

STAFF REPORT
City of Lancaster

Date: June 12, 2012

To: Mayor Parris and City Council Members

From: Mark V. Bozigian, City Manager
Barbara Boswell, Director of Finance

Subject: **Proposed Fiscal Year 2012-13 Budget and Five-Year Capital Improvement Program**

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Recommendation:

Receive report and public testimony and direct staff to schedule budget adoption for June 26, 2012.

Background:

Cities are required to adopt a budget by July 1 of each year that establishes appropriations and estimated revenues for the coming fiscal year. To address City Council direction and priorities, the proposed budget has been developed to provide a prudent and functional financial platform from which to sustain the City's operational capabilities in spite of continuing economic challenges. Broadly, the proposed budget maintains the community service levels and public safety initiatives that Council has put in place and expanded over the last four years.

The economy is showing signs of a slow recovery. Sales tax is expected to increase slightly, assessed valuation of property is expected to level off, but new construction permit activity is expected to stay at historic lows. The proposed budget reflects this revenue reality while providing funding for the service levels expected by our citizens, while maintaining financial reserves.

With the dissolution of the Lancaster Redevelopment Agency, this is the first year in over thirty years that a Redevelopment Agency budget is not being presented for consideration. The obligations of the former Redevelopment Agency have been assumed by the Lancaster Successor Agency. The budget for the Successor Agency has already been considered by the Successor Agency board as prescribed by law. The dissolution has impacted the City in a number of ways. The general fund has lost the overhead reimbursement that came from the Redevelopment Agency, a net loss of over \$500,000 per year, and it has had to absorb the critical economic development functions that had been part of the Redevelopment Agency.

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

- Public Safety
- Continuation of service levels
- Enhancement of partnerships with the private sector as well as with our faith-based, medical, and non-profit communities
- Financial stability and maintenance of reserves
- Maintenance of facilities
- Growing the City's jobs and revenue base

Public safety is always the number one priority of the city. The proposed budget reflects that

priority. At nearly \$26 million, the public safety budget will represent 50% of general fund operating expenditures. The budget also includes funding for the Law Enforcement Aerial Platform System (LEAPS) per the City’s agreement with our partner Aeroview. It is important to note that, while LEAPS will be utilized in Lancaster by the Los Angeles County Sheriff’s Department for nearly the entire 2012-2013 fiscal year, funding is only included for operations that fall outside of the first 12 months of system operation; the first 12 months of operation are at no cost to the City.

When the economic slide began in 2008, the City had prudently set aside reserves of \$18 million as a “rainy day” fund to address adverse economic conditions and other unplanned negative impacts. In addition to significant staff reductions and other efficiencies and expense reductions over the last four years, the City has had to utilize some reserves to address revenue reductions, unanticipated expenses, and the loss of a significant amount of City revenue confiscated by our own State of California. The projected reserve balances for the fiscal year are \$7 million, a combination of operating and financial stability reserves. As the economy improves, it is vital for the City to place a high priority on replenishing its reserves. Having healthy reserves has allowed the City the opportunity to respond to the economic downturn in a proactive, methodical manner, and having that flexibility will be a priority for the next downturn.

The City Council and staff are proud of the financial management and conservative fiscal policies that have enabled us to weather the economic downturn to date without having to drastically reduce service. The proposed budget continues those policies, with a 10% operating reserve and a 6% financial stability reserve being maintained in the City’s general fund.

The following table summarizes the proposed budget:

	Adjusted FY 11/12	Proposed FY 12/13	% Change
Salaries	\$30,311,556	\$30,577,231	.8%
Operations & Maintenance	53,042,977	60,426,811	14.4%
Capital Outlay	11,543,081	512,500	-95.0%
Capital Projects	40,441,331	18,141,928	-55.1%
TOTAL	\$135,338,945	\$109,658,470	-18.9%

The proposed City budget reflects an 18.9% decrease from the FY 2011/12 adjusted budget. The decrease is primarily due to one-time projects in the Housing & Neighborhood Revitalization Department and Capital Improvement Projects that are budgeted in fiscal year 2011-12. Operations and Maintenance are proposed to increase 14.4% primarily due to the addition of the Housing Authority successor activities and Economic Development from the Redevelopment Agency and the addition of the Power Authority activities.

The proposed budget will come back for final adoption at the regular City Council meeting of June 26, 2012 and will be effective July 1, 2012.

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Attachment:

Fiscal Year 2012-13 Proposed Budget (On file in the City Clerk’s Department)