

AV Economic Region



The City of Lancaster is situated approximately 60 miles north of the City of Los Angeles in the heart of the Antelope Valley. At an altitude of approximately 2500 feet, Lancaster enjoys the high desert climate in both the winter and the summer. A small dusting of snow is not uncommon in the winter and temperatures can reach over 100 degrees in the summer. These weather conditions foster the unique and beautiful vegetation in the Antelope Valley.



Thousands of visitors come to Lancaster in the spring to enjoy our beautiful orange poppy fields amongst the world famous Joshua trees. The movie industry has captured the essence of high the desert in its multitude of movies that are shot here each year bringing many additional visitors to patronize our hotels and retail establishments.

HISTORY



Following the completion of the Southern Pacific Railroad in 1867, Lancaster was established as a water stop along the route. In 1898, gold was discovered in the hills north of Lancaster and attracted many prospectors to the area. Some of the mines can still be seen and are still operational. Also in 1890, borax was found in what is now known as Boron, just to the north east of Lancaster. The world's largest open-pit borax mine is still operational today.



The 1930's introduced the first airplane to the area and the Air Force started conducting flight tests at Muroc Air Base (now Edwards Air Force Base).

(Aircraft pictures courtesy of NASA picture gallery)

Today, the area is most recognized for its significant contributions in the aerospace industry. Edwards Air Force Base, which is famous for its space shuttle landings and Air Force Flight Test Center programs, sits just to the northeast of Lancaster. Lockheed resides just to the south of Lancaster in the City of Palmdale. This is home to the visiting space shuttle and countless exciting test flights of the B-1b, B-2 stealth bomber and F117A stealth fighter. Residents of Lancaster are frequently treated to spectacular air shows as the newest machines in aerospace fill the skies.

Until incorporation in 1977, the area was under the political influence of Los Angeles County. For many years, Lancaster's economy was driven by the defense and aerospace industries. These two industries have been powerful forces driving the growth of the community. Each downturn in military spending had a significant negative impact on the health of the economy. The leaders of the community have been fully aware of these swings from the end of WWII, to the cold war, to the late 70's Carter era reduction in defense spending, the boom during the Reagan era of rebuilding our defenses, and most recently the downsizing of the military with its base closures they knew that we had to change.



THE CITY OF LANCASTER TODAY



Today the City of Lancaster is one of the fastest-growing cities in California with affordable housing, an expanse of recreational opportunities, excellent schools and over 300 days a year of smog-free blue sky. The reasonable housing prices continue to draw an influx of new residents from other Southern California areas. Home buyers are attracted by housing prices that are far below the market rate in metropolitan Los Angeles, just 60 miles away. The Antelope Valley Freeway and the Metrolink train have made the area viable as a bedroom community. An estimated 40 percent of the Antelope Valley's workforce is commuting to work at least one hour each way.

Lancaster offers excellent elementary and high school systems, as well as a community college. Since early 2005, the Lancaster University Center has been offering Bachelors and Masters Degree Programs from Cal State University (CSU) Bakersfield and CSU Fresno. There are also several private college options in the Antelope Valley that allow the citizens of Lancaster to obtain higher education without commuting into the Los Angeles area.



Lancaster offers many recreational opportunities at its national soccer center, seven municipal parks, two regional parks, minor league baseball stadium, a performing arts center, museum/art gallery, historic museum, several swimming pools, a 60 acre regional park and a 10 acre community park. With all of these amenities adding to the quality of life, it is no wonder that the community has grown as it has; and this growth has been fairly uniform throughout the age spectrum. Lancaster has a diverse mix of ethnic and socioeconomic residents that work together to make the community the coveted place to live that it is.

In addition to the clear skies and smog-free air, affordable, quality housing continues to be a major factor to the area's success.



SAFETY, HEALTH AND WELFARE OF OUR COMMUNITY

The City contracts for policing services with the Los Angeles County Sheriff's Department. In doing so, the City enjoys the benefits of a dedicated police force while keeping its overhead costs at a minimum. A full service Sheriff's Station sits at the east entrance to the Downtown Lancaster area. There are currently 189 sworn officers and 74 civilian personnel assigned to the station. It offers routine and emergency call services, investigative services as well as Target Oriented Police teams (TOP) that concentrate on special areas of interest to the City and the Sheriffs.



