

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council
From: Wally Bobkiewicz, City Manager
Subject: **Fiscal Year 2006/07 Proposed Budget**
Date: June 14, 2006

Recommendation: It is recommended that the City Council consider and approve the Fiscal Year 2006/07 budget.

General Discussion: Transmitted for your consideration are the proposed operating and capital budgets for Fiscal Year 2006/07. The proposed General Fund operating budget totals \$10,775,437 the budgets for the City's non-General Fund operations totals \$11,966,958 and the City's capital budget totals \$33,831,320 for an overall budget of \$56,573,715. 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 covers a structural deficit of \$1,318,484. This deficit in large part (\$1,114,500) is due to Salary and Benefit adjustments granted through the negotiation process with employee groups. The remaining \$203,984 is due to increases in various other operating expenses. Staff estimates ongoing revenues to increase by \$1,514,190, thereby covering the \$1,318,484 structural deficit. Also proposed are additional ongoing expenses totaling \$186,780 that will be covered by the \$195,706 by which ongoing revenues exceed ongoing expenses.

Included in the proposed budget are also \$684,779 of one-time expenditures. These expenditures are to covered by the \$300,000 estimated ending fund balance from current year, \$150,000 developer reimbursements, \$71,780 of School Resource Officer reimbursements, \$8,926 of Ongoing Revenues, and \$154,073 from the General Fund Reserve. The General Reserve Fund balance after the use of the \$154,073 will be \$1,285,925 or 12% of the General Fund Budget.

In the Enterprise Fund operations of the City, the City Council has previously approved a 33% increase in wastewater service fees in order to assist in the funding for the planning and construction of a new water recycling facility (sewer plant). There are no other significant increases in fees or charges proposed for this budget.

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 Redevelopment Agency has focused 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 downtown block of Mill Street to 8th Street has welcomed several new businesses, including the Mupu Grill and the Santa Paula Coffee Company. The old Plumbing Building Paseo will be completed this summer, featuring a new storefront, public restrooms and a new public walk way. Work has begun on the new Green Street Paseo which will be completed this Fall and the Redevelopment Agency's first façade improvement program will be completed by year's end on storefronts on the south side of Main Street between Mill and Davis Streets. New directional signage in the downtown is also up (with more to come). New summer banners will be hung on Main and 10th Streets this year. The City joined with the Santa Paula Chamber of Commerce in creating a new tourism website "DiscoverSantaPaula.com" to help visitors find the treasures of Santa Paula on the Internet.

The City and Redevelopment Agency are also working on gateway retail and commercial projects on the far east and west ends of the City along State Highway 126. A new retail development has opened on the west side this year and work is continuing for new opportunities at the 126/Hallock interchange.

A big piece of the City successes in economic development and redevelopment are the investments that the City Council has made over the last year in our Planning and Building and Safety Departments to help make all development in Santa Paula easier. A study was conducted last summer by an outside consultant to identify issues to be addressed in each department. Since then, the City Council has supported the hiring of additional staff in both departments, employee training and invested in an extensive remodel of the Community Development Building to allow better space to serve customers and more work space for staff to help with their effectiveness. These improvements have just been completed and we will see the fruits of these investments through a more customer friendly development process.

All of these successes are just a beginning. Staff is committed to investing significant time and resources in 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. Since the closure of the Santa Paula Hospital, the City and Redevelopment Agency have worked with the County of Ventura to ensure the successful grand re-opening of the Santa Paula Hospital, which is expected later this month.

The City has continued to explore better ways to provide police and fire services in Santa Paula. 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 purchase of a new fire engine has been negotiated and will be finalized later this year. In addition, City Council approved a special one-year appointment for a Fire Captain to serve as a City Emergency Preparedness Coordinator. During the past six-months this position has been successful in organizing and training CERT Teams and the creation of local emergency plans.

The Police Department continues to identify areas of improvement with the addition of Police Chief Steve MacKinnon. 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. Chief MacKinnon is getting the Department back to basics focusing on core quality of life issues as noise and other nuisances.

