



2006-08

City of Santa Maria, California



Budget *in Brief*

Proposed for Fiscal Years 2006-08



CITY OFFICIALS

Mayor

LARRY LAVAGNINO

Mayor Pro Tem

ALICE PATINO

City Council

MARTY MARISCAL

BOB ORACH

LEO TRUJILLO

City Manager

TIM S. NESS

On

January 25, 2006, the City Council conducted a goal-setting exercise that formulated what Council considered to be the most important issues and/or goals to address over the next two-year period.

During that goal-setting exercise, Council reaffirmed the overall Citywide goals developed in 2002; namely, to enhance public safety services, to better the quality of life, to enhance the City's economic vitality, to plan for future growth of the City, to improve public facilities, and to strive for a balanced housing market. Council also came up with a consensus of the following five goals to add to the previously mentioned goals:

- Address traffic safety issues;
- Enhance code compliance-related activities;
- Finalize and adopt the Downtown Specific Plan;
- Initiate a long-range "visionary" plan; and
- Continue to improve public facilities/infrastructure.

The 2006-08 budget incorporates and addresses these goals, as well as many of the other suggested goals and/or issues brought up during the January 25th goal-setting exercise that merited further action and exploration.

The proposed budget for all operating funds in 2006-07 is \$118.7 million. This represents an 8.6 percent increase when compared to the 2005-06 adopted budget. Recommended appropriations for the General Fund for 2006-07 are \$50.2 million. This represents an 11 percent, or a \$4.9 million increase from the previous 2005-06 General Fund budget. Operating costs are increasing by almost \$4.8 million, due primarily to increased staffing in the Police Department and increased wage and benefit enhancements as negotiated with bargaining groups and approved by the City Council.

For the 2006-07 budget, proposed recommendations bring Citywide staffing totals to 450 full-time positions and 79 part-time employees, for a total of 529 positions. When compared to the number of positions approved in the 2005-06 budget, the staffing proposals for the 2006-07 financing plan show a net increase of 17 full-time positions and five less part-time positions. Twelve of the 17 positions are in the General Fund and half of the new positions in the General Fund are police-related positions. The proposed staffing recommendations in 2006-07 bring the full-time employee-to-population ratio for the City to 4.99 employees per thousand residents – still far below the (8.72 per thousand) average of other Central Coast cities.

A few years back, the City was awarded State Library Bond Act financing to construct a new 60,000-square-foot Main Library. The first phase of this project was completed with the opening of the new parking structure in March 2006. After the opening of the new parking structure, the City Council awarded an \$18.6 million contract to Straub Construction to build the new Main Library. The total library project cost (including the parking structure) is \$32.8 million. The City was awarded a grant of \$16.4 million from the State and agreed to fund the remaining \$16.4 million balance from a combination of Growth Mitigation Fees, Community Development Block Grant Funds, community donations and other City financing. So far, the Friends of the Library has done a commendable job in soliciting generous public donations to help offset some project costs, but there still remains an outstanding financing shortfall of approximately \$3 million. Staff intends to explore available financing options to bridge the financial gap of this project and secure sufficient funding to cover anticipated project costs. Councilmember Trujillo has specifically offered to assist staff in this effort to secure additional funding. However, should no other funding sources become available, the remaining balance will have to be financed by General Fund proceeds.

After construction is complete and the entire library collection moved into the new facility and the old library is vacated, staff will then renovate the old library and convert it into remodeled City offices. This renovation will then allow for the consolidation of many outlying City departments to be relocated downtown to the Civic Center Complex.

With the new Library more than doubling its previous size, from 28,000 to 60,000 square feet, an increase in support staff and operating costs are anticipated. And while staff does not intend to address these personnel and operating needs at this time, staff will be working with the City Librarian over the next twelve months to address projected staffing and operating needs of the new Main Library with the intent of recommending staffing and operational needs to the City Council during the next budget period.

