

INTRODUCTION

Community Profile



INCOME

The median household income in Lancaster in 2016 was \$66,634.

PERSONS PER HOUSEHOLD

The average number of persons per household in Lancaster owner-occupied and renter-occupied homes was 3.19.

HOUSING UNITS

In 2016, Lancaster housing units totaled 52,461.



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

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 2017 U.S. Census, Lancaster's population was 160,316 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.

DOWNTOWN LANCASTER: THE BLVD CULTURAL DISTRICT



Lancaster's property business improvement District, otherwise known as The BLVD, often regarded as the jewel of Lancaster, was established in 2014 as a public private partnership to obtain collective services for the downtown. The BLVD District extends from Sierra Highway to 10th street (east to west), Jackman, and Milling (north to south).

Since its inception, the BLVD has been the recipient of several awards including the Environmental Protection Agency's National Award for Smart Growth Achievement; the

International Downtown Association's Pinnacle Award; as well as the designation of The BLVD as a California Cultural District, making it one of only 14 destinations so deemed.

In 2016, the BLVD Ambassador Program was introduced as a means to provide downtown patrons with additional hospitality and safety services seven days a week. The addition of the "Ambassadors" has significantly affected response times to customer and business concerns, ensuring that both feel embraced, valued and secure in their day-to-day experiences on The BLVD.

The limelight continues to shine abundantly on The BLVD and is expected to continue to grow, as media sources vie to feature this hub of art, entertainment, shopping, and dining. The BLVD has been highlighted in a number of Media sources including: AAA Westways, Forbes Travel, Visit California among others.

While The BLVD has continued to flourish socially, it has grown economically as well. Businesses continue to be attracted to the downtown area and the anticipation soars as The BLVD experiences its next iteration with business expansion adding to the downtown area's eclectic urban mix, which now includes several world-class brands.

LANCASTER BUSINESSES

Lancaster's economy continues to enjoy sustained growth as industrial and retail businesses alike expand and open new locations, fueling job creation alongside increased tax revenues.

BYD

BYD celebrated the grand opening of its expansion to 450,000 square feet and 800 employees in late 2017, with plans for another industrial facility and the addition of hundreds more jobs on the immediate horizon.



LANCE CAMPER

Lance Camper has also seen significant expansion here in Lancaster. An additional 61,000 square feet and 150 jobs has brought Lance's total presence in the Lancaster Business Park to more than 200,000 square feet and 650 employees. In January 2018, Lance was acquired by REV Group, a \$2.3 billion manufacturer and distributor of specialty vehicles. Lance's existing management will continue to run the company, leveraging REV Group's distribution footprint to solidify Lance's status as one of the highest-quality and highest-performing brands in the recreational vehicle industry.



LANCASTER AUTO MALL

The Lancaster Auto Mall has enjoyed triple-digit sales increases since 2010, spurring growth across several dealerships. Hunter Dodge is expanding its operations across 10th Street West with the development of "RAM of the West." The largest Dodge truck center in North America, the new dealership is slated to open in summer 2018. Honda Lancaster and Antelope Valley Subaru were acquired by the "LA Car Guy," a network of dealerships throughout southern California. Antelope Valley Subaru will soon have a new home, with a newly renovated showroom. The dealership has also leased space across 10th Street West to accommodate additional vehicles. Toyota of Lancaster was also acquired, and is in the process of purchasing eight additional acres for further growth.



THE OASIS AT 10K

The Oasis at 10K, a retail development located at the key intersection of 10th Street West and Avenue K, has completed construction. Tenants including The Habit, Blaze Pizza, Dunkin' Donuts, and Jimmy John's – all brands that are new to Lancaster, and the latter of which are new to the Antelope Valley – are now open in this beautifully designed center.



THE BLVD

Downtown Lancaster has seen marked growth in the past year. The former BeX complex has evolved into Buckle & Boots, a country western bar; Don Sal, a Mexican cantina; and the perennially popular Underground Bowl, an upscale bowling lounge. The BLVD has also attracted substantial investment from national brands, including Regency Theatres and Starbucks. In addition, a 105-room Marriott Residence Inn is now under construction. The first hotel in the downtown area, the Marriott will feature a rooftop pool and high-end amenities. It is slated for completion in late 2019.