Another key component in this area 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 2008. This will be the largest capital project undertaken by the City in its 104 year history. The costs are staggering, with the project expected to cost between \$70-80 million when complete. The City Council has 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. I believe that these changes better provide the community with the health and safety services that it needs.

Communication with the Public: During the past year, the City has continued to televise all City Council meetings to ensure that all Santa Paula residents of all walks of life have an opportunity to access all City policy considerations and actions. In addition, the City has continued to simultaneously translate the City Council meetings into Spanish and the audio broadcast on the SAP audio channel, in order to decrease the language barriers for some in the community. Televised Council meetings provide residents a first hand view on discussion of City issues that is good for all. The City has created a new, more user friendly website with all significant documents and City information available there. During the past year, the City has successfully sponsored a Blog website as a way to better engage the community in the day-to-day activities of the City. The accessibility of City information to the Spanish speaking community in Santa Paula has also increased with more City information available in Spanish.

Investing in Our Employees: The City has made some progress this past year in improving the salary and benefits of our employees. Eight-five percent of all new revenue

expected in FY 2006/07 is being allocated to salary and benefits. We now have two-year labor agreements with all of our employee units (except Fire, which is still being actively negotiated). More work needs to be done on this issue, but the commitment of resources by the City Council is a testament of the importance of paying our employees a fair wage. The City has made several computer system enhancements this year including a new email system and work has begun on procuring a new telephone and general accounting system for the City that will also help our employees better serve the residents of Santa Paula.

Planning and Implementing for the Future: The City continues to implement plans and projects generated by two methods: the Citywide Vision Plan completed two years ago and the annual goal setting by the City Council. This year the City held a Teen Center Visioning Workshop to help begin the initial planning for a future teen center in Santa Paula. The Teen Center Visioning Workshop was attended by over 250 community youths, who actively contributed their ideas to help design the activities and services of the future teen center. A complete report of the Teen Center Visioning Workshop results was presented to Council and the development of the center has been adopted as a City Council priority project.

The City also completed a Park Master Plan this year (a first in 30 years) that outline specific needs for parks and recreation services for Santa Paula for years to come. The City also completed this year a master plan for the renovation of Teague Park and is getting ready to move forward with a community center at Las Piedras Park.

The City Council also continues to set annual goals and priority projects for itself. FY 2006/07 will be the fifth year of specific deliverables set by the City Council for staff to implement throughout the year. This year, the City Council also revised its Economic Development/Redevelopment Implementation Plan to accurately reflect the Council's current direction on these important issues.

All of this planning is important. It helps set a clear direction for the City in the short, medium and long term. However, what is more important is the implementation of these plans. The City Council has already discussed an oversight committee for the development of the Teen Center and has asked staff for a quarterly report on implementation of its goals and priority projects. It is the implementation of these plans that are key to the future vitality of Santa Paula.

Good to Live and Work in Santa Paula: The initiatives launched by the City over the last four years have shown residents and business owners alike that the City Council is working actively to improve the community. The continued success of the Santa Paula Citrus Festival, Christmas Parade, and continued successes of the De Colores Art Festival and Fandango show the vibrant community spirit of Santa Paula. This new spirit is contagious and helps the City move forward on a variety of fronts. And we almost got elected President of the United States a fictional "favorite son" Senator Arnold Vinick on the NBC television program, "The West Wing."

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. It is my hope that under the leadership of the City Council, these projects will be able to move forward on Santa Paula's terms in the near future.

The Mobile Home Review fund is projected to have a negative fund balance of \$30,000 on June 30, 2006. This would include a receivable of (\$44,000) for legal services, which if not recovered may increase the negative fund balance to (\$74,000). Since staff expects that expenditures will exceed revenues by \$4,000 a year in FY 06/07, the proposed budget includes a recommendation to transfer \$34,000 from the General Fund.

