

July 1, 2005

Honorable Mayor and Members of the City Council:

It is my pleasure to present the adopted City of Santa Clarita's Fiscal Year 2005-2006 Operating Budget and Five-Year Capital Improvement Program to you. Maintenance of a balanced budget is paramount; moreover, one of the most important functions of the City Manager. Each year my goal is to identify and achieve necessary funding for established priorities including Council priorities, community priorities and essential City services.

Unlike last year, the City's fiscal and budget outlook is much more stable. With the overwhelming passage of Proposition 1A last November, we are now better able to project our General Fund revenue, and better plan our operating and capital expenditures. Over the past years, you have supported the conservative approach we have taken, particularly when the fiscal health of the City was uncertain, and I am happy to report that this approach has served us well. As we all know, the decisions we make in good years are more important than the decisions we make in the bad years. With this, we continue to take a conservative approach in the area of revenue assumptions and recommended expenditures.

It is also important to keep in mind that while we have made remarkable progress in terms of community capital improvements since incorporation, needs still remain. Developing strategies to further the progress we have made in community capital projects is in keeping with this year's budget theme "***Building the Vision***" and in keeping with our maxim of making wise decisions in good times.

As you are aware, the City just completed the most extensive visioning process ever and developed a great plan-The Big Picture. We have heard from our residents, the future has been envisioned and The Big Picture is the plan that we need to follow to achieve it. My direction to staff was that when going through this year's budget process and submitting their requests, to keep in mind the theme "***Building the Vision***" and consciously work towards the goals that have been outlined through The Big Picture.

The following executive summary provides an overview of the Fiscal Year 2005-2006 Budget which includes a summary of appropriations, revenues, department budgets, annual accomplishments, and the Capital Improvement Program.

## **BUDGET OVERVIEW**

### ***Total Appropriations***

The Fiscal Year 2005-2006 Budget totals \$135,032,734, which reflects an increase of \$16,559,322, or approximately 14% from the Fiscal Year 2004-2005 Adopted Budget. This increase is due to overall increases in departmental operations as well as increased funding of capital projects.

### ***Operating Budget (All Funds)***

The operating budget, totaling \$103,834,003, includes personnel, operations and maintenance, debt service, and capital outlay required for delivering an array of City services. The operating budget has increased \$11.6 million, or 12.6% from last year.

### ***Capital Budget***

The Capital Improvement Program (CIP) budget includes 34 capital projects, financed from 20 funding sources, totaling \$31,198,731. The capital budget is made up of \$12,734,876 of new funding and \$18,463,855 of re-budgeted funding from prior fiscal years.

### ***Total Revenues***

A significant milestone 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 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. Revenues for Fiscal Year 2005-2006 are projected at \$141,979,314.

### ***General Fund***

The General Fund is vital to the operation of the City because it is composed of the most flexible revenue, which the City Council can allocate toward any project or need within the community. The 2005-06 Budget is consistent with our “Good Business” budgeting goal, revenues being greater than expenditures.

### ***General Fund Revenues***

The City's largest fund is the General Fund, representing 52% of total revenue. The three major General Fund revenue sources are Sales Tax, Property Tax, and Franchise Fees, which comprise 70% of the total General Fund revenue.

Sales tax continues to be the City's largest General Fund revenue source accounting for 40% of the total General Fund revenue, or \$30,309,260 this year, compared to the budgeted revenue of \$26,860,000 for Fiscal Year 2004-2005. The projected increase of approximately 12% in Sales Tax revenue is indicative of the contribution the citizens of Santa Clarita make by shopping Santa Clarita and keeping tax dollars in the City.

The remaining General Fund revenue categories are Property Tax, Franchise Fees, Recreation Fees, Transient Occupancy Tax (TOT), Real Property Transfer Tax, and the Other category. Recreation Fees are generated from parks and recreation classes conducted throughout the year and represent approximately 5% of the General Fund revenues. Franchise Fees are a fee received from the cable companies, trash franchises, and other utilities. At \$4,100,000 they represent approximately 6% of General Fund revenues. Transient Occupancy Taxes are derived from local hotels and motels and are a 10% tax on the room rate. Real Property Transfer Taxes are collected when properties are sold. The City receives \$.55 for every \$1,000. The Other category includes General Fund revenue from charges for current services, fees from developers, and a variety of other miscellaneous sources.

### ***General Fund Expenditures and Reserves***

Fiscal Year 2005-2006 General Fund expenditures total \$76,807,695. Nine new positions are requested for programming and maintenance that will be coming on-line during the fiscal year.