The Los Angeles County Fire Department has many stations as well as a state of the art training center in the City of Lancaster and the Antelope Valley. It offers routine and emergency call services as well as emergency response coordination and training for the City.



The City of Lancaster is working closely with the Sheriff's as well as the LA County Fire for its emergency response and homeland security program. We are fortunate to have an EMS headquarters right here in Lancaster. This allows the City to have many emergency resources at its disposal when an event occurs without having the major expense of the overhead.

The health and welfare of our citizens is very important to the City. We have two hospitals that service the residents of Lancaster and Antelope Valley. The Antelope Valley Hospital on Avenue J and the Lancaster Community Hospital on 10th Street West are both centrally located within the City. There are also several urgent care facilities throughout the city.

Public transportation is available through the Antelope Valley Transit Authority and Metrolink trains. The City works closely with both agencies to develop and maintain various services and long-term planning in the best interest of our citizens. During the week up to 7,000 commuters avoid the stress of the traffic on the metropolitan freeways by riding on the Antelope Valley Metrolink.

DEMOGRAPHICS



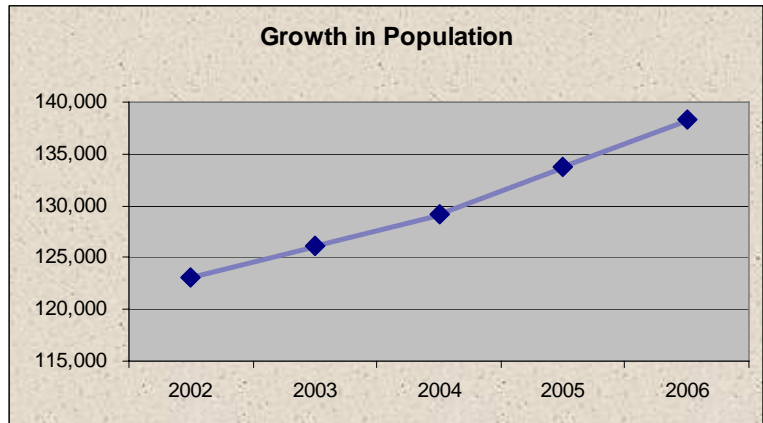
Major Employers	Number of Employees
Edwards Air Force Base	12,117
China Lake NWC	4,986
Lockheed Martin	4,200
County of Los Angeles	3,441
Antelope Valley Union High School District	2,400
Antelope Valley Hospital	2,200
Countrywide	2,200
Lancaster School District	2,142
Wal-Mart (4 stores)	2,047
Northrop-Grumman	1,633
Antelope Valley Mall	1,500
Mira Loma- CA State Prison	1,295
Boeing (2 divisions)	1,000
Rite Aid Distribution Center	967
Antelope Valley College	824
Source: Greater Antelope Valley Economic Alliance Research	

Although Edwards Air Force Base and the aerospace industry are still the top employers in the area, recent years have shown an increase in employers in the Valley. Aerospace which accounted for 22% of the Antelope Valley workforce in 1990 accounted for only 7% in 2003 and about the same today. As the community grows, so does the need for services and businesses. This along with the moderate cost of doing business in the Antelope Valley continues to make Lancaster an attractive businesses location. The last twenty- five years have shown an increased economic diversity as more business investors recognize the area’s business strengths.