Public Health and Safety: The City's continued commitment to help develop a solution to allow the Santa Paula Hospital to re-open was achieved thanks to the County of Ventura who plans to open the hospital this summer. The diligent work of the Santa Paula Community Healthcare Authority contributed to the negotiations for the hospital purchase and future reopening. The continued sustainability of the hospital will remain as one of the City Council goals and priorities.

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 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. In addition, the previously approved one-year appointed of a Fire Captain to serve as a City Emergency Preparedness Coordinator will expire six-months into this current year. The City Council will need to reassess this position and evaluate the continued need of maintaining and funding the position. This year also sees the retirement of Fire Chief Paul Skeels. His leadership will be missed.

Education and Job Training: The City Council's FY 2006/07 Goals and Priority Projects clearly demonstrate the City Council's focus on education and job training. The City worked diligently this year to keep alive the new Ventura College East Campus that was ultimately defunded by the Ventura County Community College District. The City is committed in the coming year to explore options for the development of a new postsecondary education facility in Santa Paula. In addition, the City is also committed to working even more closely with the Santa Paula Elementary School District and Santa Paula Union High School district on issues of new school site location and programs that will serve all of our youth.

Fiscal Condition of Enterprise Funds: As I mentioned last year, I remain concerned about the current fiscal condition of our enterprise funds. The Water Enterprise Fund is in the best fiscal condition where rates are covering operational expenses. The City has now geared up to invest all of its available resources \$9,876,000 (which was obtained from the 2003 Water Bond Issuance) in the current year for capital improvements in the Water utility. After this investment is made it is projected that only \$500,000 will be available per year for infrastructure and plant improvements. Although regular rate increases currently cover additional costs, this enterprise's fiscal condition will need to be reevaluated during the next budget cycle, since it is projected to have a fund balance of \$800,000 after receiving repayment of \$5,000,000 from the Wastewater Enterprise Fund.

The Wastewater Enterprise Fund faces the greatest challenges since the fund must finance the construction of the new Water Recycling Facility, which will likely result from an aggressive debt financing plan and rate increases over the next several years. This however will leave ratepayers paying substantially more for wastewater services than they did just a few years ago, and leave the fund with substantial debt for many years.

As a result of a rate increase last year, the Refuse Enterprise Fund is covering operating expenses better than in previous years. While the enterprise is estimated to have a fund balance of \$379,720 in FY 2006/07, there are no monies set-a-side to replace aging equipment. Staff will be recommending the creation of an Equipment Replacement Fund to help fund the replacement of aging equipment during the next year.

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 2008 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. During the FY 2006/07 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 continues to fund \$66,000 annually in order help cover the Museum's operating expenses. The Museum expenditures continue to exceed revenues by \$20,000 annually, and it is expected the fund balance will be exhausted within the next three years. The

City Council will need to reassess the Redevelopment Agency's continued funding committed to the Museum.

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. This past year, the work to increase salaries and benefits for our employees has begun. However, we must also address equitable salaries and benefits for our other employees. A comprehensive Salary Comparison study will be done in order to better identify the deficiencies and assist the City in developing a long-term plan to narrow the gap.

CITY COUNCIL GOALS AND PRIORITY PROJECTS

The foundation of the FY 2006/07 budget is the City Council's Goals and Priority Projects. The City Council held a goals setting session on May 13, 2006 to set goals for the coming year. The listing of City Council Goals and Priority Projects for FY 2006/07 appears on page CCG-1 of the proposed budget. Staff is proposing that the following allocations be approved in the proposed budget to further these goals:

- \$50,000 in General Fund expenditures to implement some of the Goals and Priorities

- I. MAINTAIN AND ENHANCE QUALITY OF LIFE
 1. \$40,000- Sidewalk Repairs and Improvements (Residential Streets)
 2. \$250,000 – Street Repairs (Redevelopment Agency)
 3. \$ 30,000- Handicapped Access Ramp Improvements
 4. \$20,000- New Recreational Equipment for Las Piedras Park
 5. \$72,731- Design plan for Las Piedras Park
 6. \$485,920- Recreational Bicycle/Pedestrian Trail Design
 7. \$26,500- Recreation Coordinator- Isbell Gymnasium
 8. Develop Youth/Teen Center
 9. Implement Ahwahnee Water Principles/Urban Management Accords