General Fund operating expenditures for Fiscal Year 2005-2006 are \$66,614,407, which is an increase of approximately 14% from last fiscal year. The budget includes funding the operating departments, debt service and reserves including Council Contingency, TMC, Whittaker Bermite, MTA Grant Match, and Capital Projects Reserve. The General Fund contribution to capital projects is \$10.2 million, which represents 33% of the total \$31.2 million capital budget. In addition, operating reserves have been increased by 1%, bringing it to 14% of expenditures, or \$10.7 million.

### ***Special Revenue***

In addition to General Fund revenues, there are several other key revenues that fund programs, projects, and services. For Fiscal Year 2005-2006 these revenues represent 48% of the City's total revenue picture, or \$68,250,502. They are referred to as Special Revenues and include Gas Tax, Community Development Block Grants

(CDBG), Federal Transit Administration (FTA) grants, Park grants, Transit funds, and Stormwater Utility revenues.

## **DEPARTMENT HIGHLIGHTS**

In developing the budget, the operating departments were asked to thoroughly evaluate their current levels of funding, programs and services, and to submit a fiscally responsible department budget. Additionally, each department was charged with the following:

- To focus on further enhancements to expenditure and revenue projections...balancing the extremes of under and over estimating.
- Maintenance of City services...paying great attention to the importance of maintaining the fundamental City services.
- Future service needs as related to the Valley's growth and demand...look past today and think about how we will address the City's immediate future growth.

The following department summaries represent the results of those efforts, as well as highlights of those items approved for funding for Fiscal Year 2005-2006.

### ***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, the Executive Team, businesses, other agencies, and staff. The following areas are represented within the City Manager's Office budget: City Council, Public Information, Human Resources, and Intergovernmental Relations.

The minor additions to the City Manager's Office are essentials for Workforce and Organizational Development.

### ***Administrative Services***

Functions of the Administrative Services Department include Finance, Technology and GIS Services, 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.

Key additions to the department include two new positions, one in the Finance Division and the other in Graphics; \$175,000 for the 2006 City election; and a one-time City grant in the amount of \$100,000 to support the SCV Committee on Aging Senior Center expansion project.

### ***Planning & Economic Development***

The Planning and Economic Development Department is comprised of Planning, Economic Development and Community Preservation. The Planning Division continues to meet the challenge of managing the demands of growth and is actively working on the first Joint City/County General Plan, TMC and Whittaker Bermite. Economic Development continues to work hard in the area of business attraction and retention. Community Preservation makes every effort to maintain and preserve the integrity of our neighborhoods.

The budget for Planning and Economic Development includes the addition of one new Associate Planner position; \$40,000 for the development of a Historic Preservation Ordinance/Program; \$400,000 to continue the opposition to the TMC mining project; and \$60,000 to continue to support the clean-up of the Whittaker Bermite property.

### ***Building & Engineering***

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

The budget for Building and Engineering includes two new positions, one Senior Traffic Engineer and Project Technician, and \$600,000 to meet the needs of the Red Light Enforcement Program.

### ***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 has had the challenge of building and maintaining new parks and park facilities including the new Valencia Heritage Park, the new Veteran's Historical Plaza and the Newhall Community Center.

The key allocations include a new Community Services Coordinator in the Community Services division; the establishment of a Graffiti Abatement Program, which would consist of one dedicated staff person responsible for the removal and reporting of all graffiti in the City; \$9,000 to increase the Third Friday Series teen band night from bi-monthly to monthly; a Public Arts Package in the amount of \$15,000; and \$68,5000 for Junior High Dances to be held at the Activities Center (cost completely off-set by revenues received).

### ***Field Services***

The Field Services Department includes most of the field and maintenance functions within the City including Urban Forestry, Street Maintenance, Vehicle Maintenance, and Facilities Maintenance, in addition to Environmental Services and the City's Transit Services.

This budget includes one new Maintenance position, which would be solely responsible for the new Transit Maintenance Facility; \$200,000 for a Transit Development Update Plan; \$721,655 for the implementation of a new local route, Route 8 providing all day service between the San Fernando and Santa Clarita Valleys. The Transit Division utilizes specific transit funding sources. Additionally allocated in the Field Services Department budget is \$100,000 for the next phase of the Santa Clara River Feasibility Study.