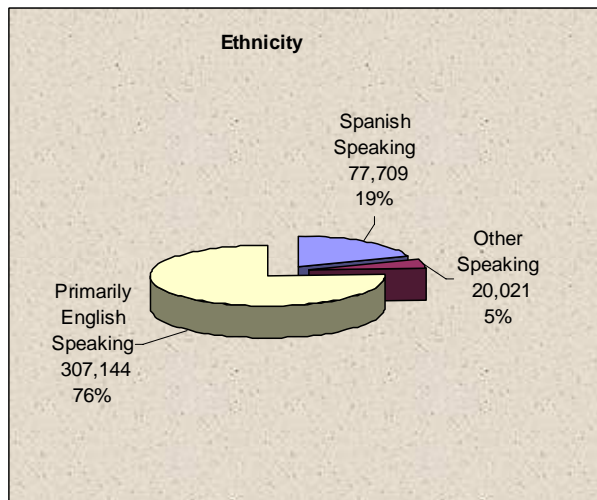
Median House Prices	\$ 302,000
Housing Affordability Index	33%
Housing Units	44,781
Detached Units	29,693
Persons Per Household	3.07
Homeowners	61.6
Average Family Income	\$61,298
Population	138,392
Median Age	31.71
Square Miles	94
Persons Per Square Mile	0.0007
Source: Greater Antelope Valley Economic Alliance Research	

The cost of living in Lancaster and the Antelope Valley is also much lower than the overall cost of living in the Los Angeles, Riverside and Orange County areas. Housing prices are affordable with the median housing price at \$302,000 in 2005 as compared to \$550,000 in Santa Clarita and \$485,000 in Los Angeles. Although the Antelope Valley continues to see an increasing number of housing units being built each year and a growing population, there is still plenty of room to grow in the 94 square miles that make up the City of Lancaster.

Lancaster and the Antelope Valley have growth drastically over the last 25 years. The construction industry has been booming with new housing and commercial properties erecting all over the valley. In the recent past, Lancaster has seen a grown in population by 11% increasing from 123,127 in 2002 up to 138,392 in 2006. Just in the last year, an additional 4,689 have come to call Lancaster home.



The Antelope Valley enjoys a diverse population with 62% white, 13% African American and other races make up the remaining 25%. The valley is mainly English speaking at 76%, however, 19% are Spanish speaking and 5% speak other languages. This cultural diversity contributes the success of our many cultural events that are held each year in the City of Lancaster.



White Alone	272,143	62.14%
Black/African American Alone	57,956	13.23%
American Indian/Alaskan Native	4,941	1.13%
Asian Alone	13,976	3.19%
Native Hawaiian or Pacific Islander	1,180	0.27%
Some Other Race	66,758	15.24%
Two or More Races	20,963	4.79%

Source: Greater Antelope Valley Economic Alliance Research

HOW ARE WE DOING COMPARED TO OTHER CITIES?

City	Number of Employees (FTE's)	Population	Square Miles	Budgeted General Fund Revenues	Budgeted General Fund Expenditures	Expenditures Per Capita
Lancaster	297	138,392	94	\$ 65,481,410	\$ 60,819,749	\$ 439
Burbank	1500	100,316	17	\$ 129,438,975	\$ 27,179,688	\$ 1,268
Costa Mesa	600	113,134	17	\$ 96,838,310	\$ 100,605,503	\$ 889
Garden Grove	661	171,765	18	\$ 192,029,000	\$ 175,250,200	\$ 1,020
Glendale	996	206,308	31	\$ 150,169,206	\$ 149,180,238	\$ 723
Irvine	703	193,785	66	\$ 199,982,826	\$ 196,234,302	\$ 1,013
Ontario	1106	170,373	50	\$ 129,173,542	\$ 138,272,039	\$ 812
Palmdale	339	141,012	103	\$ 42,261,050	\$ 71,812,950	\$ 509
Pasadena	2363	144,000	23	\$ 515,965,238	\$ 483,754,583	\$ 3,359
Santa Clarita	364	177,418	52	\$ 83,442,180	\$ 75,481,099	\$ 425

Expenditures:

The City of Lancaster's expenditures per capita are low compared to other southland cities. What this means is that the City expects to spend only \$439 of general fund money per person in this budget cycle from July 1, 2006 through June 30, 2007. Some of the differences in the City's costs have to do with the costs of providing safety services. The cities of Lancaster, Santa Clarita and Palmdale all contract with the Los Angeles County Sheriff's for police and are covered in the Los Angeles County Fire district for fire services. These cooperative agreements allow the cities to observe lower overhead costs for these services than other cities that have their own police force and/or fire department.