PALOMA LANE WEST

This 11,380-square-foot spec retail development, located on the northwest corner of Avenue L-6 and 60th Street West, is fully leased. It will feature a variety of locally-owned commercial businesses including the Raven's Nest, a new restaurant concept from the owners of Fresco II.



PUBLIC TRANSIT

To meet the growing need for public transportation in the Antelope Valley, the Cities of Lancaster and Palmdale as well as the County of Los Angeles joined 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.

The Antelope Valley Transit Authority (AVTA) is bringing a fresh new energy to public transportation in the Antelope Valley! The transit agency has set a major goal to convert all of its aging diesel buses to a 100% battery electric bus fleet, by operating 85 new all-electric buses by the end of 2018.

Lancaster is also served by Metrolink rail and therefore residents can travel to six different counties in Southern California.

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.



City Manager's Message

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

It is my great honor to present to you a balanced budget that allows the City to serve the community in the manner it deserves and expects.

The City of Lancaster's Fiscal Year (FY) 2018-19 Adopted Budget, both Operating and Capital, makes possible the many services, programs, facilities, and infrastructure provided by the City--contributing to the quality of life for Lancaster residents, and a destination location for visitors, as well as business owners alike, offering an array of experiences and entertainment.

Moreover, the FY 2018-2019 Adopted Budget seeks to continue maintaining essential services such as public safety, neighborhood revitalization, keeping our roads and parks in good condition, supporting youth and adult programs, providing community events, and other services that make our City a great place to live, visit, and do business.

This Adopted Budget implements the City Council's priorities, provides a financial plan that continues the delivery of first-rate services to the community, and is quick to respond to the needs of our residents. The core values of innovation, integrity, flexibility, and responsiveness guide our allocation of resources to meet the demands of a growing city.

Through City Council's forward-thinking and bold leadership, we have tackled challenges of public safety and sustainability successfully—with homeless being the next community challenge to be solved, all while maintaining a strong fiscal position and reputation for excellence. This said, we are not a City satisfied with prior accomplishments, and, as such, we continuously strive to do what we do better.

The FY 2018-2019 Adopted Budget reflects the City's unwavering commitment to providing excellent service to a growing city. To that end, this budget includes additional expenses for key service areas such as community safety, recreational and cultural services, community engagement, street repair and improvements, traffic management, and reinvestment in critical infrastructure-- where the increasing population has a direct impact on service levels.

As I share with and often remind staff, the budget is a road map for the City and budget preparation is our business-planning tool, which should remain flexible and collaborative in approach to ensure we make the necessary adjustments to stay on course. As well, our Management Team's budgeting philosophy continues to focus on finding cost effective ways to fulfill operational objectives and (financially) advancing the City of Lancaster, in ways that look different from yesterday. These solutions are multi-pronged, including strategic revenue growth and development, alternative business practices or service delivery models, internal service fund evaluations, and a revised labor strategy—all in the effort of financial solvency and resilience.

The FY 2018-2019 Adopted Budget exceeds the City Council's Reserve policy of 20% and the process included tracking and trending current and anticipated revenues and expenses, resulting in a strong Financial Forecast.

It is my pleasure to present the Fiscal Year 2018-2019 Budget Focuses—creating a better Lancaster.

BUDGET FOCUSES

Lancaster Homelessness Initiative

One facet of our community remains in need of swift and direct action: homelessness. In response to this need the Lancaster City Council and City staff have cultivated a multi-faceted approach to tackling this complex challenge. These strategies include a new facility, Kensington Campus; the Lancaster Community Homelessness Plan, tailored specifically to our community needs; and a number of key partnerships, including a newly formed Homeless Impact Commission.

By employing multiple approaches to mitigating homelessness, along with cultivating vital relationships locally and with key regional supporters, the City of Lancaster will effect positive change throughout our valley, while providing relief and measurable progress to the benefit of Lancaster residents and businesses alike.

The Lancaster Homelessness Initiative will engage the community and provide solutions that are specific and unique to Lancaster—proving once again we can overcome the seemingly impossible through unwavering tenacity and progressive, imaginative resourcefulness.

Impact Initiative

IMPACT (Innovative Municipal Programs Achieving Community Transformation) addresses beautification of the community, a top priority of the Mayor and Council, as well as City Administration.