City Profile

Incorporated on
September 12, 1905

Charter City
(December 12, 2000)

Form of Government
Council-Manager

Full Service City

Population
90,204

Full-Time Employees
450

Police Officers
112

4 Fire Stations
47 Fire Fighters

25 Parks

2006-08 Proposed Budget Operating Funds

	Adopted 2005-06	Proposed 2006-07	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2006-07
Operating Programs	\$ 69,680,880	\$ 78,607,690	\$ 8,926,810	12.8%	66.2%
Capital	30,136,220	34,210,750	4,074,530	13.5%	28.8%
Debt Service	5,121,070	5,881,830	760,760	14.9%	5.0%
Reserves	4,353,570		(4,353,570)	-100.0%	
Total	\$ 109,291,740	\$ 118,700,270	\$ 9,408,530	8.6%	100.0%

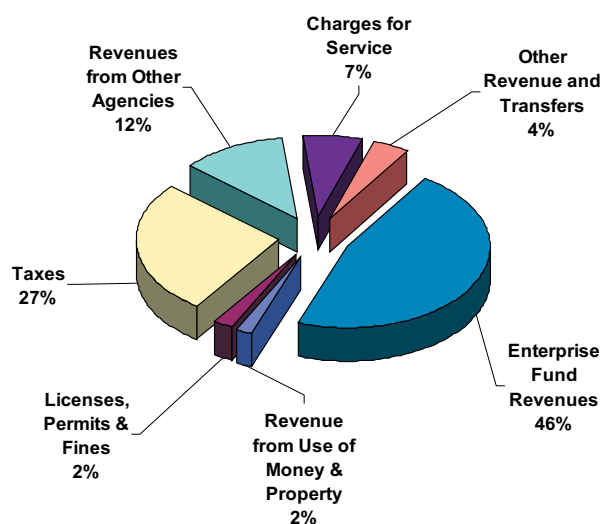
Economic Outlook

Many economists anticipate that the national and California economies will decelerate in 2006 and 2007. Economists point to the high personal debt carried by more Americans, a national savings rate next to zero, energy costs making up a bigger part of consumers' budgets, and a slowdown in homebuilding and existing home sales. Consumer spending drives two-thirds of the economy and with debt loads near record highs plus higher energy costs and higher mortgage rates, consumers will have less income for spending on other things.

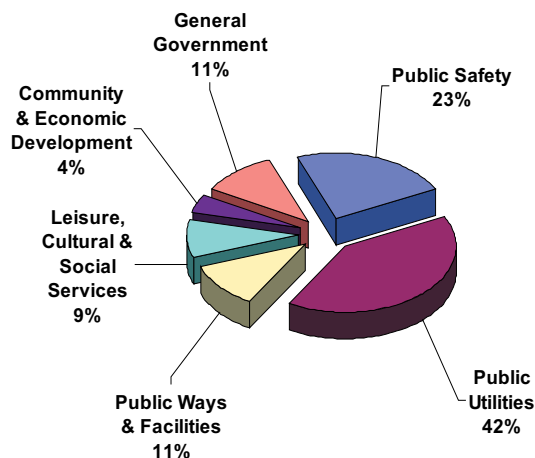
Regarding the State budget, the City is closely watching the State's financial drama unfold and notes that the Governor's economic advisors concede slower economic growth is likely for the next two years.

Sales tax is the City's largest revenue source and is projected to modestly increase. Existing commercial/retail space within the City limits is mostly occupied. There has been little anchored or general retail space added to the City's inventory in recent years, but more than 200,000 square-foot of new restaurant and commercial space is under construction, in plan check, approved, or under review by the Planning Commission.

Sources of Financing - All Operating Funds



Budget by Function - All Operating Funds



Operating programs are proposed to increase by approximately \$8.9 million. This increase is reflective of increased staffing primarily in the Police and Utilities Departments, wage and benefit enhancements as negotiated with bargaining groups and approved by the City Council, and other increased operating expenses associated with costs of providing services.

With regard to Capital Projects, proposed appropriations in 2006-07 are anticipated to increase approximately \$4.07 million over 2005-06 levels, and a total of 111 capital projects are slated for 2006-07.