Population and Space:

As can be seen, there is a lot of open space and room for growth in the Antelope Valley. Palmdale and Lancaster combined make up 197 square miles with only 279,404 people residing there. Glendale has a total of 31 square miles where 206,308 people live. Together, Pasadena, Ontario, Irvine, Garden Grove, Costa Mesa and Burbank have a total of 191 square miles for 893,373 people.



MAJOR ACCOMPLISHMENTS DURING FISCAL YEAR 2005-2006

During the 2005-06 Fiscal Year, the City took major steps in planning for the future by creating a 2020 Vision Plan and beginning assessment of where we are and where our community wants to be by 2020. Many strategic plans have been developed or are in the process of being developed supporting our objectives for the 2020 Vision Plan. In addition, we've made progress with each of the initiatives outlined in the 2005-2006 budget. Many revitalization, beautification, safety and improvement projects were also accomplished or begun in 2005-2006.

- The 2020 Vision Plan began with a Citizen Survey that was completed in September 2005. The City Manager, Council Members and Directors used the results of the survey to develop the City of Lancaster's 2020 Vision Plan. Both the Citizen Survey results and the 2020 Vision Plan were published and shared throughout the city with community members, business owners, and all city employees. In February, 2006 the City Council adopted this plan which commits the City to pursuing such ideals as becoming the safest city with a population over 100,000 by 2020. This year's budget was developed and adopted to support the 2020 Vision Plan and set the path for the next 15 years. The following are the priorities contained within the 2020 Vision Plan:

- Public Safety
- City Services & Infrastructure
- City Values
- Health & Human Services
- Housing & Neighborhood Revitalization
- Jobs and Economic Vitality
- Leisure Services
- Regional Cooperation
- Financial Health
- Growth and Development

- The Open Space and Parks Master Plan began in 2005-2006. This plan will ensure the City provides the leisure services wanted by the citizenry of Lancaster as well as the space needed for future parks and facilities as the city continue to grow and develop. A consultant has been hired who began a citizen telephone survey. A Citizen Advisory Committee and Project Management Team were established and have begun meetings to develop the plan.
- The redesign of Lancaster's downtown business district and the North Downtown Neighborhood Revitalization Transit Village project took a major step forward this year with many activities taking place. The Downtown Specific Plan is developing using a community-based process including 3 phases. The first two phases occurred during 2005-2006 which included a 3-day immersion program, a chance for citizens and business owners to understand and get to know the downtown area through

planned walks and virtual tours, participate in community workshops and public hearings, and participate on-line through the www.celebratedowntownlancaster.info website. The final phase to complete and implement the plan is scheduled for November 2006 through February 2007. The North Downtown Neighborhood Revitalization Transit Village project continued with the opening of the 15,500 square foot Children's Center of the Antelope Valley. Next door, just to the west of the Children's center, construction has begun on Arbor Grove which will offer our senior population spacious apartments right downtown. The Laurel Crest apartments, which offers low to moderate income housing, is under construction on the east side of the North Downtown Neighborhood Revitalization Transit Village project area. The City continued its acquisitions of properties to assist in revitalizing the downtown area.

- The Gateway Corridor revitalization project is well under way in the northeast section of Lancaster at the old AV Fairgrounds site. The partnership between California State University Bakersfield and California University Fresno continued to grow as the Lancaster University Center project begins Phase II of the project. This project brings 4 year degree programs to the area that weren't previously available. Also on the site will be over a dozen new ball fields to provide both youngsters and adults with first class facilities including grandstands, ample parking and public facilities. Grading is currently underway.
- The City continued its efforts to address the demands being placed on infrastructure by completing drainage, street resurfacing, traffic signal modification, bikeway and walkway, and street widening projects. During this year, the City's first 6-year Capital Improvement Project Program was developed. The six year capital improvement plan begins to address future infrastructure and maintenance needs; however more work needs to be done to fully quantify the maintenance needs of the City. Several vendors have been hired to provide an inventory and assess all of our Public Works assets including all trees, traffic signals, road signs, drains, sidewalks, etc., provide assessment our roadways and implement a new pavement management system, and assist with a new computer system that help with the infrastructure and maintenance needs of the City and one that was utilized to develop our 6-year Capital Improvement Program this year. Much of this will assist us in complying with GASB34 reporting requirements.
- A 5-year financial plan was developed this year. This is significant in that it provides the Council with information that demonstrates that resources are available to sustain the current and proposed level of service over the next five years.