- 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. \$100,000- Implement Teague Park Improvement Plan
 3. \$500,000- Harding Park Master Plan Phase III
 4. \$42,450- GIS and Mapping Services (Citywide)

- III. ENSURE COMMUNITY HEALTH AND SAFETY
 1. \$62,000- Two new Police patrol vehicles & refurbishing of other vehicles.
 2. \$1,300,000- New Water Recycling Facility
 3. \$47,250- Disaster Preparedness Coordinator (half of year)
 4. \$51,000- Police Department Equipment and Supplies
 5. \$50,000- Emergency Generator, Fire Station 82/Community Center

6. Assessment of Fire Emergency Medical Services
- IV. FACILITATE GREATER CITIZEN INVOLVEMENT
 1. Allocation of \$16,000 from General Fund for Spanish translation of televised City Council meetings.
- V. ENHANCE CUSTOMER FOCUS AND BUSINESS FRIENDLINESS OF CITY GOVERNMENT
 1. \$5,000- Police Department Storage Space Addition
 2. \$580,000- Planning for new Corporation Yard Facility
 3. \$12,000- Painting and Bay Window Repair at Oil Museum
 4. \$219,800- New Integrated Accounting System
 5. \$80,000- New Telephone System

PROPOSED FY 2006/07 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 and benefit increases that have been previously approved. The only significant expenditure changes to the proposed General Fund operating budget compared to FY 2005/06 are the following increases and revenue changes:

Significant Expenditure Changes

The following changes have been previously approved by the City Council by various actions taken since July 1, 2005. These adjustments now incorporate these changes into the base General Fund budget.

| | |
|-----------|---|
| \$700,332 | Increases in salary and benefits (Negotiations) |
| \$39,886 | MIS Assistant |
| \$35,570 | Accounting Technician |
| \$12,000 | Convert Customer Service to Building Inspector |
| \$23,480 | Accounting Technician |
| \$106,099 | Planning-Deputy Director |
| \$47,248 | Fire ½ Disaster Prep. Coordinator |
| \$30,335 | Ongoing Services and Supplies |
| \$91,795 | Supervising Building Inspector |

Significant Revenue Changes

| | |
|-----------|-----------------------|
| \$109,095 | Increase in Sales Tax |
|-----------|-----------------------|

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|-----------|--|
| \$150,000 | Increase in Community Development Fees |
| \$60,500 | Increase in Franchise Tax Fees |
| \$57,850 | Increase in Police Service Fees and Charges |
| \$503,798 | Increase in Property Tax in Lieu of MVLF Tax |
| \$81,132 | Other Revenue Changes |
| \$233,227 | Property Tax-End of ERAF Take Away |

FY 2005/06 was the last year that the City of Santa Paula gave up property tax revenue to the State. This accounted for \$233,227 in general fund monies, which the City contributed to assist the State in resolving their budget deficit.

On-going projected expenses exceed projected revenues by \$1,318,484 proposing that the City Council balance 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.

Recommended Changes to the Proposed Budget/On-Going Operations

The following is a summary of the major expenditure changes contained in Attachment 1:

Salary, Overtime and Other Benefit Adjustments \$1,193,755: This increase consists of \$50,000 overtime costs for Fire Personnel, \$7,390 overtime costs for Dispatch Personnel, with the remainder in employee Salary and Benefit Adjustments.

Recommended Changes to the Proposed Budget/One-Time Adjustments

The following is a summary of the major revenue generating areas of the recommended changes for one-time/special circumstance adjustments contained in Attachment 1 that have not been previously discussed. These changes are:

Continue Freeze Vacant Recreation Supervisor Position (\$63,851): The work of this Supervisor has been allocated to other staff temporarily. This reallocation is causing a hardship in the department, but I believe continuing this vacancy is needed for budgetary reasons.

