



Biennial Budget

&

Five-Year Capital Improvement Program

Fiscal Years

2016-2017

&

2017-2018



CITY OF
LANCASTER

City of Lancaster

The vision for the City of Lancaster is to be a most desirable place to live, work, visit and play. We achieve our vision through the delivery of highly effective public services for the common good.

Our Values

Integrity

Involvement

Courage

Accountability

Respect

Excellence



CITY OF
LANCASTER
FISCAL YEARS 2017 & 2018
ADOPTED BIENNIAL BUDGET
&
FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM

CITY COUNCIL

R. Rex Parris, Mayor

Term Expires: 2020

Marvin E. Crist, Vice-Mayor

Term Expires: 2018

Raj Malhi

Term Expires: 2018

Kenneth G. Mann

Term Expires: 2020

Angela Underwood-Jacobs

Term Expires: 2020

Mark V. Bozigian, City Manager

Allison E. Burns, City Attorney

Jason D. Caudle, Deputy City Manager

Kathleen Abaied, Manager, Human Resources

Britt Avrit, City Clerk

Barbara Boswell, Director, Lancaster Choice Energy & Finance

Elizabeth Brubaker, Director, Housing & Neighborhood Revitalization

Toi Chisom, Assistant to the City Manager

Lee D'Errico, Director, Public Safety

Jeff Hogan, Director, Development Services

Vern Lawson, Director, Economic Development

Brian S. Ludicke, Director, Planning

Ronda Perez, Director, Parks, Recreation, and Arts



CITY OF LANCASTER



Understanding the Budget Document

The **Introduction** features the **City Manager's Message** which presents the budget document to the City Council and the citizens of Lancaster highlighting policy directives and budget priorities.

The **Community Profile**, found in the **Introduction** provides important details about Lancaster, including city demographics, sales and property tax contributors, development activity and important statistics.

The **Budget Overview** outlines all City funds, reviews federal and state economic projections, and provides the budget summary for fiscal years 2017 and 2018. This section also includes a four-year comparison of revenues and expenditures.

The **Fund Balances section** shows in summary form the status of the General Fund, along with the other funds (component units) that comprise the comprehensive financial unit of the City of Lancaster. These are the same units that are included in the City's Comprehensive Annual Financial Report; the City's other main financial document.

The **Revenue Sources** explains the source of the City's revenue, how it is determined, the basis for estimating it, and any restrictions placed on its use.

The **Department Sections** provide information on the programs (services, budget trends, and staffing) that make up the operating budget. This section is segregated into departments and the divisions within the departments. Each program is laid out the same way. The components are:

- Program Description or Department Function - mission of the unit;
- Accomplishments for the previous year - progress towards goals;
- Budget Goals for the two years; goals for meeting the City's overall policies; and
- Line Item Detail - dollars allocated for the operation of the program.

The **Personnel Analysis** presents a two year history of staffing by position and adopted changes for the next two fiscal years.

The **Capital Improvement Program** contains the Five Year Capital Improvement Program (CIP) for the City. This section includes the CIP policy, summary pages, detail of each capital improvement project with a map, and expenditure plan for the current year and five years into the future.

The **Appendix** contains budget supplemental information. This includes a detailed explanation of the budget process, the budget calendar, the basis of budgeting, financial policies, past budget awards, and the glossary.

To find any of this information, please refer to the **Table of Contents**.



CITY OF LANCASTER

TABLE OF CONTENTS



CITY OF LANCASTER

Understanding the Budget Document	i
Introduction	
City Manager's Message	3
Organizational Structure	13
Community Profile	15
Economic Outlook	23
Budget Overview	
Citywide Budget Summary	27
Where the Money Comes From.....	32
Where the Money Goes.....	33
Citywide Four Year Comparison.....	35
Fund Balances	
Fund Balance Statement FY 2015.....	39
Fund Balance Estimates FY 2016.....	42
Fund Balance Projections FY 2017	45
Fund Balance Projections FY 2018.....	48
Detail of Operating Transfers.....	53
Revenues	
City-wide Revenue Detail	59
Description of Revenue Sources	69
Department Sections	
City Council	75
City Manager	81
City Clerk	87
City Attorney	93
Human Resources	99
Administrative Services.....	105
Finance and Information Technology	119
Parks, Recreation, and Arts.....	127
Development Services	143
Housing & Neighborhood Revitalization	161
Public Safety	173
Lancaster Choice Energy	183
Personnel Analysis	
Personnel by Department and Division	189
Capital Improvement Program	
Program Summary	199
CIP Policy.....	202

CIP Summary-Appropriations by Program	204
CIP Summary-Appropriations by Fund	206
FY 2016 Projects Carry Forward Without Additional Funding.....	209
FY 2017 -2021 Capital Improvement Program Schedule	211
FY 2017 & FY 2018 Adopted New Projects Citywide Map.....	215
FY 2017 & FY 2018 Adopted Carry Forward Projects with New Funding .	216
Project Detail	217
Appendix	
The Budget Process.....	247
Budget Calendar	248
Basis of Budgeting.....	252
Annual Appropriations Limit Calculation and Resolution	253
Allocating the Cost of Services	254
FY 2015-16 GFOA Distinguished Budget Presentation Award.....	255
Financial Policies	256
City Fund Descriptions	259
Glossary of Terms.....	263
Acronyms	271
Fund Listing by Number.....	276
Object Code Listing by Number.....	279

INTRODUCTION



City Manager's Message

To: Honorable Mayor, Council Members, and Residents of Lancaster

As City Manager, it is my duty and pleasure to present you with this comprehensive financial plan. The budget is a policy document—not just a series of numbers or a list of planned expenditures. The budget is a road map to our continued goals. It is a promise to our valued residents, business owners, and visitors. This budget reflects the Mayor and City Council’s dedication to fiscal responsibility, long-term financial stability, future planning, and service to our community.

This document is the City’s first ever biennial budget appropriating funds for fiscal years ending in 2017 and 2018. As the City’s planning process is not confined to just one year, a biennial budget gives readers a more comprehensive picture of City goals and finances. Of course, the City Council will still evaluate and revise the FY 2017-2018 budget next June to ensure continued alignment with Council and community priorities.