- The Information Technology Strategic Plan is well underway. This plan is to establish what technology is needed to allow the City to operate in the most efficient manner. It includes assessment of all operating systems, software programs and systems, hardware, intranet and extranet systems, telecommunications systems, etc. Many employees from all departments participated in rapid workflow sessions this year that gave the consultant in-depth information on how we currently do business (manual and computer processes). The consultant made recommendations, provided an extensive presentation to the IT Strategic Plan Committee and has been made available to all employees, and provided the groundwork for the City to develop its Information Technology Strategic Plan in FY06-07 and implementation over the next several years.
- A Comprehensive Cost Recovery Study is also underway. Meetings have been held with each department to capture information on each service that is provided and the fees being charged. This will determine how general fund overhead costs should be allocated and ensure fees for services are appropriate. We look forward to the results of the survey in FY06-07.
- A Communications Strategic Plan was developed and approved by Council this year. The plan gives us guidance on how to communicate and disseminate information to the public. As part of this plan, a new and improved City website is in the final stages of development and scheduled to go live in early FY06-07.



PROSPECTS FOR THE FUTURE

The City of Lancaster has many exciting plans for the future. In continuing to support the 2020 Vision Plan, many of the projects begun in FY05-06 will continue to evolve into FY06-07 and several others are just beginning.

- The City will be updating its General Plan this year. The City's current General Plan was prepared in 1997 and, since that time, Lancaster has experienced rapid growth and many other changes in and around the City. A new General Plan will provide a "blueprint" for growth and development in Lancaster over the next 25 years and will include long-range goals, policies, and maps addressing important community topics ranging from the natural environment to public health and safety to transportation to economic development. Applications for the General Plan Advisory Committee have been distributed and visioning workshops will begin in August, 2006.
- The City will begin to develop a 10-year financial forecast and 10-year Capital Improvement Plan. These will allow the City ensure the ability to maintain a certain level of service over time and during the ebbs and flows of the economy. The City continues its fiscally conservative General Fund balance reserve to cover unanticipated revenue shortfalls or expenditure requirements. Also in safe and closely monitored condition is the City's status relative to Proposition 4, the Gann initiative, which limits appropriations by a formula, tied to the Consumer Price Index, population growth, and assessed value changes. This year the City continued its long standing informal policy of maintaining a 10% General Fund unallocated reserve.
- The Redevelopment Agency and the Greater Antelope Valley Economic Alliance continue to work with businesses to expand the opportunities for employment in the community. We expect to see continuing growth of the community. The City looks forward to the completion of the Lancaster Town center at 10th Street West and Avenue K. The new retail shops and restaurants are to include Farmer Boys Restaurant, Chili's, Panera Bread, Rubio's Fresh Mexican Grill, Jamba Juice, WinCo Foods store, CVS Drug Store, Verizon Wireless and Wells Fargo Financial. Hilton Hotels announced its plans to develop two new hotels in Lancaster's Front Row Center adjacent to the Clear Channel Stadium.
- The "Strong Neighborhoods Initiative" to improve and enhance neighborhood stability, engage citizens in the community improvement, and enrich the quality of life in Lancaster began in FY05-06 with the completion of an extensive study and recommendations provided to management and Council in June. Now that the Code Enforcement positions that were added at mid-year last year have been filled,

an enforcement plan will be developed in FY06-07 in support of the “Strong Neighborhoods Initiative” and 2020 Vision Plan Public Safety initiative. The City will work in conjunction with the Sheriff’s department to expand and enhance the Neighborhood Watch program this year with the addition of the Neighborhood Watch Civilian position that will be a City staff member.