School Resource Officer (\$71,780): The City is currently allocating a Police Officer to Isbell Middle School. The school is reimbursing the City the costs associated with providing this Officer. There is no net financial impact to the City by this item.

Recreation Coordinator for Isbell Gym (\$26,560): As a result of the agreement with the Santa Paula Union School District, the City is allocating funds for a Recreation Coordinator for the new Isbell Gym, which will be completed this year.

CAPITAL IMPROVEMENT PROGRAM

Public Facilities: Staff is proposing to include \$147,000 in general fund expenditures to fund the purchase of new accounting system software, and an additional \$80,000 to fund the purchase of a new upgrade telephone system. Another \$50,000 in General Fund expenditures to fund the purchase of an emergency generator, \$12,000 in General Fund expenditures are included for exterior building repairs at the Oil Museum, and \$5,000 is required from the General Fund to fund the addition of a storage facility at the Police Department. In addition, staff is also proposing to include funding of \$580,000 from the Corp Yard Facilities Fund for the planning and design of the New Corporation Yard facility along with \$100,000 in carry-over funding.

CDBG: Staff is proposing to include \$100,000 of CDBG Funding to fund the soccer field improvements at Teague Park. There is \$122,731 in CDBG carry-over funding of the Las Piedras Park Improvement projects, which staff is proposing to be reprogrammed to fund the following \$30,000 new fire engine; \$20,000 new recreational equipment Las Piedras Park; and \$72,731 to fund the design for soccer field improvements at Las Piedras Park.

Streets and Storm Drains: Staff is proposing to carry forward \$684,000 of federal STP Grant funds and \$112,000 of Traffic Congestion funds for the Arterial Street Paving program. \$40,000 in State Gas Tax funds is proposed for sidewalk repair and replacement. \$45,000 in NPDES (National Pollution Discharge Elimination System) funds will be used for the Mariposa Storm Drain Design and \$50,000 of NPDES funds will be used for a Storm Drain Master Plan. Handicapped Access Ramp Improvements will be funded with \$30,000 from a TDA Article 3 grant. The initial phase of the Historic Santa Paula Street Trees Replacement program will be funded with \$20,000 of carry-over LTF funds. The balance 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 \$2,500,000 from funding sources that are yet to be determined for soccer field rehab at Teague Park. Staff is proposing funding of \$500,000 of Harding Park Improvement funds in addition to \$380,000 of carry-over funds from prior years for the Harding Park Master Plan Phase III.

Railroad Bicycle Trail: Staff currently has received a grant for 88.5% of construction costs for the trail. However, a funding source for the 11.5% match has not been identified. Therefore, staff has only included the budget to complete the design of the project.

Water: Staff is proposing to carry forward \$4,242,296 of water capital improvement from FY 05/06 that are in the process of completion and an additional \$9,825,000 of capital projects for FY 06/07. The projects include well rehabilitation, new water wells, a water service corrosion study, pump and booster station design and water main replacements.

Wastewater: Staff is proposing to carry forward approximately \$688,368 in Sewer Enterprise funds. Additional expenditures of \$20,000,000 of Sewer Enterprise funds are proposed for FY 2006/07 to continue and complete the design and property acquisition for the City's new Water Recycling Facility. In addition, staff is proposing expenditure of \$1,775,000 of Sewer Enterprise Funds for a sewer manhole replacement program, an

inflow and infiltration reduction program, a sewer pipeline rehabilitation program and a Lemonwood Lift Station Study.

Finance: Staff is proposing \$147,000 in General Fund expenditures in addition to \$11,400 in Gas Tax funds, \$24,000 in Refuse funds, 20,000 in Sewer funds, \$51,000 in Water funds, and \$35,000 in carry-over funds to acquire a new, Integrated Accounting System to replace the present out-dated system and which will increase efficiency city-wide.

OTHER FUNDS

Solid Waste Enterprise Fund

The revenue for the Solid Waste Enterprise Fund is estimated at \$1,964,100. While the enterprise is estimated to have a fund balance of \$379,720 in FY 2006/07, there are no monies set-a-side to replace aging equipment. Staff will be recommending the creation of an Equipment Replacement Fund to help fund the replacement of aging equipment during the next year.