Lancaster’s current successes and future plans are a direct result of the Mayor’s and Councilmembers’ unparalleled leadership and ingenuity. Many City initiatives such as Medical Main Street, Revive 25, and the Community Leadership Academy are personally driven by the Mayor and Councilmembers. You will read about these initiatives in-depth later in the document. City staff is truly fortunate to implement these strategies with the City Council’s full confidence and trust.

Our future is unquestionably bright. However, Lancaster’s past successes should certainly not go unmentioned. The City gained global recognition with Mayor Parris’s announcement of our goal to become the first Net Zero city. In support of that goal, the Council updated the municipal building code requiring all newly constructed single-family homes to include at a minimum, a 1.0 kW solar system. Writing for the ‘mother nature network’ website, Matt Hickman proclaimed “A law mandating solar for all new homes? That’s right ... a bold — and certainly historic — move but not entirely surprising for the Los Angeles County city of more than 155,000 that leads the state of California in solar generating capacity”.

Our Council’s leadership in energy innovation did not stop there. Lancaster recently became California’s first municipality to implement a community choice aggregation program, Lancaster Choice Energy (LCE). LCE buys the power and sells it to our customers. Southern California Edison (SCE) continues to deliver the electricity through its transmission and distribution system and provide meter reading, billing, maintenance, and outage response services. By bringing energy decisions closer to home, LCE gives our residents and businesses a far greater voice in how the community approaches power generation, energy conservation, and sustainability. While LCE’s standard product, Clear Choice, offers 35% renewable energy, at a lower rate than SCE, the Smart Choice rate plan offers customers the option of “opting-up” to 100% renewable energy content at a competitive price.

The “residential solar” building code and LCE are just two of Lancaster’s recent successes. The City Council has created many more inventive policies that staff has implemented in all areas of city government. But Lancaster is not a city to rest on its laurels. Our Mayor and City Council have never ceased to find ways to improve our city. Lancaster staff strives to enhance our customers experience at City Hall and in our neighborhoods every day. This budget is filled with programs that continue to push the boundaries of bold city governance. Therefore, I reiterate my pride to present you with this FY 2017 and 2018 Budget and Five-Year Capital Program.

BUDGET GOALS

Future Ready

As the landscape of local government continues to evolve, the City is of course taking a proactive approach. Lancaster is thinking beyond this year's and next year's budget—even further than ten years—to envision what Lancaster will look like 50 years in the future. 'Next 50' is a vision of sensible growth which balances environmental, economic, individual and collective needs. The City hopes to set new standards for how local government can best fulfill its role in a future where new challenges and opportunities frequently arise.



Coupled with Next 50 are our efforts to become a 'Smart City'. A smart city gathers data from smart devices and sensors embedded in its roadways, power grids, buildings and other assets. It shares that data via a smart communications system that is typically a combination of wired and wireless. It then uses smart software to create valuable information and digitally enhanced services.

Some of those services are used by the city itself. Examples include emergency response centers and city-wide control centers. Likewise, enhancements such as smart power grids and smart water grids improve efficiency and reliability while also giving customers detailed information to help them reduce their bills. And smart transportation uses the power of computers to optimize travel throughout the city.

Some of those services are delivered digitally via computer or smart phone. Examples include online permitting, online lookup of information such as buried cables, water mains, bus arrival times, traffic maps, crime reports, emergency warnings, and much more.

Lancaster is on its way to becoming a smart city and staff looks forward to future initiatives, developments, and projects to achieve the vision, ultimately improving quality of life by using technology to improve the efficiency of services, meet residents' needs, and engage the community.

Talent Management: Recruitment, Employee Development & Succession Planning

Organizations everywhere, in particular the public sector, are experiencing transformational change. There is a rapidly declining workforce from retirements combined with a shortfall of prepared next generation employees that make it more difficult to find and keep talent.

The City of Lancaster's Human Resources Department sees this challenge as an opportunity to transition towards building a stronger workforce for the future. This commitment requires a more contemporary approach to Talent Management: (Recruitment, Employee Development & Succession Planning). This approach involves an ongoing process of recruiting, identifying, assessing, and developing talent to ensure leadership and management continuity throughout the organization and moreover, to sustain and heighten the City's performance.

The City of Lancaster has for years ensured that employees have a wide variety of training opportunities. Going forward the City will take a more pragmatic approach to develop employees. A robust employee development program that encompasses a thoughtfully designed competency model with training helps ensure employees are aligned and pulling in the same direction with the City's mission and vision.

The City will also continue to focus on developing talent from within the organization. Through a strong succession plan, employees will continue to strive for excellence, knowing that mentoring & coaching, exposure to new projects and development training will be expanded for future growth opportunities. The City, in turn, will be able to identify and foster the next generation of leaders for the organization that will benefit the community at large.

Medical Main Street

Planning for and designing communities that make it easier, via access and options, to live healthier improves the quality of life for residents. Too many of Lancaster's residents are living with chronic diseases ranging from diabetes and coronary heart disease to other preventable and/or treatable conditions. The City Council takes this situation very seriously. A number of programs were designed to address the problem, including the implementation of such programs as Wellness Homes in high-needs neighborhoods throughout the City; the You Only Live Once (YOLO) program, which works to incentivize healthy choices; and the Mayor's Health Academy, which aims to provide children and families, at school and in their neighborhoods, with access to health care, nutritious food, and educational opportunities that lead them to healthy, active lifestyles.

Over the past year, Lancaster partnered with Antelope Valley Healthcare District to take citizen health and wellness to the next level. In addition to a goal of improving health outcomes, the proposed Medical Main Street project aims to harness the potential of more than 350 acres in our community's core—over 100 of which are vacant—to expand and diversify the city's tax base as well as create new, high-paying jobs for local citizens. Most importantly, this project will create a healthier and thriving Lancaster.



The proposed Medical Main Street district is envisioned as a regional center for health and wellness. Through the implementation of cutting-edge concepts in development and land-use planning, this area will become a walkable, mixed-use destination encompassing a wide range of first-class health care facilities; recreational opportunities, health-conscious eateries, and retail; and residential options, all in a pedestrian-focused and aesthetically appealing setting reminiscent of The BLVD in downtown Lancaster.