The goal is to enhance the quality of life of our residents. Lancaster’s IMPACT Initiative will plan, create, contribute to and support activities and innovative programs that transform the visual character of our City. Through the combined efforts of City staff and various stakeholders, we can develop and implement strategic and tactical programs utilizing a coordinated holistic approach that results in renewed civic pride. People of all ages will have access to improved neighborhoods, facilities, and thoroughfares.

IMPACT will employ efforts to improve aesthetics and reduce illegal dumping and graffiti.

IMPACT envisions a community where blighted areas are substantially eliminated and the investment in visual improvement instills civic pride and enhances social trust citywide.



Lancaster Engage

Lancaster Engage empowers residents to have a greater say in what happens in their City. It is an online portal into the City's process for a number of significant outreach opportunities that affect the community. Progress starts with a conversation with residents being crucial to the dialogue.

Lancaster Engage welcomes the process of working together and collectively bringing about positive change that strengthens our community and individuals. Through this inclusive, meaningful, accountable, and responsive method of engaging local residents, business owners, and the community at-large; several new initiatives have gotten off to an impressive beginning, while long-time staple programs have been revisited and refreshed to meet current public needs. Recent engagement topics include the Lancaster Community Homelessness Plan, the Library Needs Assessment, and the reimagined Lancaster Television (LTV) Channel.

Engage is an opportunity to Connect + Share + Participate + Be Informed!

The City's Government Access Television Channel- Lancaster Television (LTV)

A reimagined Channel 28, with a twist including an all-new look and feel. LTV is where you can watch relevant, engaging shows, created especially for the community by people who live and work in Lancaster. Undeniably, LTV has flipped the script to bring a lot of fresh programming to residents.

The City of Lancaster's government channel looks to engage, educate, and inform the various constituent groups comprising the City, via relevant and topical programming. This quality programming will deliver valuable, reliable, and comprehensive information regarding the many programs and services offered by the City—ensuring that all who live, work, and visit in the City of Lancaster are well informed and engaged.

LTV will be livestreamed via the City's website.



Medical Main Street

In collaboration with Antelope Valley Hospital, the City is working to develop “Medical Main Street” – a 21st century health district designed to provide easily accessible, state-of-the-art health care to Antelope Valley residents in an environment that both encourages and facilitates active and healthy living. The project is envisioned as a walkable, bikeable district housing a wide variety of health care facilities and specialists, with Antelope Valley Hospital as its centerpiece. This initiative aims to capitalize on the 100 acres of vacant land surrounding the existing hospital campus, re-purposing it for mixed-use facilities that integrate health care alongside commercial endeavors such as health food stores, restaurants and workout facilities.

A \$675,000 planning process is currently underway, with efforts such as a full environmental impact report (EIR), health district and use plan, infrastructure analysis, and market study scheduled for completion by early 2019. This work will play a significant role in priming the vacant acreage throughout the district for fast-track development. Economic Development is working to attract private-sector investment to the area, while Development Services is embarking on the design process for a \$15 million initiative to install the needed infrastructure to maximize connectivity within the district and establish developable sites.



Smart Signals

The Internet of intelligent devices in our lives is growing rapidly. Smart thermostats can adjust room temperatures just before you arrive home. Interactive doorbells inform us of who is on the front porch, day or night. It is only logical that new technology is being employed to better serve those traveling throughout the Antelope Valley, especially our Lancaster residents.

Thanks to a new network of computerized traffic controls currently being deployed across nearly 150 intersections in the City, signals will be able to better communicate with one another and adjust their cycles based on real time traffic patterns. This advanced traffic management system is replacing legacy controllers, which have been in service for years and lack the sophistication of modern computerized systems. The new signals will communicate via high-speed fiber optic cables and coordinate their actions with neighboring signals, even across city boundaries.

An additional benefit of upgrading the traffic system is that 28 miles of fiber optic cable will be added to the City's infrastructure. The high capacity, high-speed communications network will have extra bandwidth, which can be harnessed to support a wide range of other "Smart City" applications, from public safety to community Wi-Fi to the support of communicating with future autonomous vehicles.

The \$4.3 million project was funded in part by a METRO grant designed to better coordinate traffic across northern Los Angeles County. The new network will be operational this summer.