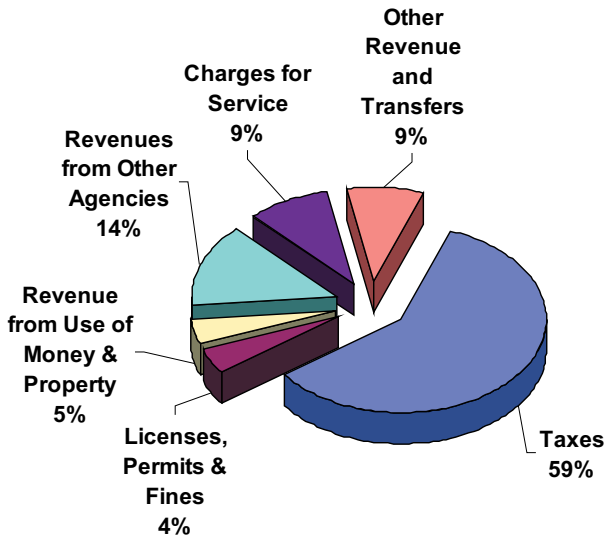
An increase in debt service appropriations reflect increased payments on 1997 Water Bond Issue debt associated with the State Water Project and the debt service obligation for the Town Center Mall parking structures and parking lots.

Unlike previous years, the proposed 2006-07 budget is making no provision for new reserves. It should be noted that this is the first time in ten years that the City has not been able to make any provision for new reserves.

2006-08 General Fund Proposed Budget

	Adopted 2005-06	Proposed 2006-07	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2006-07
Operating Programs	\$ 43,601,950	\$ 48,393,680	\$ 4,791,730	11.0%	96.4%
Capital	7,690	146,000	138,310	1798.6%	0.3%
Debt Service	1,647,900	1,674,030	26,130	1.6%	3.3%
Total	\$ 45,257,540	\$ 50,213,710	\$ 4,956,170	11.0%	100.0%

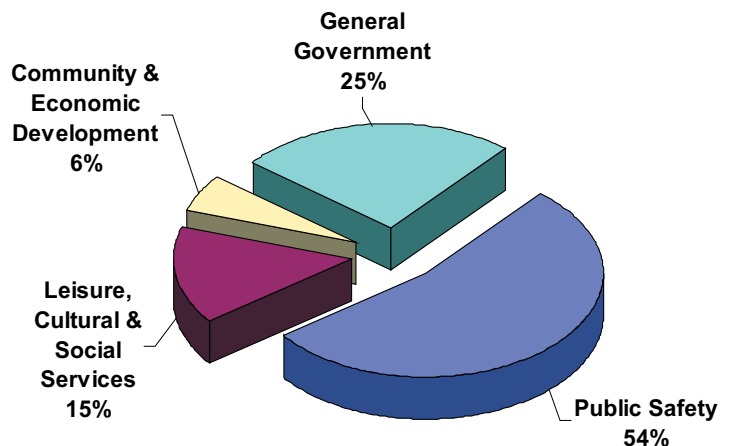
Sources of Financing - General Fund



Recommended appropriations for the General Fund for 2006-07 are \$50.2 million. This represents an 11 percent, or a \$4.9 million increase from the previous 2005-06 General Fund budget. Operating costs are increasing by almost \$4.8 million, due primarily to increased staffing in the Police Department and increased wage and benefit enhancements as negotiated with bargaining groups and approved by the City Council.

Operating programs for the General Fund for 2006-07 are \$48.3 million, or 11 percent higher than in 2005-06. This is a result of a combination of wage and benefit increases approved for 2006-07, additional personnel increases in the Police Department, and costs associated with addressing other City Council related goals.