In much the same way, the City leveraged a significant investment in infrastructure and planning of the BLVD arts and entertainment downtown district. A similar approach will be taken to create a new and attractive environment where private capital will seek to invest in order to build new healthcare facilities and support services. We aren't just talking about doctors' offices and clinics. We envision cafes and shops to support patients and their families, as well as housing for medical workers and the infrastructure required to support a 24/7 operation which the medical community requires.

One key aspect of infrastructure already identified is the need for improved traffic circulation. Several streets have been identified for improvements, and new streets will be added to create better access for ambulances and other emergency vehicles. The planning process is anticipated to take 12-18 months to complete with build-out of infrastructure improvements and new commercial development to begin shortly thereafter.

Lancaster Citizen Leadership Academy

Preparing Lancaster for the future continues to be a priority of the City Council and such preparation does not stop inside the walls of City Hall but extends to the next generation of appointed leaders and elected officials. For any City to thrive and get better, effective community leadership is essential and because Lancaster is faithful to being a great city and one of "firsts" a commitment has been made to grow a more engaged and knowledgeable citizenry--through the creation of the Lancaster Citizen Leadership Academy (LCLA).

The mission of the Lancaster Citizen Leadership Academy is to develop community leaders through the achievement of distinct goals that:

- Enhance the network of engaged and knowledgeable residents and business owners in the City of Lancaster.
- Educate residents on the inner workings of their municipal government by providing beneficial

insight into City services, operations, and general management.

- Create a two-way constructive dialogue between residents and City officials and staff, ultimately building a stronger Lancaster.
- Transform residents into the role of actively, engaged citizens, and future leaders.

Participants in the Lancaster Citizen Leadership Academy will benefit from a unique, interactive learning experience focusing on specific information/topics and the active exchange of ideas through a series of workshops and behind the scenes experiences. LCLA alumni will possess a more educated perspective on City government and issues and own their obligation and opportunity to be an active, engaged citizen and effective community leader of Lancaster. The Academy is anticipated to kick-off at the beginning of 2017.

Public, Educational, and Government (PEG) Access Television

PEG access television channels are used for local government programming. Channel 28 has long been the City's government access channel appearing on local cable television. We currently broadcast a number of City events including City Council meetings and the Criminal Justice Commission and Planning & Architectural Design Commission meetings.

Educational programming is also a critical part of Channel 28. For example, the award winning film, *The Future of Energy*, is now showing. *The Future of Energy* is a documentary film exploring solutions to climate change, as well as 100% renewable energy technologies.

To improve programming and upgrade to more technologically advanced broadcasting equipment, it is being recommended the City take advantage of a federal program which allows Lancaster, and other franchising authorities, to require their cable operator to provide services, facilities, or equipment for the use of PEG channels, with the goal of enhancing Channel 28 and providing increased value to the residents and businesses of Lancaster.

Streetlight Acquisition

Lancaster's lighting maintenance district fund has been, for years, running an average annual deficit of approximately a quarter of a million dollars. This forced us to backfill that fund with transportation funds to pay Southern California Edison (SCE) to supply electricity and maintain nearly 18,000 Lancaster street lights. When SCE announced a new program to allow cities to purchase the utility owned streetlights, Lancaster jumped at the chance to take advantage of an opportunity to achieve greater operational efficiency and substantial cost savings for the community, while greatly enhancing services.

The savings the City will achieve are a conglomeration of several factors. One, streetlights will be powered with energy purchased by Lancaster Choice Energy (LCE). Since the launch of LCE in May 2015, rates have consistently been below those of SCE. City staff will maintain the streetlights at rates much lower than what SCE charges the City. Ultimately the City plans to convert streetlight lighting from inefficient high pressure sodium to "green" LED lights with a solar power system which will further decrease costs. Lancaster will be free to incorporate them into our streetlights to increase light efficiency and decrease maintenance costs. It is anticipated the transition and acquisition of streetlights from SCE will be completed by January 2017.

FINANCIAL SUMMARY

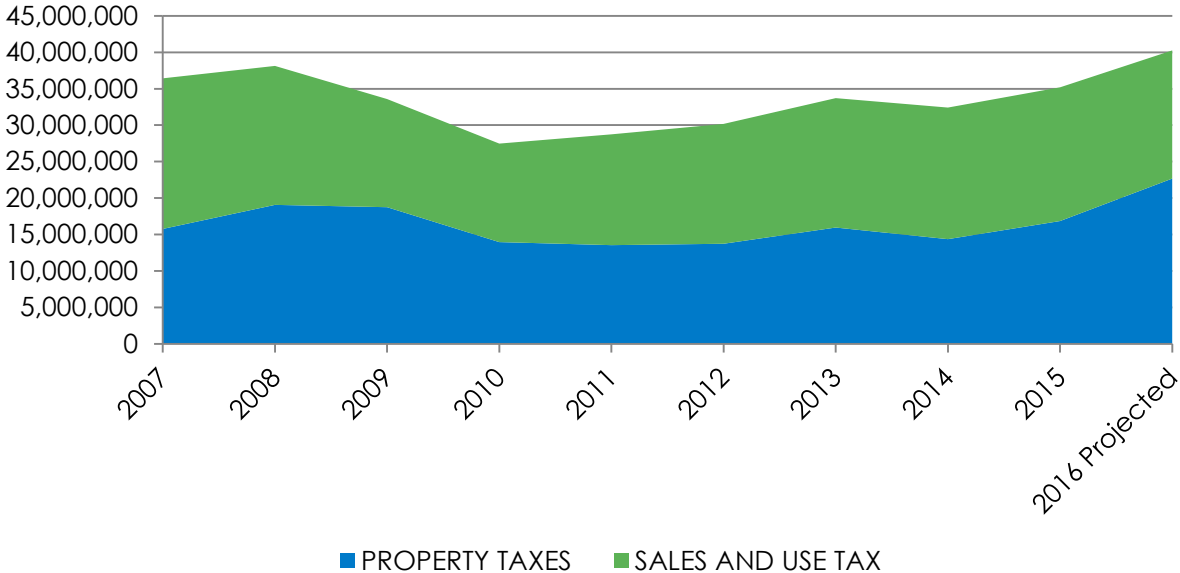
The City budget, proposed at \$175.8 million in fiscal year 2017 and \$155.2 million in fiscal year 2018 is summarized below:

By Category	Actuals FY 2015	Year End Estimates FY 2016	Adopted FY 2017	Approved FY 2018
Personnel	32,173,768	36,241,255	37,486,980	39,090,715
Operations & Maintenance	57,573,706	84,141,057	98,252,642	96,807,275
Capital Outlay	956,455	368,477	12,442,555	460,655
Capital Improvements	14,605,737	64,123,498	27,664,858	18,975,405
SUM	\$ 105,309,666	\$ 184,874,287	\$ 175,847,035	\$ 155,192,305

The FY 2017 budget, excluding capital improvements is 23% greater than FY 2016 year-end estimates. This increase is attributable to FY 2017 being the first full year of Lancaster Choice Energy operations and upcoming streetlight acquisition costs. The City projects full ownership of streetlights in FY 2017. Therefore the FY 2018 budget decreases 8% from FY 2017 levels.

