



CITY OF SANTA MARIA

Proposed 2012-14 Budget in Brief

June 19, 2012

CITY OFFICIALS

Mayor

Larry Lavagnino

Mayor Pro-Tem

Bob Orach

City Council

Jack Boysen

Mike Cordero

Alice Patino

City Manager

Rick Haydon

CITY PROFILE

Incorporated

September 12, 1905

Charter City

December 12, 2000

Form of Government

Council-Manager

Full Service City

Population

100,199

Full-Time Employees

456

Sworn Police Officers

111

Fire Stations

5

Firefighting Personnel

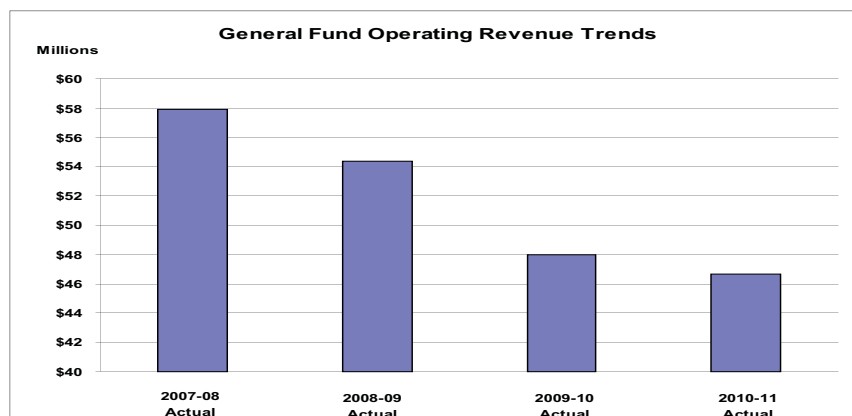
51

Parks

27

Summary

The City of Santa Maria's (City) General Fund has been hit hard by the decline in economic activity resulting in consecutive multi-million dollar deficits over the last four years. Total General Fund operating revenues have declined from a peak of \$57.9 million in 2007-08 to \$46.7 million in 2010-11, an astonishing 19 percent decline in on-going operating revenues in a three-year span as illustrated in the below chart.



For the fifth year in a row, the City is facing a multi-million dollar structural imbalance in the General Fund. The City has responded to the above significant decline in revenues over the last few years by aggressively reducing operational costs, deferring millions of dollars in cost allocations, postponing purchasing hundreds of pieces of equipment, eliminating dozens of full-time and part-time positions, garnering salary and benefit concessions from employee bargaining groups, reducing operational hours, furloughing employees and keeping vacant positions open for extended periods of time –and 2012-13 is no different.

Economic Outlook

On a national level, the economy has been gradually recovering from the recent deep recession. There are still a significant amount of foreclosures and the weak U.S. labor market remains the single-biggest risk to economic growth for the coming years. And while California is slowly emerging from the recession, high unemployment still persists.

High unemployment levels coupled with declining home values are having a negative effect on the Governor's revenue forecast for the upcoming 2012-13 budget year. The State is expected to face a budget gap of at least \$16 billion in 2012-13. The cornerstone of the Governor's 2012-13 budget plan is its assumption that voters will approve a temporary increase in income and sales taxes through an initiative that the Governor has proposed to be on the November 2012 ballot. The administration estimates the initiative would increase revenues by \$6.9 billion by the end of 2012-13, and generate billions of dollars per year until its taxes expire at the end of 2016. However, if the Governor's proposal fails, because of the State's inept ability to balance their own budget, it is anyone's guess as to what financial impacts the State's budget crisis will ultimately have on Santa Maria.

