

STAFF REPORT
City of Lancaster
REVISED

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Date: June 10, 2014

To: Mayor Parris and City Council Members

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

Subject: **Proposed Fiscal Year 2014/15 Budget and Five-Year Capital Improvement Program**

Recommendation:

Conduct the Public Hearing and direct staff to schedule budget adoption for June 24, 2014.

Background:

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

Lancaster is continuing to recover from one of the worst recessions in our history. Sales tax, which contributes 40% of general fund revenues, is projected to have its fifth year of increases. However, it still falls short of fiscal year 2006/07 peak levels. Revenues from auto sales continue to be strong and general retail is growing as well. Unfortunately, we continue to be plagued by a sluggish real estate market. Overall assessed valuation was up just 2.55% in 2013 compared to 2012 and we are anticipating a modest increase for 2014. Property tax represents 32% of general fund revenues, and the City won't be able to fully recover until we see an overall increase in assessed valuations.

With just over 200 new building permits expected to be issued next fiscal year, construction continues to be slow. At the peak, the City was issuing over 2,000 new building permits per year. This will be the eighth year that less than 300 permits are anticipated to be pulled.

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

- Public Safety
- Financial stability and maintenance of reserves
- Maintenance of facilities
- Growing City's revenue base

Public safety is always a number one priority of the City. The proposed budget reflects that priority with its funding recommendations. At over \$25 million, the public safety budget represents nearly 50% of general fund operating expenditures. At \$56 million, the proposed general fund expenditure budget is less than 1% higher than the adopted fiscal year 2013/14 budget.

The Council has not only made it a policy to maintain reserves, but a practice to maintain reserves well over the required 10% level. While the proposed budget dips into reserves to cover a shortfall of \$1.1 million, total reserves represent 18% of revenues, well over the required 10% policy. The City also maintains other reserves for specific purposes, such as equipment replacement, in addition to the general fund reserve.

The following table summarizes the proposed budget:

	Adopted FY 13/14	Proposed FY 14/15	% Change
Salaries	\$31,599,369	\$32,120,079	1.65%
Operations & Maintenance	\$52,709,637	\$53,133,577	0.80%
Capital Outlay	\$339,405	\$127,869	-62.33%
Capital Projects	\$22,139,222	\$22,585,265	2.01%
TOTAL	\$106,787,633	\$107,966,790	1.10%

The proposed City budget reflects a modest overall 1.10% increase from the FY 13/14 adopted budget. Capital projects are proposed to increase 2.01% primarily due to the availability of restricted funds and grants for much needed road maintenance and improvement projects.

The proposed budget will come back for final adoption at the regular City Council meeting of June 24, 2014 and will be effective July 1, 2014.

Attachment:

Fiscal Year 2014/2015 Proposed Budget – On file in the City Clerk Department

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