How We Maintain Fiscal Health

Lancaster was hit hard by the sharp economic decline and the resulting long-term recession. While in 2007 Lancaster had the largest increase (21.1%) in assessed property valuation in Los Angeles County, by 2009 assessed valuation had fallen by 15.4%. Similarly sales and use tax collections decreased by 35% between 2007 and 2010.



Lancaster City Council’s firm commitment to fiscal responsibility and long-term financial stability helped to soften the impact of the declines. Years before the 2008 crash the Council made it a policy to contribute to reserves during economic upswings and maintain those reserves well over the required 10% level. The City also maintains other reserves for specific purposes, such as equipment replacement and other contingencies, in addition to the general fund reserve. Lancaster carries absolutely no general

obligation debt.

Having sufficient reserves has enabled us to make thoughtful, rational reductions in our budget while still maintaining, and in many cases expanding public services. As the economy continues to improve, we replenish our reserves in order to position us to be prepared to meet the challenges of the next economic downturn that will inevitably come in future years.

All this is not to say we haven't had to make sacrifices along the way. When California dissolved local redevelopment agencies in 2012 we were stripped of our ability to collect tax increment revenue so critical to growing our local economy. Through the leadership of the City Council and the ingenuity of staff we've persevered time and time again.

Just one example of this involves our dynamic economic development division who aggressively pursued and successfully attracted manufacturing giants BYD (electric buses) and Morton Manufacturing, creating hundreds of jobs for the community. Kaiser Permanente also expanded significantly in Lancaster improving local health care options, for residents. House Majority Leader Kevin McCarthy (R-CA 23rd District) recently toured the local BYD factory facility along with Lancaster Mayor R. Rex Parris.



CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) amounts to a total of over \$27 million proposed to be funded in fiscal year 2017 and nearly \$19 million in fiscal year 2018. Projects are funded by a variety of special and restricted funding sources you can read about in the ‘City Funds’ section of the budget. Several new projects are funded in large part with state and federal grant funds, successfully secured by our committed staff.

Although we present a 5-year plan, only the first two years are approved for appropriation. The costs shown in the final three years of the CIP are based partly on requested funds and not those that are projected to be available at that time.

Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	TOTAL
27,664,858	18,975,405	37,382,368	55,857,098	40,025,980	\$179,905,709

We have many exciting projects in the pipeline. In 2015, the City launched REVIVE 25—an innovative, cost effective road maintenance program. Lancaster has nearly 1,700 lane miles of roads—that’s the distance from Los Angeles to Chicago. Complete reconstruction of all those miles of roads would cost the city and taxpayers over \$500 million dollars.

REVIVE 25 is a plan to maximize the life of all Lancaster roads by investing more in preventing road issues before they occur. This preventative approach will enable us to postpone or completely avoid more expensive treatment down the line, saving taxpayers more than 280 million dollars over the next 10 years as we work to treat every square foot of road in Lancaster by 2025. Follow the REVIVE 25 journey at www.ABetterRoadAhead.com.

In this past year, some of the major streets re-surfaced were:

- ◆ Avenue M from 45th Street West to 20th Street West (joint project with Los Angeles County)
- ◆ Avenue G from 30th Street West to 50th Street West
- ◆ Avenue J from 50th Street East to 70th Street East
- ◆ 40th Street East from Avenue K to Avenue K-8
- ◆ 10th Street W from Avenue H to Avenue G

Street segments planned in fiscal years 2017 and 2018 include, but not limited to:

- Avenue K from Division Street to Challenger Way
- 20th Street West from Lancaster Blvd to Avenue J
- 10th Street West from Avenue I to Avenue J
- 40th Street West from Avenue K to Avenue L
- Avenue L from 30th Street East to 35th Street East
- 35th Street East from Avenue K to Avenue L
- 20th Street East from Avenue J to Avenue K-8

In addition to road maintenance projects, staff is hard at work on five freeway (state route 14) interchange projects (Avenue K, Avenue L, Avenue M, Avenue G, and Avenue J). These ambitious and transformative projects are funded entirely with Los Angeles County Measure R Highway Equity funds. All of these projects, with a budget in excess of \$65 million, will be completed by 2020.

In the CIP section of the budget document, you can read about and see detailed maps of all budgeted capital projects including:

- * FY 2017 Traffic Signal Upgrades (\$1,100,000)
- * Pedestrian Gap Closures (\$1,490,705)
- * Parks Improvements (\$250,000)

CONCLUSION

I am excited about what's in-store for our City not only in the next two years but far beyond. From Lancaster Choice Energy to the recently revitalized MOAH Cedar Center for the Arts, the City offers its residents and businesses the ability to save money on essential services and provides unique cultural opportunities for the entire Antelope Valley.

It goes without saying that City employees are consistently seizing the moment to better the City. Whether it's by obtaining competitive grants, gathering the community together at Downtown events and the hugely popular Field of Drafts, or providing excellent customer service in all the "routine" functions of a city Lancaster staff is always available to lend a hand. We hope after reading this message you have a sense of just how much your City government is committed to the City of Lancaster.

Staff will continue to work as a team, utilizing resources wisely and effectively, to best serve residents, businesses and visitors to the City of Lancaster. This staff works well under pressure, and is more creative and adaptable than any group of employees I have ever served with. It is an absolute honor and privilege to work along such fine people.

