

**CITY OF SANTA PAULA  
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Wally Bobkiewicz, City Manager

Subject: **Fiscal Year 2007-08 Proposed Budget**

Date: June 4, 2007

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**Recommendation:** It is recommended that the City Council consider and approve the fiscal year 2007-08 budget.

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**General Discussion:** Transmitted for your consideration are the proposed operating and capital budgets for Fiscal Year 2007-08. The proposed General Fund operating budget totals \$11,132,568, the budgets for the City's non-General Fund operations totals \$14,997,038 and the City's capital budget totals \$36,956,167 for an overall budget of \$63,085,773. The proposed budget is the culmination of months of effort by the entire City staff to balance available resources with the actual and desired services required by our residents, businesses and visitors. We are pleased to present this budget for your policy consideration and adoption.

Staff is presenting to the City Council a proposed General Fund budget that continues to provide the same level of services that are being provided during the current year with adjustments for salary, benefit, insurance and retirement system contribution increases that have been previously approved, but after the adoption of the FY 2006-07 budget document. This base budget contains a surplus of \$496,365 of on-going revenue. Staff is proposing to balance the budget with a similar recommended amount of expenditures detailed in Attachment I (One). In addition, staff is recommending \$319,950 in one-time expenditures also detailed in Attachment I (One).

The proposed budget would leave a balance of \$1,671,702 in the City's Operations Reserve Fund as of June 30, 2007, and would allocate \$60,000 for a contingency reserve in the General Fund.

**STATE OF THE CITY**

Although Santa Paula faces issues to enhance and maintain the quality of life in the community, the City has worked tirelessly during the past year to provide the maximum service with the resources available. I would like to highlight some of the great successes we have achieved in the past year as well as discuss some of the additional

challenges I see Santa Paula facing in the coming year. First, let me highlight a few successes:

Economic Development/Redevelopment: The City and the Redevelopment Agency staff have worked diligently this past year to execute the City Council's Economic Development/Redevelopment Implementation Plan. Enhancing economic activity in the community is key to the financial future of the City government and the community at large. The area that has seen the greatest impact this past year has been Main Street and the entire downtown area. The City and Redevelopment Agency finished the renovation of the South Paseo Green Street Alley, both projects that have taken over ten years since their initial development to implement. The Glen Tavern Inn is thriving. The City has installed new directional signage in the downtown and elsewhere in the City to direct visitors to the downtown. A downtown façade project is nearing completion on storefronts on the south side of Main Street between Mill and Davis Streets.

A big piece of the City successes in economic development and redevelopment this past year have been the revitalization of our Planning and Building and Safety Departments. Over the last several years, the City Council has invested significantly in staff and facility needs in these departments. We are now better equipped to deal with business owners large and small that want to make an investment in Santa Paula.

New housing development is also critical to the City's economic revitalization. The seventy-six unit housing development by Comstock Homes immediately north of Santa Paula Hospital which is now under construction is an important step toward bringing new customers to area businesses.

All of these successes are just a beginning. Staff is committed to continuing these efforts in the coming year to strengthen the economy of Santa Paula.

Public Health and Safety: The City Council has focused extensively on health and safety issues this past year. Early in the fiscal year, the City celebrated the reopening of Santa Paula Hospital. The hospital has enjoyed success in its first year of operation and the City remains committed to work with the County of Ventura to ensure future success. The City was a co-sponsor of a new baby fair recently to help attract mothers to be to use the hospital. The City will continue to identify opportunities to assist in the success of the hospital.

The Police Department continues to be a focus of attention of the City Council. Earlier this year, the Council added two additional police officer positions to the FY 2007/08 budget. With this early direction to add these positions, the Department has been able to recruit now for these new positions and should have the new officers on the street shortly after July 1, 2007. Chief MacKinnon has worked with his staff to develop a strategic plan to complement the Management Audit conducted by the Department a few years ago. The Department has added laptop computers to all patrol vehicles to enhance the effectiveness of officers in the field. Chief MacKinnon is getting the Department back to basics focusing on core quality of life issues as noise and other nuisances.