2012-13 All Operating Funds

	Adopted 2011-12	Proposed 2012-13	Increase (Decrease)	Percent of Increase (Decrease)	Percent of Total 2012-13
Operating Programs	\$ 89,417,940	\$ 90,828,420	\$ 1,410,480	1.6%	67.8%
Capital & Outside Agencies	30,890,330	31,776,820	886,490	2.9%	23.7%
Debt Service	9,329,580	6,110,580	(3,219,000)	-34.5%	4.6%
Transfers	5,271,460	5,278,270	6,810	0.1%	3.9%
Total	\$ 134,909,310	\$ 133,994,090	\$ (915,220)	-0.7%	100.0%

All Operating Funds

Operating programs are proposed to increase approximately \$1.4 million or 1.6 percent. This increase takes into consideration the net affect of eliminating the mandatory time off program as of December 31, 2012, scheduled employee merit increases, reinstating partial funding for fleet and business equipment replacement, increased operational costs associated with providing revenue-offset programs, and slight pension-related cost increases.

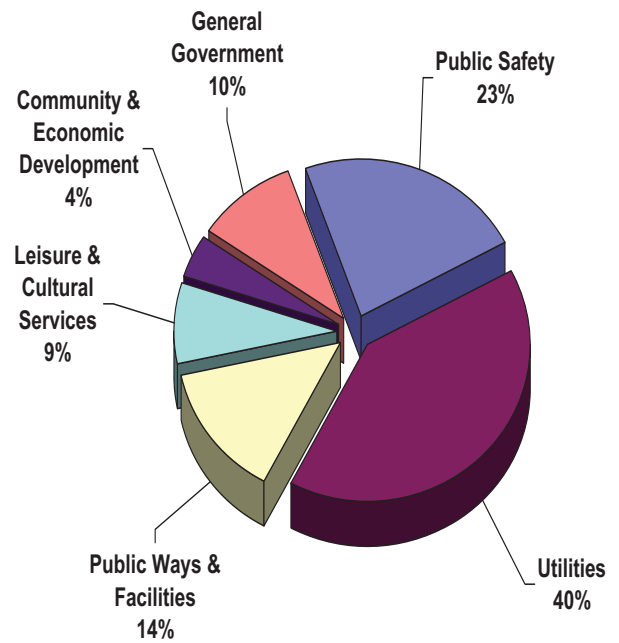
As for Capital Projects, there are a total of 94 capital projects costing approximately \$36 million during the next two-year period. Three of the more noteworthy capital projects slated for 2012-13 include the \$4.9 million in transit rolling stock purchases; \$4 million in information technology improvements and \$3.8 million in tenant improvements for the new police facility; and \$3 million to retrofit low-pressure sodium street lights with energy efficient light-emitting diode (LED) units.

Overall, debt service expenses are decreasing in 2012-13, reflective of the refinancing of the 1993 and 1997 Water Bond Issues.

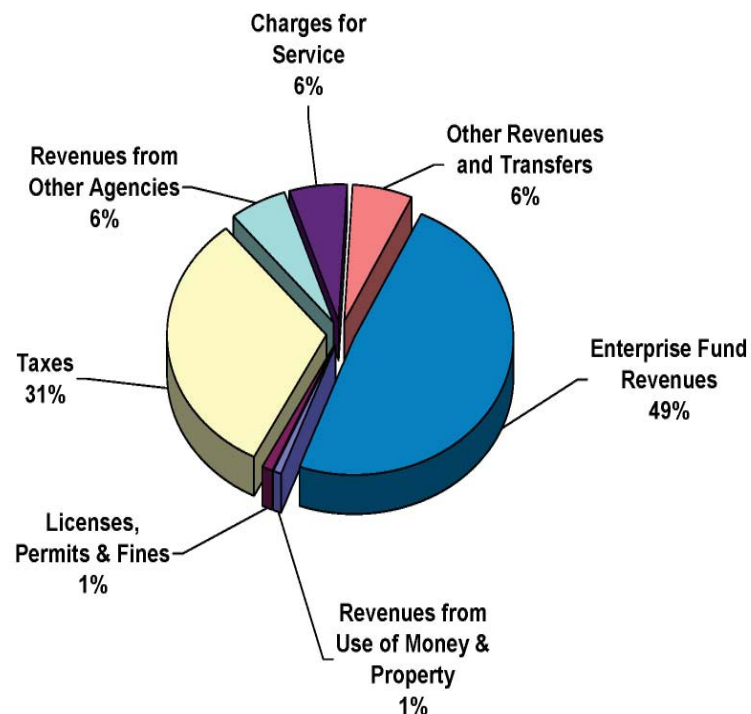
Total revenues anticipated for all operating programs in 2012-13 are estimated to be \$125.4 million or \$3.8 million more than in 2011-12. This represents approximately a three percent increase in total financing in 2012-13 for all operating programs when compared to 2011-12. Total proposed appropriations for all operating funds in 2012-13 are approximately \$134 million. The budget for all operating funds is \$915,220 or 0.7 percent less than in 2011-12, with the decrease being primarily attributed to the decrease in debt service payments due to refinancing the Water and Wastewater debt.