Lancaster Choice Energy

Lancaster Choice Energy (LCE) allows customers to reduce their impact on the environment by offering much of its power from renewable resources. An even better way to save the planet and your budget is by simply using less energy in the first place. This is the goal of LCE's new Energy Efficiency Program recently approved by the California Public Utilities Commission. The three-year plan authorizes more than a million dollars to fund programs to help both residential and small business customers find new ways to lower their energy use and bills. As such, programs like the Energy Advisor Program and Energy Efficiency Program were developed unique to Lancaster residents. The City of Lancaster has set a lofty goal of becoming a true Zero Net city. These new energy efficiency programs will aid us all in achieving our goals sooner, while also helping our consumers save money. LCE is Southern California's first Community Choice Aggregate program to receive approval to offer this free energy efficiency program to customers—our residents.



FINANCIAL SUMMARY

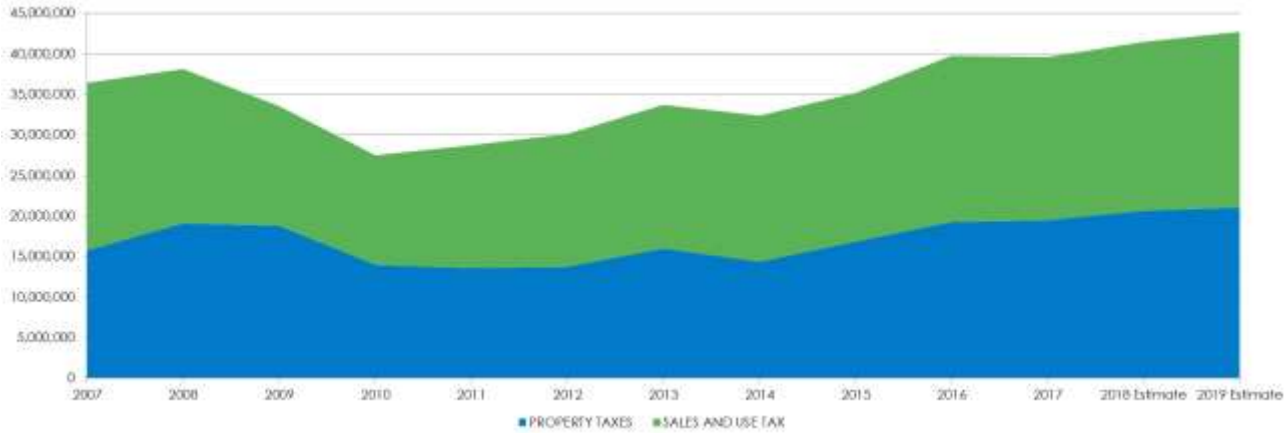
The City budget, adopted at \$188.1 million for Fiscal Year 2019, is summarized below:

By Category	Actuals	Year End	Adopted
	FY 2017	Estimates	Budget
		FY 2018	FY 2019
Personnel	\$ 33,199,813	\$ 33,780,735	\$ 37,975,405
Operations & Maintenance	100,270,380	107,023,357	105,852,574
Capital Outlay	15,960,860	5,343,503	1,219,355
Capital Improvements	10,569,076	108,468,958	43,427,077
SUM	\$ 160,000,129	\$ 254,616,553	\$ 188,474,411

The FY 2019 budget, excluding capital improvements, is within one percent of the FY 2018 year-end estimates. The FY 2018 year-end estimates for capital improvements include funds which will be carried forward to FY 2019 if unspent.

How We Maintain Fiscal Health

Lancaster was hit hard by the sharp economic decline and the resulting long-term recession. The 2019 property and sales tax collections are estimated to be higher than prerecession years.



Lancaster City Council’s firm commitment to fiscal responsibility and long-term financial stability helped to soften the impact of the declines. The City also maintains other reserves for specific purposes, such as equipment replacement and other contingencies, in addition to the general fund reserve.

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. Reserves accumulated during years when revenues exceeded expenditures cushion the City’s transition to a lower revenue base and allow the City to adjust spending in response to economic downturns, emergencies, State revenue takeaways, and/or investment opportunities.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) amounts to a total of over \$43.4 million to be funded in fiscal year 2019. 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.

