

STAFF REPORT
City of Lancaster, California
Lancaster Redevelopment Agency

Date: June 8, 2010

To: Mayor Parris and City Council Members
Chairman Parris and Agency Directors

From: Mark V. Bozigian, City Manager

Subject: **Proposed Fiscal Year 2010-11 Budget and Related Items**

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Redevelopment Agency Recommendations:

Open public hearing, receive report and public testimony, close public hearing and direct staff to schedule budget adoption for June 22, 2010.

City Council Recommendations:

Open public hearing, receive report and public testimony, close public hearing and direct staff to schedule budget adoption and adjustment of fee and fine schedules for June 22, 2010.

Background:

The City and the Redevelopment Agency are required to adopt a budget by July 1 of each year that establishes appropriations and estimated revenues for the fiscal year. The proposed budget is a culmination of many months of work by the City Council/Agency Board and staff in reviewing priorities and evaluating programs to meet those priorities.

The current economy continues to present a challenge in meeting the needs of our citizens. However, there are signs that the economy is starting to improve. Economists indicate that the decline in the economy should level off by late 2010/early 2011. Despite the state of our revenues, the City continues to provide the high quality service our citizens have come to expect. The budget proposal recommends that all facilities remain open and that all programs continue into the next fiscal year.

During fiscal year 2009/10 the City of Lancaster and the Lancaster Redevelopment Agency endured significant losses to the state of California in the form of revenue takings. In May 2010 a challenge brought by the California Redevelopment Association against the state failed, resulting in a \$17.5 million payment to the state. This was in addition to the nearly \$2 million in general fund property tax the state had borrowed. Next fiscal year we will continue to be under attack from the state with an additional \$3.5 million in Redevelopment Agency funds being due. An appeal of the CRA lawsuit has been filed, and we will monitor that process closely with the hope that the initial ruling will be overturned.

The priorities for the coming year, as reflected in the proposed budget are:

- Economic Development/Revenue Generation/Job Creation
- Public Safety
- Financial Stability
- Programming of Downtown

We see the next twelve months as an opportunity to take positive, proactive steps in growing our local businesses and attracting new business and industry to Lancaster. Initiatives will be undertaken during the year, with the goal to diversify and increase revenues to the City.

Public safety is always a number one priority of the City/Agency and great progress has been made in reducing the crime rate. There remains room for improvement, and the City, in conjunction with the Los Angeles County Sheriff's Department, will continue to attack crime from all angles.

The transformation of Lancaster Boulevard is underway! Once construction is complete, the next phase will include partnering with the local business community and The Blvd. Association to bring fun activities to the Downtown area.

The City Council and staff are proud of the financial management and conservative fiscal policies that have enabled us to come through the economic crisis without having to lay off staff or drastically reduce service. The proposed budget continues those policies, with a 10% operating reserve and a 22% financial stability reserve being maintained in the City's general fund. These reserves are well above reserves you typically find in California cities and provide a cushion for unexpected changes in revenue streams. They have also allowed the City to take a proactive approach in dealing with the economic decline while being fiscally responsible.

The following table summarizes the proposed budget:

	CITY	REDEVELOPMENT AGENCY	TOTAL
Salaries	\$28,688,480	\$2,549,270	\$31,237,750
Operations & Maintenance	\$56,234,144	\$2,029,840	\$58,263,984
Programmatic Expenditures	\$0	\$42,949,547	\$42,949,547
Capital Outlay	\$296,100	\$0	\$296,100
Capital Projects	\$10,140,600	\$3,140,907	\$13,281,507
Pass-Through Payments	\$0	\$44,132,695	\$44,132,695
Debt Service	\$0	\$15,754,930	\$15,754,930
TOTAL	\$95,359,324	\$110,557,189	\$205,916,513
FY 2009/10 Adopted	\$97,643,368	\$122,935,519	\$220,578,887
% Change	-2.3%	-10%	-6.6%

The proposed City budget reflects a slight 2.3% decrease from the adopted FY 2009/10 budget. This decrease is primarily due to reductions in the Capital Improvement Program (CIP). Historically, both the design and construction phases of the annual pavement management projects would be budgeted in year one, while only design would take place. In FY 2010/11 a phased approach is recommended so only the funds needed for design in year one are being requested for the program.

The proposed Redevelopment Agency budget is 10% lower than the adopted FY 2009/10 budget. The decrease is reflective of lower pass-through payments due to anticipated lower tax increment revenues (pass-through payments are directly tied to annual revenue) and fewer capital improvement projects, again a reflection of the projected decline in tax increment revenues for the coming fiscal year.

Typically, during the budget process a review of the City's fees is undertaken, with a new fee schedule proposed as part of the budget. For the next fiscal year it is recommended that the current fee schedule remain in effect, with the addition of three new fees. They are:

Code Enforcement Failed Inspection Fee	\$100.00
Newsrack Removal Fee	\$482.00
Commercial Parking Permit – Street Sweeping	\$ 25.00

By law, fees must be based on the cost to provide service and these fees reflect the actual cost of service.

In addition, a new bail schedule for the Antelope Valley Community Youth Court is recommended for adoption. The fines and fees as proposed are based on a similar program in Santa Clarita and are an integral part of the success of the new Youth Court program that is proposed to begin in the new year. The full schedule is attached.

The City's fine schedule, which establishes fines for violations of the Lancaster Municipal Code, has not been updated for many years. The purpose of the fine schedule is to be a penalty for, and deterrent of, non-compliance of the municipal code. When the schedule is not kept up to date it is no longer an effective tool. It is staff's recommendation that the fine schedule be amended as reflected in the attached schedule.

The proposed budget and fee and fine schedules will come back for final adoption at the regular City Council/Redevelopment Agency meeting of June 22, 2010 and will be effective July 1, 2010.

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Attachment(s):

1. Fiscal Year 2010-11 Proposed Budget – On file in the City Clerk's Department
2. Antelope Valley Community Youth Court Lancaster Division Bail Schedule
3. City of Lancaster Fine Schedule
4. City of Lancaster Proposed New Fees