Water Enterprise Fund

The revenue for the Water Enterprise Fund is estimated at \$6,409,656 with operational expenditures of \$5,739,272 and Capital Improvements of \$9,876,000. Estimated Fund Balance as of June 30, 2007 is \$794,383 after the \$5,000,000 loan to the Wastewater fund is repaid. No changes in water rates are recommended at this time. A focus for the coming year will be water infrastructure projects with an estimated \$9,876,000 in new projects and \$4,242,296 carried over in capital improvement projects.

Wastewater Enterprise Fund

The revenue for the Wastewater Enterprise Fund is estimated at \$5,420,000, with operational expenditures of \$2,351,657 and Capital Improvements of \$21,795,000. In order to complete the work proposed within this budget, a financing mechanism for the estimated negative fund balance as of June 30, 2007 of (\$18,226,658) will be necessary. Staff will be focused in the coming year on planning, design, and initial construction for the new water recycling facility. Because of costs associated with the planning for the new plant and increased costs associated with the operations of the existing plant, staff is proposing a 33% increase in wastewater fees. This will generate approximately \$1,205,000 in increased revenues.

Street Funds

Revenues for the Street Funds (composed of State Gas Taxes, Local Transportation, and Traffic Congestion Funds) are approximately \$1,875,018. The maintenance and operational expenditures are \$2,106,785. Estimated Fund Balance as of June 30, 2007 is \$20,850. 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.

REDEVELOPMENT AGENCY

The budget of the Redevelopment Agency of the City of Santa Paula is also included in this document. The total proposed budget for FY 2006/07 is \$3,310,081. Of this amount, \$1,818,401 is for debt service and pass throughs to other taxing jurisdictions. Projects for the Agency are detailed on pages RDA 10-11. Of specific interest is an allocation of \$250,000 from the RDA Housing Set-Aside Fund for street improvements in the Agency.

CONCLUSION

In closing, I believe the proposed budget for FY 2006/07 is in keeping with stated City Council policy and the fiscal realities, as we understand them. The proposed budget has been developed by the citywide budget team under the direction of Financial Services Director Alvertina Rivera. Ms. Rivera has worked many long hours in reviewing all existing accounts and developing strategies to address our budget issues. In addition, she has spent much time actually creating much of the document before you. Assisting Ms. Rivera was Accounting Clerk Wendy Morris. All Department Heads worked closely with Ms. Rivera and her staff in development of department budgets. Public Works Director Cliff Finley, and Management Analyst Bob Kiesewetter provided much appreciated assistance in the development of the Public Works Department's large and complicated budgets. Assistant to the City Manager Elisabeth Amador provided assistance in the preparation of the proposed budget document. 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

FY 2006/07
Proposed Changes to General Fund Budget

| | | ONE-TIME | ONGOING |
|-----------------|---|----------------|------------------|
| REVENUES | | | |
| 1 | FY 2005/06 General Fund Balance | 300,000 | |
| 2 | Building and Safety Fees & Charges | | 366,283 |
| 3 | Community Services Endowment Interest/Dividends | | 7,000 |
| 4 | Fire Services Fees & Charges | | 18,900 |
| 5 | Planning Services Fees & Charges | | 71,980 |
| 6 | Planning Developer Staff Reimbursements | 150,000 | |
| 7 | Police Services Fees & Charges | | 57,850 |
| 8 | School Resource Officer | 71,780 | |
| 9 | Public Works Services Activity | | 23,930 |
| 10 | Prop. 172 (Public Safety) Tax | | 21,000 |
| 11 | Property Tax | | 432,773 |
| 12 | Property Tax - End of ERAF 3 Take-away | | 233,227 |
| 13 | Water Franchise In-Lieu Fee | | (80,000) |
| 14 | Property Tax in Lieu of Sales Tax | | 71,025 |
| 15 | Sales Tax | | 109,095 |
| 16 | Motor Vehicle License Fee (MVLFF) | | 24,402 |
| 17 | Property Tax in Lieu of MVLFF | | 37,108 |
| 18 | Franchise Tax Fees | | 60,500 |
| 19 | Other Non-Departmental Revenues | | (24,110) |
| 20 | Overhead Allocation | | 83,227 |
| 21 | Use of Reserve | 154,073 | |
| 22 | Use of Ongoing Revenue | 8,926 | |
| | Total Revenues | 684,779 | 1,514,190 |