Budget by Function - General Fund



General Fund - Key Revenue Sources

	Budget 2005-2006	Proposed 2006-07	Increase (Decrease)	Percentage Increase (Decrease)	Percentage of Total 2006-07
Sales Tax	\$ 16,725,000	\$ 17,390,640	\$ 665,640	3.98%	34.66%
Vehicle License Fees	5,198,850	6,712,610	1,513,760	29.12%	13.38%
Property Tax	4,901,150	5,722,930	821,780	16.77%	11.41%
Hotel/Bed Tax	1,972,480	2,200,000	227,520	11.53%	4.38%
Impacted Soils	2,000,000	2,200,000	200,000	10.00%	4.38%
Interest	1,691,890	2,200,000	508,110	30.03%	4.38%
Construction Permits	2,459,750	2,012,480	(447,270)	-18.18%	4.01%
Total Key Revenues	34,949,120	38,438,660	3,489,540	9.98%	76.61%
Other Revenues	10,828,790	11,735,990	907,200	8.38%	23.39%
Total General Fund	\$ 45,777,910	\$ 50,174,650	\$ 4,396,740	9.60%	100.0%

Since the City's revenues are, in large measure, directly tied to the economy, the City has used a conservative approach in projecting revenues. The three largest key revenue sources in the General Fund are sales tax, vehicle license fees, and property tax. Sales tax represents about 35 percent of General Fund revenue, with vehicle license fees representing about 13 percent, and property tax only about 11 percent. These three revenue sources comprise 59 percent of the total General Fund income. Sales tax and vehicle license fees combined, represent 48 percent of the General Fund revenues, and are projected to increase about 4 percent and 29 percent, respectively, when compared to the 2005-06 budgeted amounts. However, when compared to projected 2005-06 receipts, the City estimates sales tax and vehicle license fees combined to increase only 2.5 percent in 2006-07. Since these funding sources are barometers of the local economy, and are subject to dramatic swings, the 2.5 percent increase is conservatively optimistic given the projected economic forecast at the State and Federal levels.

Budget Highlights

- Construction work associated with the new 60,000 square-foot Main Library is scheduled to be completed during the 2006-08 budget cycle. This facility will be a major draw to Santa Maria's downtown as the new state-of-the-art library will be the largest of its kind in the region.
- Of the 12 new General Fund positions proposed in 2006-07, nine directly address City Council related service priorities; six are public safety-related (four are officers and two are police services technicians) to address Council priorities regarding traffic safety; two are code compliance officers which will enhance the City's code compliance-related activities; and one is a planner to assist in planning activities and address long-range planning issues. The other non-General Fund positions are proposed to address activities associated with fleet services and utility operations.
- Over \$5.5 million in street-related capital projects are proposed during the next two-year period, along with an additional \$8.5 million in grant and developer financed street-related projects. Highlighting the street-related projects for 2006-08 are the Betteravia Road Widening project, the Union Valley Parkway extension and realignment project, the Highway 101/McCoy Interchange, and various street reconstruction, chip seal, and concrete replacement projects.
- In all, \$58.5 million of capital and maintenance projects are proposed over the next two-year period. This includes \$26.8 million for new projects in 2006-07, and an additional \$31.7 million in 2007-08. The General Fund Capital Projects budget totals \$1.9 million over the next two-year period, over \$1.4 million more than the previous two-year total. Some of the General Fund proposed capital projects include: renovation of the Hagerman Sports Complex (\$625,000); re-roofing of the Veterans Memorial Hall (\$350,000); repairs to the Paul Nelson Pool Complex (\$300,000); replacement of playground equipment at various City parks (\$200,000); renovation of three softball fields (\$145,000); and the installation of one restroom each year in a City park (\$130,000).
- Other noteworthy capital projects in 2006-08 consist of the land acquisition, design and construction of the Transit Center (\$5.3 million); the design and right-of-way acquisition associated with the Highway 101/135 interchange (\$2.7 million); the purchase of ten SMAT buses (\$2.6 million); the design, acquisition, and construction of the new five acre Harvest Glen Park; and the costs associated with completing the new 60,000 square-foot library (\$1.7 million).

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For more information,
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Copies of the budget document are available for review in the Main Library or a copy may be purchased for \$30.