- A new City website will be launched this year and the addition of an intranet system will promote the city and keep employees, citizens and visitors connected and informed. Additional news letters will be produced and distributed to residents and businesses this year including the additional of the “Mini Outlook”. The City currently has a quarterly newsletter or magazine that updates the community on events, the season’s classes and programs, changes to procedures, new or changing ordinances, etc. The “Mini Outlook” will be a smaller version that will be distributed during the off months.
- The City will continue its progress on each of the plans and studies that began in FY05-06. The City will review the recommendations made for the Information Technology Strategic Plan, and develop a plan to implement the portions we wish to approve. The results of the Cost Allocation Study will be presented to management for review and handling this year.
- The City will begin to develop and implement Best Practices Initiatives this year in order to improve effectiveness and efficiency as well as give clear objectives and goals throughout the organization. The Sheriff’s Department will continue to develop their Best Practices plan which includes conducting a nationwide search for departments to use as models and implementing customer service training for all the deputies. The City will begin a comprehensive training and development program on Best Practices which includes an extensive look at performance measures for the organization and individual units as well as investment in our human capital with through trainings, workshops and educational opportunities.





FINANCIAL AWARDS



The Government Finance Officers Association of the United States and Canada (GFOA) again awarded a **Distinguished Budget Presentation Award** to the City of Lancaster for Fiscal 2006. This is the highest form of recognition in governmental budgeting, and represents a significant achievement by any organization. The document is judged by an independent, anonymous panel of experts in the field of finance and budgeting. In order to receive the budget award, Lancaster had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well a government's budget serves as a policy document, a financial plan, an operations guide and as a communications device. The California Society of Municipal Finance Officers likewise awarded the City of Lancaster the **Certificate of Award - Excellence in Operational Budgeting**.

This document is used by the rating agencies such as Moodys or Standard and Poors in establishing the ratings on our Redevelopment Agency bonds; the better the bond rating, the lower the cost of the bonds. It also helps establish reporting credibility for the City as a whole. This is the road map to the operations and future of the organization.

The City began receiving these awards beginning with the 1991-92 budget. This budget is also being submitted to the Government Finance Officers Association and the California Society of Municipal Finance Officers (CSMFO) for their review.

CSMFO also awarded the City of Lancaster with the Public Communications Award for its Budget In Brief. This document provides a summary of the approved budget in a format that is concise and easy to read. It also outlines the key principles used in the development of this year's budget. This is the first year the City has produced a Budget In Brief and the first year it received this special award.



INVESTMENT POLICY CERTIFICATION



The California Municipal Treasurer's Association certified the City of Lancaster's Investment Policy in 2006. The City's temporary idle cash, those funds that are not immediately needed to pay current bills and not governed by bond indentures or bond resolutions, is invested in accordance with the City's adopted Investment Policy. This policy is reviewed annually by the City Council, with the latest policy adopted December 13, 2005 by Resolution No. 05-264.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible within the guidelines of this Investment Policy. The City attempts to achieve the highest yield obtainable through a diversified portfolio only after meeting the criteria established for safety and liquidity in that order. The principal investment objectives of the City are:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.
5. Compliance with the City's Municipal Code and with all applicable City resolutions, California statutes and Federal regulations.

The City's portfolio is a short-term and intermediate-term fixed income portfolio. The maximum maturity of any investment is 5 years, with consideration of anticipated cash flow requirements and known future liabilities. The City contracts with an investment advisory service (MBIA Asset Management Group) to assist in the effort to maximize the return on the City portfolio. The City investments include publicly traded Treasury notes, Treasury Bills, Federal Agency Investments, Time Deposits, and Local Agency Investment Fund (LAIF) under the auspices of the State Treasurer for investment. Funds invested in the LAIF are available within 24 hours, and other investments are available upon maturity at full face value. These investments enable the City and Agency to meet its expenditure requirements for the next six months, as required by state law.

The City's investments are governed by Sections 53600 et. seq. of the California Government Code. Additional limitations have been placed on the City's authorized investments by the City's Investment Policy (a copy is available in the Finance Department or from the City Clerk).