To continue transforming the City, we must continue focusing on the infrastructure in the City, through our Capital Improvement Program. We are proud of our aggressive, proactive approach in allocating more capital improvement and equipment monies than ever before.

Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	TOTAL
2019	2020	2021	2022	2023	
43,427,077	37,144,335	43,761,547	36,448,018	12,590,000	\$173,370,977

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 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.



CIP Progress...

Some of the major streets re-surfaced were:

- ◆ 60th Street West, Avenue I to Avenue J
 - ◆ Avenue L, 52nd Street West to 55th Street West
 - ◆ Avenue L-8, 55th Street West to 60th street West
 - ◆ 40th Street West, Avenue L to Avenue K
 - ◆ Lancaster Boulevard, Valley Central Way to 10th Street West
 - ◆ 20th Street West, Avenue I to Avenue J-8
 - ◆ Avenue I, 15th Street West to 10th Street West
 - ◆ Auto Mall (Auto Mall Drive, Driver's Way, 12th Street West and Motor Lane)
 - ◆ 10th Street West, Avenue L to Avenue M
 - ◆ Lancaster Boulevard, 30th Street East to 40th Street East
 - ◆ Avenue J-8, Rodin Avenue to 20th Street East
 - ◆ Avenue K, Division Street to Challenger Way
 - ◆ Avenue L, 4th Street East to 30th Street East
 - ◆ 20th Street East, Avenue J to Avenue K
 - ◆ 20th Street East, Avenue K-8 to Avenue L
-

CIP Planned...

Street segments planned in fiscal years **2019** include, but are not limited to:

- 5th Street East, Avenue H-8 to Avenue J
- Avenue I, Challenger to Price Lane
- Avenue I, Price Lane to 32nd Street East
- 15th Street East, Kettering Street to Avenue J
- Lancaster Boulevard Challenger Way to 20th Street East
- 10th Street West, Avenue H to Lancaster Boulevard
- 10th Street West, Lancaster Boulevard to Avenue J
- Avenue J, 10th Street West to Challenger Way
- Neighborhood: Avenue K-4 to K-8, 25th Street West to 30th Street West
- Neighborhood: Norberry to West Avenue J, 12th Street West to 15th Street West

In addition to road maintenance projects, staff is hard at work on the 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 \$82 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.

CONCLUSION

Mayor, City Council, and residents I am confident we will enter this new budget cycle and those to come strongly positioned to accomplish amazing things and meet the challenges that lie ahead. Lancaster continues to be recognized for its excellence with innovative, creativity, resourceful programs, and non-beauacratic approach.

I would like to thank the employees of the City of Lancaster for their hard work and ongoing dedication and the City Council for its visionary, inspirational, and effective policy leadership and support as we work together to ensure Lancaster's continued prominence as a municipal leader and desirable place to live, do business, and visit. Working together, we will continue our commitment to ensuring public resources are managed as prudently and wisely as possible.