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|-----------------|---|--|-----------|
| EXPENSES | | | |
| | Proposed FY 2006/07 Budget Deficit | | 203,984 |
| | Deficit due to MOU Salary & Benefit Adjustments | | 1,114,500 |

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|-------------------|---|----------|----------|
| Personnel: | | | |
| 1 | Reclass Engineer to Sr. Engineer | | 4,780 |
| 2 | Recreation Coordinator for Isbell Gym | | 26,500 |
| 3 | Pay Reclassification for 3-Custodian Positions | | 23,600 |
| 4 | Not Fund Associate Planner | 0 | |
| 5 | Continue Freeze of Vacant Recreation Supervisor | (63,851) | |
| 6 | Fund School Resource Officer | 71,780 | |
| 7 | Increase Fire Overtime | 50,000 | |
| 8 | Reduce Police Patrol Overtime | | (7,785) |
| 9 | Reclass Dispatcher to Dispatch Supervisor | | 7,000 |
| 10 | Increase Part-time Dispatch | | 6,270 |
| 11 | Increase Dispatch Overtime | | 7,390 |
| 12 | Convert PT Custodian | | 17,000 |
| 13 | Convert P.W. Superintendant to Water Superintendant | | (12,000) |

Continued on next page.

FY 2006/07
Proposed Changes to General Fund Budget

| | | ONE-TIME | ONGOING |
|--------------------------------------|---|----------------|------------------|
| Services & Supplies: | | | |
| 1 | Administration - Attorney Fees | | 14,400 |
| 2 | Administration - MIS Professional Services | | 18,275 |
| 3 | Administration - T.V. Translation Services | | 16,000 |
| 4 | Administration - Council Goals & Priority Projects | 50,000 | |
| 5 | Building & Safety - Operating Supplies | | 7,500 |
| 6 | Building & Safety - Vehicle Lease | | 6,000 |
| 7 | Community Services - Special Events/Citrus Festival | 25,000 | |
| 8 | Finance - Check Printing Software | 13,000 | |
| 9 | Finance - Equipment/Furniture Replacement | 10,000 | |
| 10 | Fire Operations - Supplies | 10,000 | 10,000 |
| 11 | Vehicle Fuel & Maintenance- All Departments | | 11,600 |
| 12 | Planning - Contract Services | | 10,000 |
| 13 | Planning - GIS & Mapping Services | 17,850 | 24,600 |
| 14 | Police - Supplies | 15,000 | |
| 15 | Police - Security for City Hall Building | 10,000 | |
| 16 | Police - Records Storage Unit | 26,000 | |
| 17 | Police Patrol Vehicles (Two) | 62,000 | |
| 18 | Animal Control - County Services | | (9,750) |
| 19 | Public Works - Buildings Suppl./Util./Maintenance | | 10,000 |
| 20 | Public Works - Buildings Misc. Savings | | (4,600) |
| 21 | Transfer to Mobile Home Review | 34,000 | |
| 22 | General Fund Contingency Account | 60,000 | |
| 23 | Use of Ongoing Fund for One-Time Needs | | 8,926 |
| Capital Improvement Projects: | | | |
| 1 | Museum - Exterior Building Improvements | 12,000 | |
| 2 | Finance - Telephone System | 80,000 | |
| 3 | Finance - Accounting System | 147,000 | |
| 4 | Police - Storage | 5,000 | |
| 5 | Fire - Emergency Generator | 50,000 | |
| | Total Expenses | 684,779 | 1,514,190 |

Unallocated Revenue

(0)

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