Like the three previous biennial budgets (2006-08, 2008-10 and 2010-12), the proposed 2012-14 Budget makes no provision for new reserves. In fact, this will mark the seventh year in a row that the City has not been able to make any provision for new reserves and has had to rely heavily on the use of LEAF reserves to balance the General Fund budget.

Program Expenses- All Operating Funds



Sources of Revenue - All Operating Funds



2012-13 General Fund

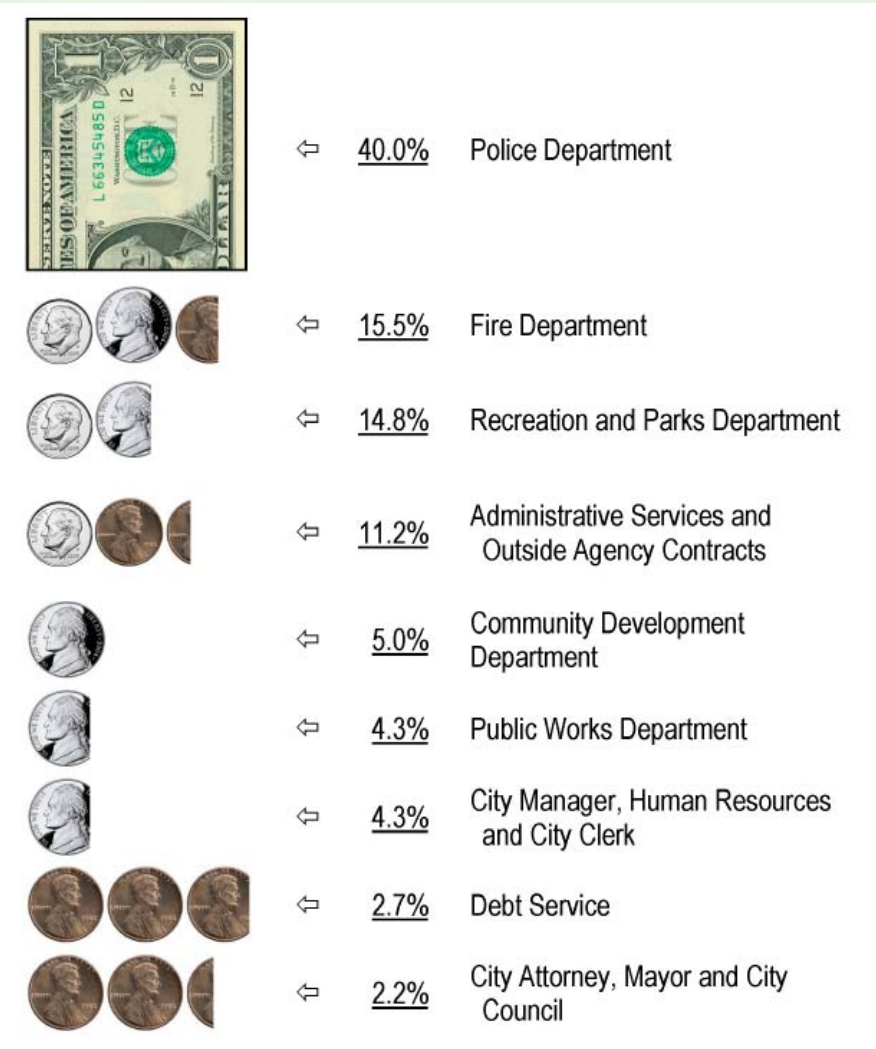
	Adopted 2011-12	Proposed 2012-13	Increase (Decrease)	Percent of Increase (Decrease)	Percent of Total 2012-13
Operating Programs	\$ 49,747,220	\$ 50,054,730	\$ 307,510	0.6%	91.6%
Outside Agencies	928,590	864,290	(64,300)	-6.9%	1.6%
Debt Service	1,408,330	1,361,650	(46,680)	-3.3%	2.4%
Transfers	2,367,830	2,388,770	20,940	0.9%	4.4%
Total	\$ 54,451,970	\$ 54,669,440	\$ 217,470	0.4%	100.0%

