public Information, Human Resources, Economic Development, and Intergovernmental Relations.

Efficiencies in the operating budget for the City Manager's office include \$30,000 in the reduction of developing one State of the City newsletter versus two annually; \$15,000 in postponing the annual public opinion survey; \$44,000 in freezing a Management Analyst position for six months; and \$60,000 in a variety of economic development ads and public service announcements.

Additions in the City Manager's Office include \$60,000 for a film guide, which was approved with \$60,000 of offsetting revenue; \$104,000 increase to legislative advocacy for various issues; and \$15,000 toward the continued efforts of the Citizen Traffic Committee outreach.

Highlights in the Redevelopment Agency's budget include the reallocation of \$40,000 from the operating budget toward the \$300,000 capital funding of the new Streetscape Design, which is the Redevelopment Committee's top priority.

### ***Administrative Services***

Functions of the Administrative Services Department include Finance, Technology and GIS Services, Purchasing, Grant Administration, Community Development Block Grants (CDBG), City Clerk, Risk Management, and Landscape Maintenance Districts. The department supports all divisions within the City, while serving as a key department in external delivery to our local merchants and vendors.

Efficiencies identified in this department include consolidating office supplies City-wide resulting in \$43,490 savings; \$80,000 in technology equipment, maintenance, licenses, and consulting; and \$14,150 in removal of leased equipment.

Key additions to the department include a one-time \$170,000 increase to the City Clerk's budget for the 2004 municipal elections; \$80,000 for increased costs in the City's insurance premiums; and the Landscape Maintenance District budget includes \$230,250 for the maintenance of four new zones, a one-time addition of \$324,000 for irrigation upgrades for zones T-1 and T-8, and \$64,865 for Consumer Price Index (CPI) adjustments to revenue and expenditures.

### ***Planning & Building Services***

The Planning and Building Services Department is comprised of Planning, Building and Safety, and Code Enforcement. This department continues to do an excellent job in managing the demands of growth and is actively working on the first Joint City/County General Plan, TMC, Whittaker Bermite, and the South Santa Clarita Annexation.

Efficiencies in the operating budget of this department include: personnel reallocation of funds resulting in the unfunding of two vacant positions resulting in \$155,000 in savings; applying some of these savings toward County planning monitoring; and \$20,500 savings in reduction to contractual and professional services.

The budget for Planning and Building Services includes the addition of \$108,000 to fully fund Phase III efforts of One Valley One Vision (Joint General Plan); \$50,000 to address the Las Lomas project; and \$100,000 in contractual inspection services which includes the revenue offset and will provide a customer service benefit to the public.

### ***Transportation & Engineering Services***

The Transportation and Engineering Services Department contains such functions as Traffic Engineering, Development Review, Public Works Inspection, Transportation and Capital Grant Funding, Design and Construction of new roadways, Special Districts, Traffic, and Capital Improvement Projects. This department continues to work on a variety of critical capital projects while providing quality engineering services.

Efficiencies identified in this department include \$150,000 in savings to the General Fund as a result of the capital improvement program chargeback to capital projects; \$116,000 from freezing the City Engineer position; and a \$50,000 reduction to the annual median modification program.

The only budget addition to this department is \$51,700 for a new position to address special districts coordination. This position is funded by Special Revenues and does not impact the General Fund.

### ***Parks, Recreation, & Community Services***

Functions of the Parks, Recreation, and Community Services Department include Parks Maintenance, Median Maintenance, Park Development and Planning, Recreation, Emergency Preparedness, Cultural Arts, and other community services.

This department is making vast strides in providing services for the growing and demographically diverse population of the Santa Clarita Valley. This budget reflects the demand for services based on the operation of new parks and activity facilities, completion of Capital Improvement Projects, the pressing needs of the community, and maintaining current service levels in other areas.

Efficiencies in this operating budget include: \$78,800 reduction to develop operational efficiencies in the Cowboy Poetry and Music Festival to bring it in-line with revenue; \$52,000 in community services consulting; \$10,800 in the elimination of the Earth Kids program; \$14,400 in operating efficiencies in the Santa Clarita Marathon; \$21,340 in operating efficiencies of the Sports Complex; \$46,000 in reduction to equipment, maintenance, supplies in Citywide park maintenance; and a \$10,000 reduction in cultural affairs professional services to reflect actual expenditures.

Key allocations include \$150,000 for personnel, vehicles, and equipment to maintain the new North Valencia II park; \$60,000 toward the Newhall Community Center personnel; \$42,660 in part-time staff for Child Development budget to meet the demands of the program;

\$20,000 (along with offsetting revenue) in the Youth Sports base budget to allow for cost increases; and \$10,000 in matching funds for cultural affairs.

In addition, a key focus to this year's budget is the allocation of \$1,042,850 for one-time and ongoing costs for personnel, vehicles, and equipment to maintain the new Aquatics Center.