During the past year the Fire Department has had great success maintaining two full service fire stations open with limited staffing resources. Fire Station 82 continues to be a full-time operating facility as a result of the implementation of the Reserve Firefighter Program. The City received delivery of a new fire engine that is being used at Station 82. During the year, the Department launched a successful "Ready Santa Paula" campaign that raised emergency preparedness awareness, organized and trained CERT teams and worked to enhance local emergency plans. The creation of a City of Santa Paula emergency radio station, AM 1610, was an important new addition to the way the City communicates with the community.

Another key component in the area of public health and safety has been the continuing success of the City's Santa Paula Beautiful program. Santa Paula is now a cleaner place with efforts in the area of graffiti, weed abatement, commercial sign enforcement and our annual Fall clean-up day.

The City continues work on a new Water Recycling Facility. This project will construct a new treatment plant that will be operational by the end of 2010. This will be the largest capital project undertaken by the City in its 105-year history. The costs are staggering, and the City Council continues to challenge the staff on developing a plan that makes the most sense for Santa Paula. The City Council has also made it clear that the funding for this project should be spread to as many funding sources as possible. Staff is working aggressively in Washington and Sacramento to secure funding for the project.

All of this has been done to ensure that Santa Paulans receive the best public health and safety services for the limited amount of resources that are available to us.

Good to Live and Work in Santa Paula: The City continues to make great strides in enhancing the quality of life of our residents. The Citrus Festival had its most successful year ever in 2006, the City remains clean and safe and residents enjoy our parks and recreation facilities in record numbers. There is a special feeling about living and working in Santa Paula. The hard work of the men and women of the City of Santa Paula enhance that feeling every day.

## **FUTURE CHALLENGES**

In order for Santa Paula to continue meeting the current and future demands of the community, the City must also address some pivotal issues in the coming year:

Redevelopment/Housing Creation: The City must continue to be aggressive in creating new economic development opportunities through redevelopment and the creation of new housing. The City needs to attract new retail and commercial tenants that will help bring revenue to the City as well as create needed jobs in the community. Further implementation of the City's Economic Development/Redevelopment Plan is critical to the ability of the City of Santa Paula to continue to provide needed services in the community. Also important is the creation of new housing at all levels of affordability. While Santa Paula has few opportunities to create large amounts of new housing, the City must continue to support housing developments that make sense for the community providing the right mix of affordability, plus appropriate parking and

amenities that enhance our city. Staff has been redeployed in the areas of redevelopment and economic development in order to allow for the maximize use of scarce resources in this critical area.

The most pressing matter in the area of housing development is the future of development in Adams Canyon, Fagan Canyon and East Area One. With Adams Canyon now included within the City's Urban Restriction Boundary, the property developer is now prepared to move forward with the development of the land within the City. This project will provide needed economic activity in the near term and provide a stable income stream to the city government in the long term. The City Council will be considering a proposal from the Limoneira Company in the coming months for the development of East Area One. I believe that this project has the potential for providing needed housing and economic revitalization to Santa Paula. The future of development in Fagan Canyon is uncertain at this point, but the property owners there will likely be back before the City with development proposals in the near future.

The most important element of all new land use development in the City is that projects move forward on terms that make sense for Santa Paula and Santa Paulans. As these important projects move forward on these terms, the City's prospects for economic prosperity increase significantly.

Employee Salaries and Benefits: Santa Paula has consistently paid among the lowest salary and benefits to its employees of any community in the area. For the on-going success of the organization and to continue to provide quality customer service to our residents, the City must begin working toward providing parity pay to our staff so that the City provides salary and benefits that are more comparable to area cities. I am proposing that the City Council set aside significant funds for salaries and benefits that will be negotiated as our MOUs with our employee groups expire in December 2007.

Public Health and Safety: While the Police Department has received additional resources during the past year, it continues to need additional officers and increased salaries in order to retain and attract qualified employees. While Santa Paula has continued to provide public safety services at a meaningful level, I believe Santa Paula is still not properly staffed to handle the inevitable changes in crime statistics. I will work closely with Chief MacKinnon, to develop new initiatives to address these issues and provide excellent police services in the foreseeable future.