For 2012-13, total General Fund revenues are anticipated to be \$53.7 million or \$511,820 more than in 2011-12 (as indicated on the back of this brochure). However, General Fund appropriations for 2012-13 are estimated to be \$54.7 million, over \$894,000 more than revenues, thereby necessitating the need to use one-time reserves to finance ongoing operational costs.

The General Fund budget balance plan for 2012-13 is proposed to include a reduction in operating expenses in General Fund departments (one percent in the Police Department and two percent in non-public safety departments); the continued deferral of cost allocations; and the use of \$2.5 million in one-time LEAF financing (in addition to over \$894,000 in General Fund reserves) in order to help balance the 2012-13 General Fund budget.

Overall, while departments reduced their operating costs by approximately \$750,000, this amount was offset by almost \$360,000 in supplemental budget requests, the sunset of the mandatory time off program slated for December 31, 2012, and anticipated employee merit increases.

While total appropriations in the General Fund are approximately \$54.7 million, the vast majority of General Fund expenses are spent on the two public safety departments. Combined, these two departments account for over 55 percent of all General Fund expenses. As you can see (from the illustration on the right), the Police Department alone accounts for 40 cents of every dollar spent in the General Fund; with the Fire Department accounting for over 15 cents of total appropriations. Operational costs in the Recreation and Parks Department account for the third highest departmental expense in the General Fund, followed by the Department of Administration Services (which includes the City’s financial contributions to outside agencies). The remaining General Fund departments account for pennies on the dollar for each General Fund dollar spent.



The 2012-14 Budget is available for review at the Main Library or at www.ci.santa-maria.ca.us.

2012-13 General Fund Key Revenue Sources

	Budget 2011-12	Proposed 2012-13	Increase (Decrease)	Percent of Increase (Decrease)	Percent of Total 2012-13
Sales Tax	\$ 16,008,000	\$ 17,278,700	\$ 1,270,700	7.94%	32.13%
Property Tax	14,082,600	14,400,020	317,420	2.25%	26.78%
Hotel/Bed Tax	2,276,500	2,410,000	133,500	5.86%	4.48%
Impacted Soils	2,503,000	2,105,000	(398,000)	-15.90%	3.91%
Construction Permits	1,258,000	830,900	(427,100)	-33.95%	1.55%
Total Key Revenues	36,128,100	37,024,620	896,520	2.48%	68.85%
Other Revenues	17,134,930	16,750,230	(384,700)	-2.25%	31.15%
Total	\$ 53,263,030	\$ 53,774,850	\$ 511,820	0.96%	100.0%

As you can see from the Key Revenue Sources chart (above), sales tax revenue is increasing due in part to an improving labor market and pent up demand for larger items such as autos and household appliances. Because of this trend, the City is projecting a 7.9 percent increase in sales tax revenue for 2012-13 to \$17.3 million.