This message is a very brief overview of the budget and the City's priorities. The remainder of the budget book will provide important details. I encourage you to contact our staff if you have any questions, suggestions, or want to get involved.

This budget is the result of a lot of hard work and strategizing by the entire City staff. I want to particularly thank our Finance Director, Barbara Boswell, for her continued leadership in managing the City's finances, as well as her staff, Pam Statsmann, Assistant Finance Director, Nicole Rizzo, Operations Manager, and Jessica Thompson, Administrative Assistant. It will be a rewarding year. We are confident we as a community and team of Council, citizens and staff are resilient and will work together to continue to make Lancaster a wonderful place to live, work, and visit.

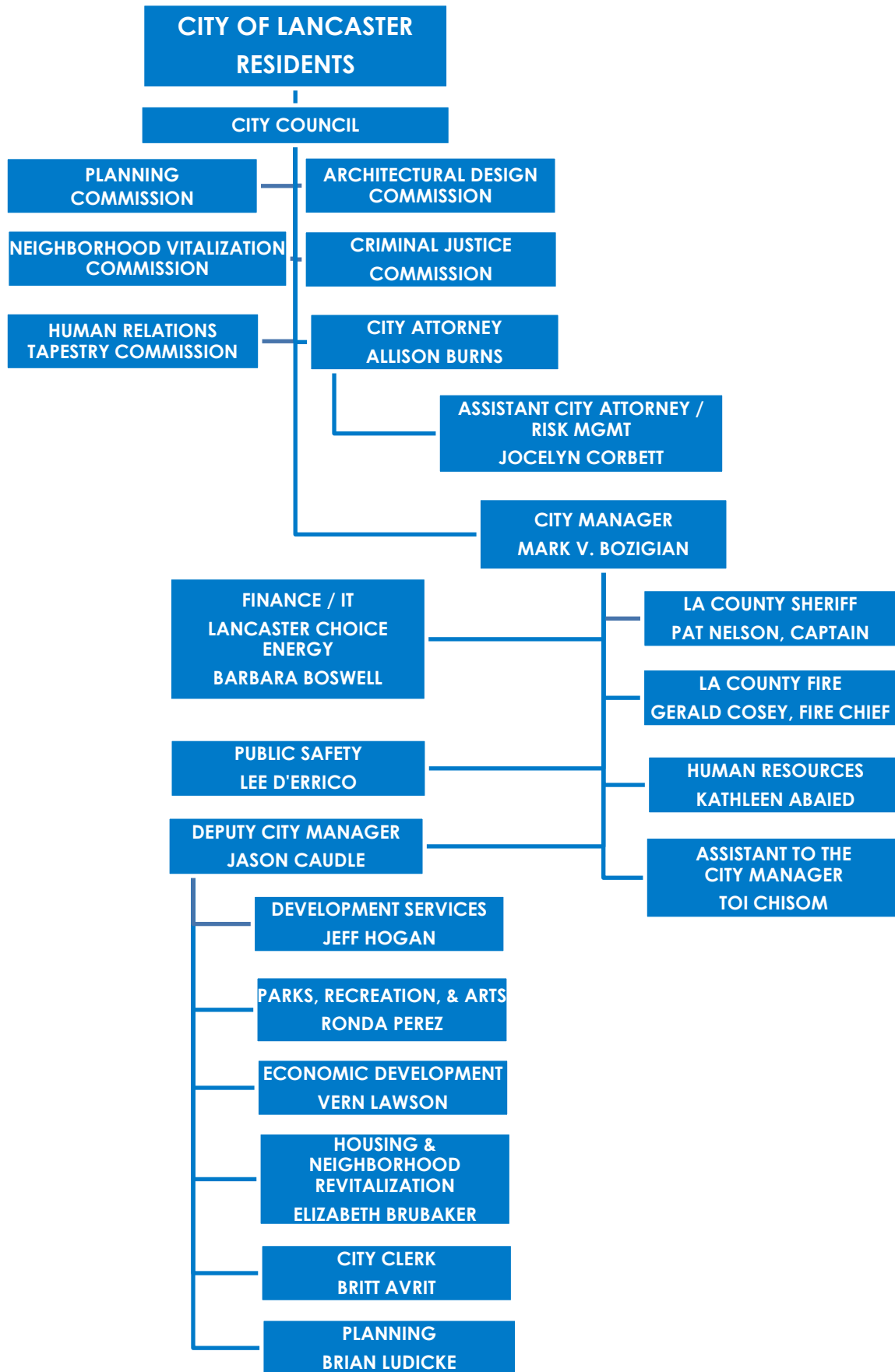
Sincerely,



Mark V. Bozigian
City Manager



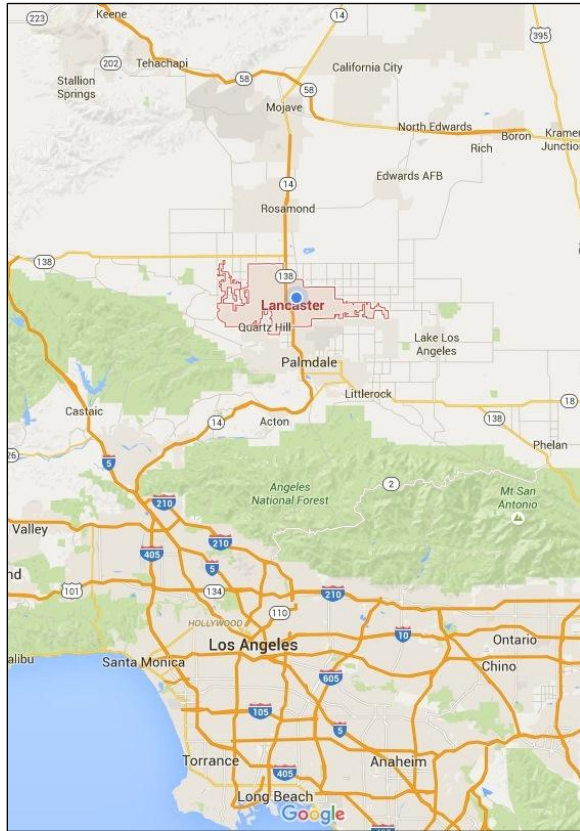
CITY OF LANCASTER





CITY OF LANCASTER

Community Profile



INCORPORATION

November 22, 1977

GOVERNMENT

Lancaster is a charter city operating under the Council-Manager form of government.