The Fire Department continues to explore options to address the full-time staffing needs of both fire stations. The need for three full-time Fire Engineers and capital equipment continue to be areas of concern. I am proposing in this budget the hiring of one additional Fire Engineer as of January 1, 2008 to help move us forward in our efforts toward full-time fire staffing.

I believe the continued sustainability of the Santa Paula Hospital must remain as one of the City Council goals. The City Council worked hard to reopen the hospital and must be vigilant in doing all that it can to ensure the hospital's on-going viability.

Infrastructure/City Facilities: City infrastructure issues are many. The City is moving forward with long delayed improvements to our water and wastewater infrastructure. A

major project is the construction of a new Water Recycling Facility, which continues to move ahead with plans for a December 2010 completion date. In addition, the City's Corporation Street Yard must be replaced with a new yard that will also accommodate a relocated Water Division yard. The City made progress this past year in investing in improvement to our street infrastructure, but more needs to be done. During the FY 2007/08 the City will continue to explore options to develop plans for improving our streets and parks, with the limited resources available. I am proposing that the Redevelopment Agency spent \$250,000 on street improvements in the Agency in the coming year.

Although the City Council/Redevelopment Agency Board approved a Museum Funding Plan for the Santa Paula Oil Museum of \$50,000 in 2003, the Redevelopment Agency has continued to fund \$66,000 annually in order help cover the Museum's operating expenses. The Museum expenditures continue to exceed revenues and it is expected the fund balance will be exhausted within the next two years. The City Council will need to reassess the Redevelopment Agency's continued funding committed to the Museum.

## **CITY COUNCIL GOALS AND PRIORITY PROJECTS**

The foundation of the FY 2007-08 budget is the City Council's Goals and Priority Projects. The City Council held a goals setting session in January 2007 to set goals for the coming year. The listing of City Council Goals and Priority Projects for FY 2007-08 appears on page CCG-1 of the proposed budget. Staff is proposing that following allocations be approved in the proposed budget to further these goals:

- I. MAINTAIN AND ENHANCE QUALITY OF LIFE
  1. \$10,000 public works tree-trimming
  2. \$25,000 to support on-going special events
  3. \$650,000 for Public Works streets maintenance
  4. \$25,000 Community Services special events/Citrus Festival
  
- II. FOSTER BALANCED COMMUNITY AND HOUSING DEVELOPMENT
  1. Several initiatives detailed further in the proposed budget of the Redevelopment Agency of the City of Santa Paula.
  2. The use of CDBG funds to supplement various projects
  
- III. ENSURE COMMUNITY HEALTH AND SAFETY
  1. \$40,000 for park fields and restroom maintenance
  2. \$34,000 for five new Police patrol vehicles and equipment
  3. \$13,000 for police animal control vehicle
  4. \$32,950 for police archival and document imaging system
  5. \$4,800 Fire Services equipment to communicate with Ventura Co.
  6. \$15,000 Community Services truck and other equipment
  
- IV. ENHANCE CUSTOMER FOCUS AND BUSINESS FRIENDLINESS OF CITY GOVERNMENT
  1. \$25,000 for Council goals and priority projects
  2. \$60,000 for General Fund contingency account

## **PROPOSED FY 2007-08 GENERAL FUND BUDGET**

The proposed General Fund budget continues to provide the same level of services that are being provided during the current year with adjustments for salary, benefit, insurance and retirement system contribution increases that have been previously approved. The only significant expenditure changes to the proposed General Fund operating budget compared to FY 2006-07 are the following increases and revenue changes:

### **Significant Expenditure Changes**

\$81,760	Increases to salaries due to merit increases
\$21,279	Increases to Worker's Compensation Insurance benefits
\$101,686	Increases to PERS benefits
\$28,075	Increases to Cafeteria benefits paid at new amount for full year

### **Significant Revenue Changes**

\$107,500	Increase in Sales Tax
\$44,700	Increase in Disaster Recovery Funds
\$381,165	Increase in Property Tax
(\$37,000)	Net decrease in Fees and Permits

After factoring in the above, on-going projected revenues exceed projected expenses by \$263,565. I am proposing that the City Council approve the proposed budget using the plan outlined in Attachment 1 to this staff report. This plan generates sufficient on-going resources to balance the budget without using one-time revenues.