The property tax outlook for 2012-13 is expected to be somewhat better than in 2011-12 based on the inflation factor to be used for the assessed value growth for 2012-13.

Impacted soil revenue peaked in 2007-08 at \$5.5 million, but now because of increased competition from other landfills and the fact that the Guadalupe Dunes Restoration Project has completed its initial phase of restoration work, Impacted Soils revenue has gone from \$5.5 million down to an estimated \$2.1 million in 2012-13.

The decrease in construction-related permit revenue is indicative of how hard the construction sector was hit by the recent recession and its lingering affects on the local economy. Back in 2006-07, construction-related permit revenue came in at \$2.5 million and since then, construction-related revenue has declined and is anticipated to be \$830,900 in 2012-13.

Other Noteworthy Highlights

- For 2012-13, proposed personnel recommendations bring City-wide staffing totals to 456 authorized full-time positions and 72 part-time positions, for a total of 528 authorized positions. However, eleven vacant public safety-related positions and one vacant non-safety related position (of the City's 456 authorized full-time positions) will be classified as authorized but not funded in 2012-13; bringing the total authorized, but not funded positions in the City to 12. In addition to these 12 positions three more non-safety positions will be partially funded for only the last six months of the fiscal year. This is in response to the City's continued need to reduce operational costs in the General Fund.
- When compared to the number of full-time positions approved in 2011-12, staffing proposals for 2012-13 show an overall decrease of one full-time position. The one position is that of Librarian II-Reference. This action brings the 2012-13 full-time employee-to-population ratio of the City to 4.55 employees for every thousand residents – still far below the 8.47 average of other Central Coast cities. As a comparison, the approved staffing recommendations from ten years ago, 2002-03, included a full-time employee-to-population ratio of 4.82 per thousand (residents).
- For the General Fund, in 2012-13 there are 326 full-time positions and 38 part-time positions proposed for a total of 364 positions. Of the full-time General Fund positions, the Police and Fire budgets comprise 211 positions or 65 percent. And of the 456 full-time positions City-wide, the two public safety departments comprise 46 percent of all full-time positions as depicted in the chart below. In the Police Department alone, the sworn complement of officers represents one out of every four full-time employees (citywide).
- In all, \$36 million of capital and maintenance projects are proposed over the next two-year period. Compared to the 2010-12 budget, which had \$26.7 million of capital and maintenance-related projects, proposed project expenditures for 2012-14 are \$9.4 million more. The General Fund Capital Projects budget totals \$10.4 million, \$8.6 million more than 2010-12, with the vast majority of all proposed expenditures being public-safety related. Noteworthy capital projects that are General Fund-financed include: information technology improvements and tenant improvements for the new police facility, an upgrade to the public safety computer aided dispatch and records management system, and parking lot slurry seal and re-striping at the Town Center East and West parking lots.
- Another noteworthy capital project, to be funded from Gas Tax monies and Grant Funded Street projects, is the City-wide Street Lighting Retrofit program. The Public Works Department will seek a one-time low interest loan from the California Energy Commission (CEC) to help fund a City-wide retrofit of over 5,200 low-pressure sodium street lights with energy efficient LED units. Low pressure sodium street lights are no longer manufactured and cannot be adequately maintained; therefore, the Public Works Department has developed a new street lighting standard. LED bulbs cast more natural warm light and reduce light pollution.
- It should be noted that this proposed budget does not factor in any sales tax proceeds associated with the successful passage of Measure U (the City's ¼-cent sales tax measure) or any potential fiscal impacts associated with the State of California's multi-billion budget deficit or the State's approval of the City's \$1.2 million debt service obligation payments. Staff will be bringing back an item for future Council consideration (aside from this budget process), on a spending plan for the tax measure proceeds and appointments to a Citizens Oversight Committee. Furthermore, should the State of California take action that negatively impacts the City, mitigation measures to address this impact will also be brought back to the City Council for their consideration at a later date.