COUNTY

Los Angeles County

www.lacounty.gov

SCHOOL DISTRICTS

Antelope Valley High School District

www.avdistrict.org

Lancaster School District

<http://www.lancsd.org>

Westside Union School District

www.westside.k12.ca.us

Eastside Union School District

www.eastside.k12.ca.us

LOCATION

The City is situated on the north side of Los Angeles County, about 70 miles from downtown Los Angeles. It is bordered by unincorporated Los Angeles County and the city of Palmdale. Lancaster is served by state route 14.

CLIMATE

Lancaster has a pleasant semi-arid prairie-like climate. The average daytime highs in the summertime are around the mid-90s and the average winter daytime highs are in the upper 50s. Overnight lows during the coldest months (December-March) can dip into the low 20s.

AREA

94.6 square miles

ELEVATION

2,359 feet

CREDIT RATING

A

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.

The 1930s introduced the first airplane to the area and the Air Force started conducting flight tests at Muroc Air Base (now Edwards Air Force Base). Today, the activity in the area is probably most recognized for significantly contributing to 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 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.

POPULATION



According to the 2000 U.S. Census, Lancaster's population was 118,718, or about 1,262 persons per square mile. According to the 2010 Census, Lancaster's population was 156,633, an increase of nearly 32% over the 2000 Census total. For the year 2015, Lancaster's population is estimated to be 160,784, according to the CA Department of Finance.

EDUCATION

Of residents aged 25 and older, 26.6% have at least attended some college. 26.2% of residents

carry college degrees, with 16.6% having a four-year college degree or higher.



The City of Lancaster has many innovative educational opportunities, one of which is Discovery STEM (Science, Technology, Engineering, and Math). Discovery STEM is a partnership between multiple school districts and government agencies that develops electives and core course materials that focus on teaching students about Science, Technology, Engineering, and Math.

Another is SOAR (Students on the Academic Rise), which is a specialized high school located on the Antelope Valley College campus, but is part of the Antelope Valley Joint Union High School District. It is an "early college" High School that integrates college courses into the high school curriculum. Successful students receive both a high school diploma and an Associate's college degree within five years. SOAR High has an emphasis in mathematics, science, and engineering. In 2015, SOAR students received an API (Academic Performance Index) score of 937/1,000, which is ranked in the top 1% of all the high schools in the nation.

HEALTH CARE

The health and welfare of our citizens is very important to the City. We have a hospital that services the residents of Lancaster and the Antelope Valley. Antelope Valley Medical Center on Avenue J is centrally located within the City. There are also several urgent care facilities throughout the City.

Plans to expand medical service have come to fruition with the City of Hope collaborating with

Antelope Valley Hospital for operation of a 56,195-square-foot, two-story medical and education center with a full-service cancer center, a conference center, and a 172-seat auditorium as well as office space for physicians.



In addition, the Los Angeles County High Desert Regional Health Center is now open and offering a wide range of diagnostic and treatment services, as well as urgent care and outpatient surgery services. Located on Avenue I in East Lancaster, this medical facility was designed to meet environmental energy and design (LEED) gold standards, making it a profound contribution toward Lancaster’s environmentally friendly and efficient goals.

Kaiser Permanente has developed and submitted a master plan for its 44-acre site near Avenue L and 5th Street West. Kaiser broke ground on Phase I of its campus in late 2012 and began operating this facility in 2014.

INCOME

The median household income in Lancaster in 2015 is \$62,559. Of Lancaster’s employed population, nearly 30% are employed in management, financial operations, and/or professional occupations.

PERSONS PER HOUSEHOLD

The average number of persons per household in Lancaster owner-occupied and renter-occupied homes was 3.14 in 2015

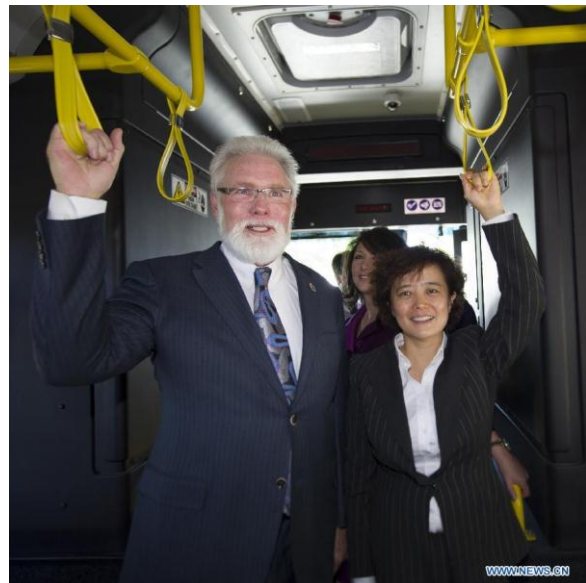


HOUSING UNITS

In 2015, Lancaster housing units totaled 54,636.

LANCASTER BUSINESSES

Lancaster has twice been named the most business friendly in Los Angeles County by the County Economic Development Corporation. With our pro-business attitude and approach to encouraging business growth, Lancaster has been recognized as one of the least expensive places to conduct business by the Kosmont-Rose Survey.



The City’s economic stimulus package, streamlined permit process and reduced transaction fees have spurred economic, community and real estate development, including the award-winning downtown revitalization project, transforming the downtown area into a vibrant urban center, with 50 new businesses and hundreds of new jobs.

PUBLIC TRANSIT

To meet the growing need for public transportation in the Antelope Valley, the Cities of Lancaster and Palmdale and the County of Los Angeles joined together in 1992 and created the Antelope Valley Transit Authority (AVTA). AVTA began transit service on July 1 of that year.



AVTA began operations with three bus services: Transit, Commuter, and Dial-A-Ride. A fourth service, Access Services was added in 1996 to serve the disabled as a “complementary paratransit service” in accordance with the Americans with Disabilities Act. In 1998 the Tuesday Medical Shuttle was created, which offered rides to nine major medical facilities in the Los Angeles basin and San Fernando Valley.