### ***Public Safety***

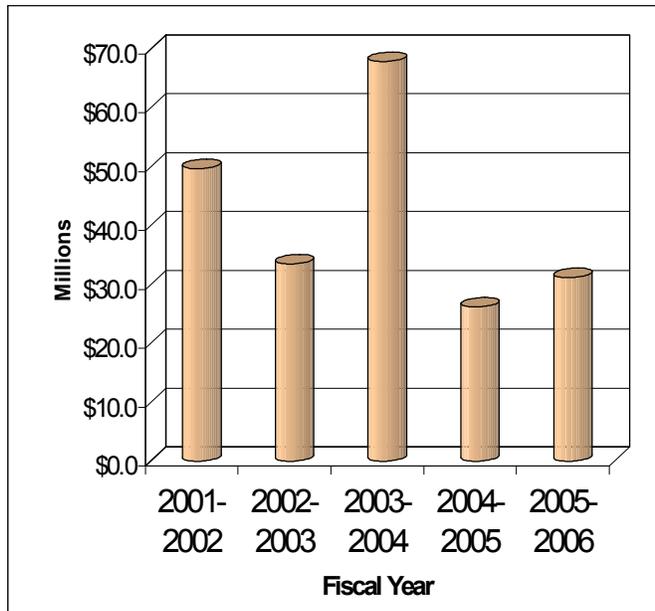
This section of the budget represents the cost of contracting for fire protection and police services with Los Angeles County Fire and Sheriff's Departments.

The total contract cost for public safety services for Fiscal Year 2005-2006 is projected at \$13,671,512, representing an approximate increase of 10% over Fiscal Year 2004-2005.

Significant items in this budget include the addition of two new deputies to provide added service and availability of units during peak service time; one civilian position to manage the Red Light Enforcement Program and other parking issues; one Transit Sheriff assigned to Santa Clarita Transit; and \$100,000 for the re-introduction of the Vital Intervention and Directional Alternatives (VIDA) Program.

As a result of the City's ongoing commitment to public safety, Santa Clarita is the second safest city of its size (population over 150,000) in the nation. Santa Clarita ranks fourth in safety among all California cities.

## FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM



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.

Significant in this year's CIP is the inclusion of several large capital projects. New funding of \$7 million has been identified and budgeted for in 2005-2006 for the Overlay (streets) Program. The Overlay Program reflects the implementation of the City's commitment to sound pavement management of the roadway infrastructure. The effort maintains the quality and viability of the City's streets; this year's program includes various major arterials and local roads.

Another important capital project is the Community Median Project in the amount of \$1 million. This project will consist of constructing a median in one of the four City communities with the benefiting residents paying for the on-going maintenance costs of that median.

An allocation of \$168,000 has been made for the Sand Canyon Trail Reach II project. This effort will provide the design and construction of a trail along Sand Canyon Road, from Live Oaks Springs Road north towards the Santa Clara River.

The Capital Improvement Program for 2005-2006 totals \$31,198,731, an increase of \$4,971,687 from the Fiscal Year 2004-2005 adopted capital budget. The capital program is broken down into the following eight project classifications:

<b>Project Category</b>	<b>Amount</b>
Beautification & Landscaping	\$1,675,000
Circulation	\$696,700
Facilities & Buildings	\$1,014,959
Maintenance	\$10,220,990
Parks	\$237,171
Streets & Bridges	\$16,984,510
Trails & Transit	\$369,401
<b>TOTAL</b>	<b>\$31,198,731</b>

The entire Capital Improvement Program represents a proactive and physical 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 2005-2006 CIP, as well as corresponding location maps, can be found in the Capital Projects section of this document.

## **A SUCCESSFUL YEAR**

The City of Santa Clarita continues to be a thriving community. Many significant projects have been completed or will be this fiscal year, including:

- Grand Opening of Valencia Heritage Park
- Grand Opening of the Transit Maintenance Center (Fall 2005)
- Grand Opening of the Veterans' Historical Plaza (Memorial Day 2005)
- Grand Opening of the Newhall Community Center (Fall 2005)
- Ground Opening of the Transit Maintenance Facility (Fall 2005)
- Completion of the Bouquet Canyon Bridge Widening (January 2006)

## **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 great 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 each of the budget officers, who worked diligently to prepare the document now before you. Specifically, thanks to each member of the lead budget team including Ken Striplin, Darren Hernandez, Barbara Boswell, Renee Bojorquez, and Toi Chisom for their work in preparing the budget. In addition, I would like to thank the Executive Team, Mary Navarro for her work preparing the Capital Improvement Program section, and all other staff who contributed to the preparation of this budget document. And 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.

Through the City Council's continued leadership, I am confident and look forward to realizing this year's theme, "***Building the Vision,***" and working towards a better Santa Clarita.

Sincerely,

Ken Pulskamp  
City Manager