### ***Field Services***

The Field Services Department includes most of the field and maintenance functions within the City including Urban Forestry, Street Maintenance, Vehicle Maintenance, Facilities Maintenance, and Environmental Services as well as the City's Transit Services. Field Services ensures that the facilities and amenities maintained for employees of the City are safe and aesthetically pleasing.

Identified efficiencies include \$50,000 resulting from the extension of the City's tree pruning schedule; \$60,000 savings (Gas Tax) in reduction to county contracts and special supplies; and \$150,000 savings to the General Fund by reallocating payments to the Senior Center for transit use. In addition, the efficiencies have resulted in an increased level of service in litter and debris removal from sidewalk and streets to improve aesthetics and pride of the community.

This budget reflects \$229,000 for the replacement of eight vehicles (four are CNG) and one trailer per the annual Vehicle Replacement program; \$19,000 toward the one-time purchase of a hoist for the corporate yard; and \$16,000 toward the maintenance of the Jo Anne Darcy Canyon Country Library.

The transit division, utilizing specific transit funding sources and specific grants reflect the addition of approximately \$8.0 million for the purchase of 16 new transit buses and "Smart Card Technology" established by Los Angeles County; and \$108,000 toward the maintenance and operations of the City's three commuter rail stations and bus transfer station.

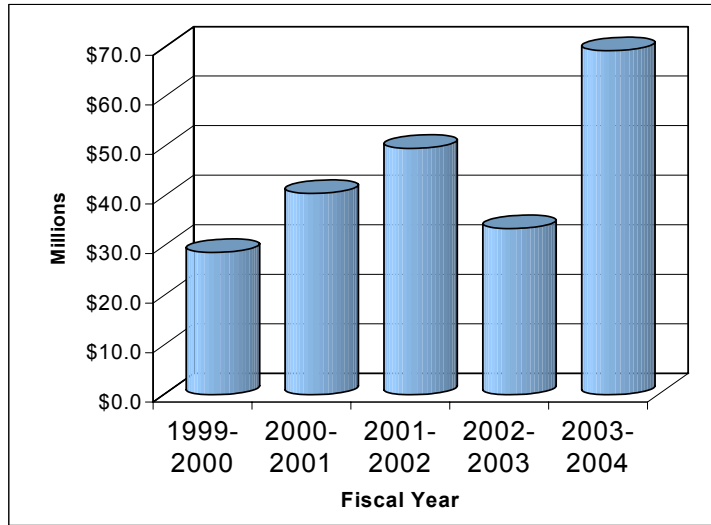
### ***Public Safety***

This section of the budget represents the cost of contracting for fire protection and police services with Los Angeles County Fire and Sheriff's Departments. The total contract cost for police services for Fiscal Year 2003-2004 represents an approximate increase of 2% over Fiscal Year 2002-2003. This year's police budget totals \$11,883,230.

Additions to this department include \$40,000 toward personnel classifications, and by reallocating \$47,000 in the reduction of one unfilled community service officer and eliminating \$25,000 in the helicopter line item budget that is historically not used, this department will be able to add one new traffic motor unit at midyear, which will result in additional traffic safety for the community. Additional efficiencies include \$102,000 from adjusting the Community Interaction Team's vacation coverage; \$50,000 from modifying the STAR program, which will have an impact on the City's summer activities and no impact to the existing grade school classes.

As a result of the City's ongoing commitment to public safety, Santa Clarita is the safest City in the United States with a population over 150,000.

## FIVE YEAR CAPITAL IMPROVEMENT PROGRAM



The Capital Improvement Program (CIP) is a key component of this document and the community as a whole. It represents a balanced approach for meeting the community's current and future needs. It 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. Significant in this year's CIP is the inclusion of the several large capital projects including the largest capital project the City has ever built. The Transit Maintenance Facility, a \$28.2 million project, has gone through a very elaborate design process and is now ready for construction. This project was designed to be the first "LEED certified" green transit building in Southern California. The facility will also feature alternative fuels and a number of other built-in efficiencies. Once constructed, this new facility will command national attention, and even more significant is that the community will benefit from this wonderful capital addition without any impact to the City's General Fund.

Another important capital project is the Golden Valley Road/Soledad Canyon Road Interchange. This project is currently a \$28 million project, however at full funding it will be a \$31 million capital project. This multi-year project has also gone through an intricate design process including public participation. Current funding addresses right of way and construction. Once completed, this project will provide a safe link between Soledad Canyon Road and Golden Valley Road.