AVTA is an award-winning transit agency. The Los Angeles County Board of Supervisors recognized AVTA as an Efficient Transit System. The California Transit Association gave a Transit Innovation Award to AVTA in 1998 and a Transit Image Award in 1999.



Lancaster is also served by Metrolink rail and therefore residents can travel to six different counties in Southern California. The City works closely with Metrolink to develop and maintain various services and long-term planning in the best interest of our citizens.

CONTRACTING

Lancaster contracts with Los Angeles County for many services including law enforcement, fire, water, library, and animal care and control.

The City contracts with Waste Management for refuse collection and recycling. Sewage water is treated by a special district, Los Angeles County Sanitation Districts.

By contracting out major public services, the City enjoys the benefits of these essential services while keeping its overhead costs at a minimum.



Principal Property Taxpayers

Rank	Taxpayer	Primary Land Use	Taxable Assessed Value
1	Kaiser Foundation Hospitals	Commercial	\$75,480,191
2	Wal Mart Real Estate	Commercial	\$48,079,390
3	USIR II-Lancaster LLC	Industrial	\$45,284,000
4	CP Antelope Shops LLC	Commercial	\$39,779,205
5	Thrifty Payless Inc.	Industrial	\$36,712,346
6	MGF Cordova Park LP	Multi-family Residential	\$34,796,789
7	FTS Property Holdings LLC	Vacant Land	\$30,298,296
8	MGP 1X Properties LLC	Commercial	\$28,942,025
9	Castleback Lancaster	Commercial	\$24,972,405
10	MG Sienna Heights Apt I LP	Multi-family Residential	\$24,077,723

Source: Urban Futures, Inc. with information from the Los Angeles County 2015-16 Secured Property Tax Roll

Principal Employers in the Greater Antelope Valley

Rank	Employer	Number of Employees
1	Edwards Air Force Base	11,990
2	Naval Weapons Air Station – China Lake	6,520
3	Northrup Grumman	4,020
4	Los Angeles County	3,912
5	Lockheed Martin	3,000
6	Antelope Valley Hospital Medical Center	2,600
7	Antelope Valley Union High School District	2,500
8	Lancaster School District	2,200
9	Wal-Mart (5)	1,922
10	Antelope Valley College	1,500

Source: Greater Antelope Valley Economic Alliance 2016 Annual Report

Parks, Recreation and Community Centers

Item (2015)	Number
Maintained City facilities	54 buildings
Maintained park land	462.8 acres
Lancaster Performing Arts Center low/no cost programs	12,348 participants
Coordinated after school programming	3,147 children
Organized softball tournament season	589 teams
City special events & programs	24 events



Public Safety

Item (2015)	Number
Total arrests	7,282 arrests
Felony arrests made by Burglary Suppression Team	198 arrests
Sworn deputies	225
Lancaster station support staff	75



Licensing and Business

Item (2015)	Number
Active City business licenses	7,085
New businesses opened on the BLVD	7
Increase in sales tax collected between 2015 and 2016	4.0%
Hotel rooms added with completion of Best Western PLUS – Desert Poppy Inn	88
Online building permit applications	13%
City change in unemployment rate between 2015 avg. and April 2016	-2.3%



Public Works

Item (2015)	Number
Potholes repaired	10,881
Graffiti requests received	5,361
Lane miles of TractionSeal™	26.38
Pounds of E-Waste recycled	652,000
Gallons of motor oil recycled	14,800
Gallons of cooking oil recycled	1,410
Gallons of anti-freeze recycled	975
Abandoned shopping carts collected	5,805

How does Lancaster compare to other cities?

City	Full-Time Emp.	Population ¹	Square Miles	Total City Revenue	Total City Expenditure	Budgeted General Fund Revenues	Budgeted General Fund Appropriations	Capital Improvement Program
Burbank	950	105,110	17.38	\$654.5	\$650.2	\$158.6	\$158.6	\$49.0
Glendale	1,566	201,668	30.58	\$770.4	\$797.8	\$185.7	\$182.9	\$13.8
Irvine	777	258,386	66.45	\$172.8	\$172.8	\$172.8	\$172.8	\$42.4
Lancaster	261	157,094	94.55	\$136.3	\$140.2	\$59.7	\$75.1	\$16.3
Ontario	1,089	169,869	50.01	\$402.3	\$492.0	\$192.4	\$192.4	\$41.8
Palmdale	184	160,072	106.22	\$168.5	\$180.8	\$52.1	\$66.3	\$72.8
Santa Clarita	384	219,611	62.16	\$232.3	\$187.2	\$96.9	\$97.6	\$31.7

Sources: (1) California Dept. of Finance Estimates as of January 1, 2016

Column figures are for cities adopted fiscal year 2015-2016 budgets and dollar figures are in millions

This chart above not only compares the City of Lancaster to our neighboring communities, but also include various communities in southern California with similar characteristics such as population, services offered, etc. There are however many difference among the cities. For instance, some have full service police, firefighters, and utilities whereas Lancaster contracts with Los Angeles County for a number of services including law enforcement. In addition, LA County Fire provides fire services.

How do our major revenue sources compare?

City	Sales Tax		Property Tax		Hotel Tax		Franchise Tax/Fees	
	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
Burbank	\$27.7	\$263.53	\$35.7	\$339.64	\$8.2	\$78.01	\$1.8	\$17.12
Glendale	\$39.8	\$197.35	\$52.7	\$261.32	\$5.2	\$25.78	\$3.0	\$14.88
Irvine	\$64.5	\$249.63	\$54.5	\$210.92	\$11.2	\$43.35	\$9.3	\$35.99
Lancaster	\$20.0	\$127.31	\$15.6	\$99.30	\$1.5	\$9.55	\$2.9	\$18.46
Ontario	\$71.0	\$417.97	\$44.8	\$263.73	\$10.9	\$64.17	\$3.2	\$18.84
Palmdale	\$16.9	\$105.58	\$17.1	\$106.83	\$3.0	\$18.74	\$5.2	\$32.49
Santa Clarita	\$34.8	\$158.46	\$17.3	\$78.78	\$2.9	\$13.21	\$5.2	\$23.68

Column figures are for cities adopted fiscal year 2015-2016 budgets and dollar figures are in millions

As shown above sales tax and property tax are the primary revenue sources for these cities. In our comparison, we cover cities from three separate southern California communities each with their own unique aspects. Lancaster and Palmdale are desert communities in north Los Angeles County that are still developing whereas Glendale, Ontario, and Burbank are built-out and green field development is minimal. As hotels and other commercial businesses continue to open and more people come to reside in or visit Lancaster our major revenue sources will change as well.