## **CAPITAL IMPROVEMENT PROGRAM**

Public Facilities: Staff is proposing to include \$25,000 in General Fund expenditures to fund Police Facility Improvements.

Streets: Staff is proposing to include \$200,000 of street funds (LTF) matching funds, \$100,000 General Fund and \$250,000 RDA funds for the Arterial Street Paving program. The balance, if any, of the LTF funds not allocated for matching of grants will be spent directly on street maintenance and repair.

Parks: Staff is proposing to include funding of \$40,000 from the General Fund for field and restroom repairs and replacement at Teague and Las Piedras parks.

Water: Staff is proposing to carry forward \$2,276,893 of water capital improvements from FY 2006-07 that are in the process of completion, or are awaiting confirmation from the City's water master plan, and an additional \$3,548,219 of capital projects for FY 2006-07. The projects include an update of the Urban Water Management Plan, well rehabilitation, new well siting studies, design of new water storage facilities, pump and booster station design, water main replacements, and a Water Softening Facility.

Wastewater: Staff is proposing to carry forward approximately \$1,069,481 in Sewer Enterprise funds. Additional expenditures of \$8,108,000 from funding sources yet to be determined, are expected in FY 2007-08 to continue the design and property acquisition for the City's new Water Recycling Facility. Staff intends to request an allocation for those expenditures once the funding sources have been determined.

## **OTHER FUNDS**

### **Solid Waste Enterprise Fund**

The revenue for the Solid Waste Enterprise Fund is estimated at \$1,964,100. Estimated Fund Balance as of June 30, 2007 is \$188,603. The fund balance will be used to purchase new equipment that is needed to replace an existing deteriorated vehicle fleet. The City of Santa Paula provides one of the highest levels of solid waste services in the County and staff will recommend a rate increase that would be consistent with several of our neighboring cities.

### **Water Enterprise Fund**

The revenue for the Water Enterprise Fund is estimated at \$6,734,029, with maintenance and operations expenditures of \$5,943,467. Estimated Fund Balance as of June 30, 2006 is \$2,276,893. A focus for the coming year will be water infrastructure projects with an estimated \$9 million in new projects and \$2.2 million carried over in capital improvement projects.

### **Wastewater Enterprise Fund**

The revenue for the Wastewater Enterprise Fund is estimated at \$5,420,000, with maintenance and operations expenditures of \$6,852,872. Estimated Fund Balance as of June 30, 2007 is \$1,069,481. Staff will be focused in the coming year on planning and design for the new water recycling facility.

### **Street Funds**

Revenue for the Street Funds (composed of State Gas Taxes, Local Transportation, and Traffic Congestion Funds) is approximately \$2,044,712. The maintenance and operational expenditures are \$2,025,010. A focus for the coming year will be various improvement projects with an estimated \$650,000 in new projects. Estimated Fund

Balance as of June 30, 2007 is \$86,959. These funds are used primarily to support the City's Streets and Engineering Divisions, the City's Storm Water Quality Program, street sweeping, and to pay for streetlights. The balance of the funds is used for street maintenance and sidewalk repair projects.

## **CONCLUSION**

In closing, I believe the proposed budget for FY 2007-08 is in keeping with stated City Council policy and the fiscal realities, as we understand them. The proposed budget has been developed and assembled by the City's budget team under the direction of Finance Director John Quinn. Mr. Quinn reviewed all existing accounts and developed strategies to address our many budget issues. In addition, he spent time actually creating much of the document before you. Assisting Mr. Quinn were Assistant Finance Director, Ms. Sandy Easley, temporary accounting clerks Ruth Luna and Karen Preston. All Department Heads worked closely with Mr. Quinn and his staff in development of the department budgets. Public Works Management Analyst, Mr. Scott Powers, was extremely helpful in preparing the CIP budget. I extend my thanks to all of these hard working individuals for a job well done.

## **Attachments:**

1. Recommended Changes to the Proposed General Fund Budget