The proposed Capital Improvement Program for 2003-2004 totals \$69,358,512, an increase of \$35,4884,976, or 105% more than the Fiscal Year 2002-2003 adopted capital budget. The increase is primarily due to \$22 million in rebudgeted funds from Fiscal Year 2002-2003 to accommodate for the multi-year projects in Fiscal Year 2003-2004 and new funding of a few large capital projects, two of which are highlighted above. The capital program is broken down into the following eight project classifications:

<b>Project Category</b>	<b>Amount</b>
Beautification & Landscaping	\$1,020,000
Circulation	\$427,834
Facilities & Buildings	\$25,058,484
Intelligent Transportation System	\$280,000
Maintenance	\$3,669,519
Parks	\$1,810,963
Streets & Bridges	\$35,768,614
Trails & Transit	\$1,323,098



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**TOTAL****\$69,358,512**

This year's program includes funding for the Transit Maintenance Facility (\$20.3 m); Golden Valley Road/Soledad Canyon Road Interchange (\$20.9 m); Sierra Highway over the Railroad Bridge Widening (\$7.1 m); Newhall Community Center (\$3.8 m); Bouquet Canyon Road Bridge Widening (\$2.9 m); payments to Newhall Partners for Golden Valley Road Construction-Sierra Highway to SR-14 (\$2.1 m); expansion to Anawalt/Rail Station Parking (\$950 k); and Overlay and Slurry Street Maintenance (\$3 m), as well as many other important projects. An impact to all these projects coming on-line will be directly seen in the increase to the operating budget for the rising maintenance and operating costs to maintain these new facilities, parks, trails and roads.

The entire Capital Improvement Program represents a proactive and tangible effort toward enhancing the quality of life of our residents, while continuing to address priority issues and needs expressed by the community. A detailed description of all projects contained within the 2003-2004 CIP, as well as corresponding location maps, can be found in the Capital Projects section of this document.

**UNFUNDED NEEDS**

Each year departments present a variety of requests to the City Manager for review and consideration during the budget process; however, because needs always exceed the resources available, not all requests are funded. Furthermore, because of the State budget deficit and the potential impact to City revenues, the strategy during the development of this budget included the formulation of a "future considerations list." Items placed on the future considerations list totaled \$4 million and will be addressed as more information regarding the State budget crisis is known. These items will most likely be reviewed during the City's mid-year budget process. Some items included on the future considerations list are listed below:

***Future Considerations:***

2003-2004 Annual Slurry Maintenance	\$ 1,000,000
Council Contingency Reduction	\$ 1,000,000
Median Landscaping	\$ 300,000
New Traffic Signal	\$ 180,000
Community Services Grants	\$ 100,000
City Aerial Photography Update	\$ 120,000
Tree Pruning Schedule	\$ 50,000
City Engineer Position (vacant)	\$ 115,000
Associate Planner Position (vacant)	\$ 78,335
Financial Software Upgrade	\$ 50,000
Annual Median Modification	\$ 50,000
Groundskeeper Position with vehicle	\$ 80,815

**A SUCCESSFUL YEAR**

For all the tragic events that continue to take place in the world, we need to remember that we are blessed to live and/or work in a safe community that is well maintained, has beautiful parks, where businesses large and small can flourish and where educational, recreational, and cultural opportunities are plentiful for everyone. It is my pleasure to share the achievements

- The opening of Oak Spring Canyon Park
- The opening of Central Park Phase II
- The completion of the Haskell Bridge and road widening
- The opening of the Placerita Canyon Trail
- The acquisition of Whitney Canyon Park
- The opening of Copperhill from Bouquet Canyon to Haskell Canyon Road
- Groundbreaking and construction of the Aquatics Center
- Prevented the siting of the Transit Mixed Concrete mining project
- Prepared new Traffic Safety Tool Kits for residents.

## CONCLUSION

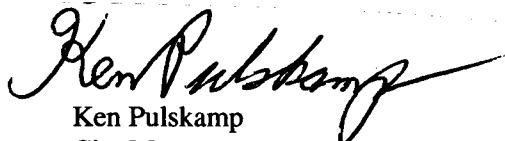
This budget has been established to enable the City to meet a myriad of challenges over the next fiscal year. I would like to thank the City Council for its policy leadership throughout the year and especially during the preparation of the budget. I would also like to thank all the Commissioners and City staff who, every day, commit themselves to providing the highest quality services to this community.

Furthermore, I would like to recognize each of the budget officers, who worked diligently to prepare the document now before you. Specifically, thanks go to each member of the lead budget team including Elena Galvez, Steve Stark, Jill Fosselman, Barbara Boswell, and Dan Smith for their work in preparing the budget. In addition, I would like to thank Mary Navarro for her work preparing the Capital Improvement Program section of the document.

Through the City Council's continued leadership, I am confident that the City will fulfill its vision to ensure that the City of Santa Clarita's enviable quality of life both improves and endures. It is clear that strong leadership by the City Council, quality staff, and involved citizens are the key ingredients to making this community a place in which we are all proud.

I look forward to the challenges of the upcoming fiscal year and the completion of yet another successful year of Cityhood.

Respectfully submitted,

  
Ken Pulskamp  
City Manager