CITY OF LANCASTER

Economic Outlook

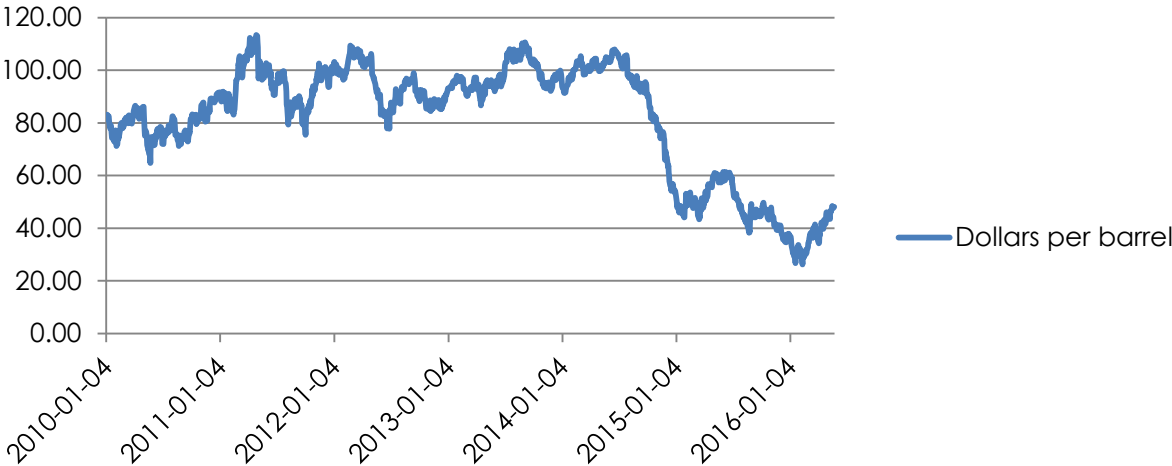
Readings on the U.S. economy since the turn of the year 2015 have been somewhat mixed. On one hand, many indicators have been favorable. The labor market added an average of almost 230,000 jobs a month over the past three months. In addition, the unemployment rate edged down further, more people are joining the workforce as the prospects for finding jobs have improved, and the employment-to-population ratio increased by almost 1/2 percentage point.

Consumer spending appears to be expanding at a moderate pace, driven by solid income gains, improved household balance sheets, and the ongoing effects of the increases in wealth and declines in oil prices over the past few years. The housing market continues its gradual recovery, and fiscal policy at all levels of government is now modestly boosting economic activity after exerting a considerable drag in recent years.

On the other hand, manufacturing and net exports have continued to be hard hit by slow global growth and the significant appreciation of the dollar since 2014. These same global developments have also weighed on business investment by limiting firms' expected sales, thereby reducing their demand for capital goods; partly as a result, recent indicators of capital spending and business sentiment have been lackluster. In addition, business investment has been held down by the collapse in oil prices since late 2014, which is driving an ongoing steep decline in drilling activity. Low oil prices have also resulted in large-scale layoffs in the energy sector and adverse spillovers to output and employment in industries that support energy production.

On balance, overall employment has continued to grow at a solid pace so far this year, in part because domestic household spending has been sufficiently strong to offset the drag coming from abroad. Looking forward however, we have to take into account the potential fallout from recent global economic and financial developments, which have been marked by bouts of turbulence since the turn of the year. For a time, equity prices were down sharply, oil traded at less than \$30 per barrel, and many currencies were depreciating against the dollar. Although prices in these markets have since largely returned to where they stood at the start of the year, in other respects economic and financial conditions remain less favorable than they did back at the time of the December 2015 Federal Open Market Committee (FOMC) meeting.

Crude Oil Prices



In particular, foreign economic growth now seems likely to be weaker this year than previously expected, and earnings expectations have declined. By themselves, these developments would tend to restrain U.S. economic activity. But those effects have been at least partially offset by downward revisions to market expectations for the federal funds rate that in turn have put downward pressure on longer-term interest rates, including mortgage rates, thereby helping to support spending. For these reasons, the FOMC anticipates that the overall fallout for the U.S. economy from global market developments since the start of the year will most likely be limited, although this assessment is subject to considerable uncertainty.

The Committee continues to expect moderate economic growth over the medium term accompanied by further labor market improvement. Consistent with this assessment, the medians of the individual projections for economic growth, unemployment, and inflation made by all of the FOMC participants for the March 2016 meeting are little changed from December 2015. A key factor underlying such modest revisions is a judgment that monetary policy remains accommodative and will be adjusted at an appropriately gradual pace to achieve and maintain the government's dual objectives of maximum employment and 2 percent inflation. Reflecting global economic and financial developments since December 2015, however, the pace of rate increases is now expected to be somewhat slower.

LOS ANGELES AREA ECONOMIC OUTLOOK

Job growth in Los Angeles County has come a long way since the recession and recently demonstrated further gains. The county's non-farm employment base grew by 2.1% from September 2014 to September 2015, adding 89,200 jobs over the year. Year-over-year job growth was slightly more pronounced in the private sector (2.3%) than in government sector establishments (0.9%). Employment in the private education and health care services sector provided the most new positions in Los Angeles County, growing by 3.4%, or 25,800 jobs.

The still-beleaguered construction sector has been making the biggest gains in Los Angeles County despite doubts among many that the sector would regain form after the housing crash and recession. Although the numbers remain below their pre-recession peak, the construction sector has added 26,500 jobs since reaching its low point in the fourth quarter of 2010, with 6,900 jobs added in the last year alone.

The sector's growth of 5.7% over the past year has surpassed Beacon Economics' optimistic forecast of 3% to 5%. Construction establishments have been benefiting from increased building activity in both the residential and nonresidential categories. Large projects in downtown Los Angeles capture most of the newspaper headlines, but growth has really heated up evenly across the county.

Source: Federal Reserve, Beacon Economics