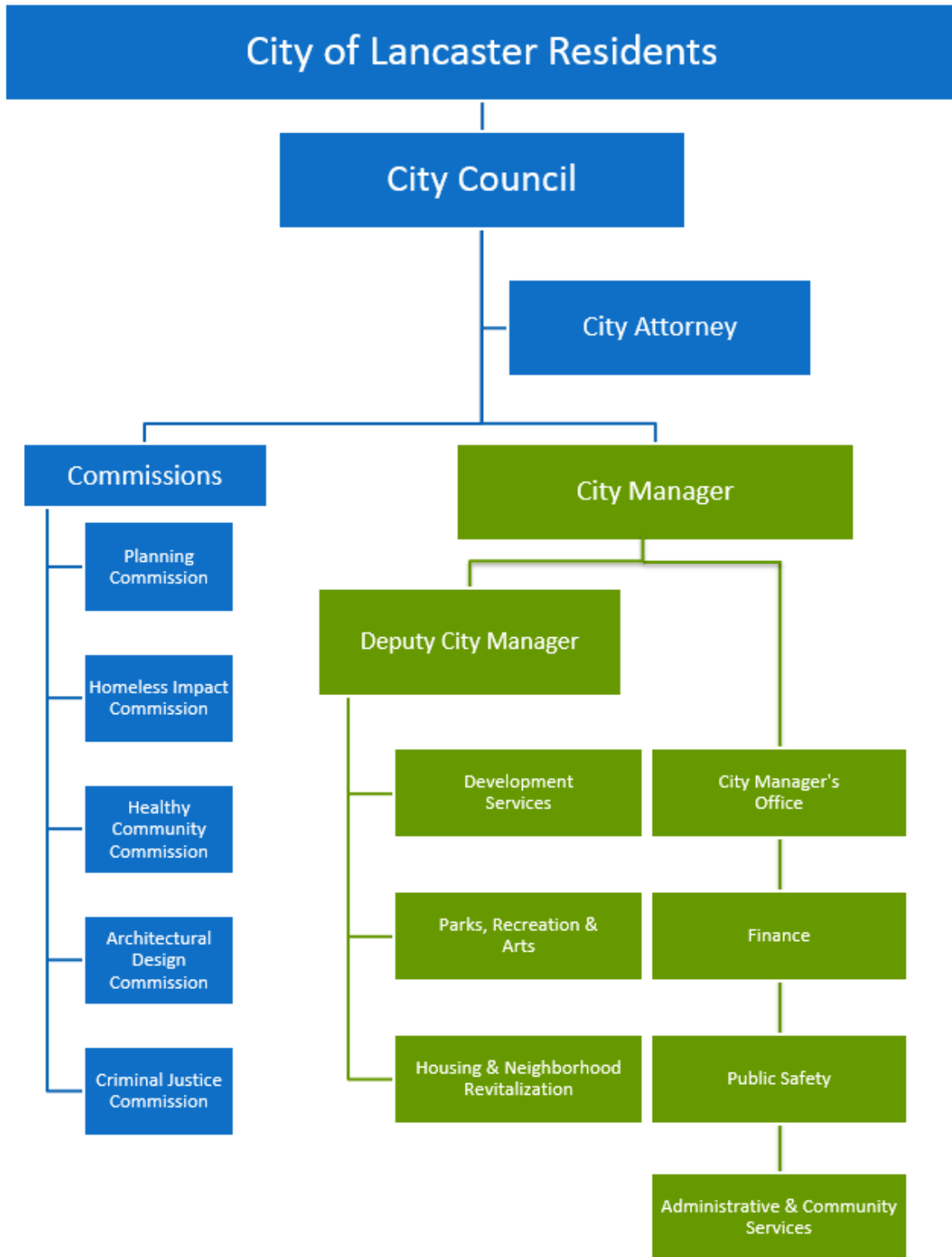
In closing, this budget is the result of the hard work and strategizing by the entire City staff, I want to particularly thank our Finance Director, Pamela Statsmann, for her leadership in managing the City's finances, and Michael Allen, Marissa Diaz, Jessica Haney, and Melissa Varela. Together they produced a comprehensive, high-quality document for the FY 2018-2019 Adopted Budget and Capital Improvement Plan.

The future is promising and we will continue to serve our entire community with deep fervor and great intention.



Mark V. Bozigian
City Manager

ORGANIZATIONAL STRUCTURE



THE BUDGET PROCESS

December – January: Operating budget preparation begins with determination of the base budget for the upcoming year. The base budget establishes the current year adopted budget service levels with updated costs, removes one-time revenue and expenses (including grants), and adds ongoing expenditures as approved by the City Council. The capital budget preparation process begins with department staff meeting to review and discuss potential modifications to the five-year capital plan.

In January, Finance distributes the Budget Guide to departments. The Budget Guide includes budget preparation calendar, budget priorities, instructions, and sample worksheets to be used in budget development. Finance prepares budget worksheets that include base budget amounts and year to date actuals for current year. Departments use these worksheets to submit small dollar budget requests and for submitting the current year-end estimates.

February – March: Departments developed year-end estimates for FY 2018 and prepare their revenue and expenditure projections for FY 2019.

Early in March, Capital Improvement project proposals are submitted to Finance. A meeting is held to review each requested project in detail. A few weeks later, a second meeting is held to determine the highest priority projects.

The selected projects are then incorporated into the budget model, and fund balances are projected for the capital project funds. Since capital projects tend to span more than one fiscal year, the practice is to appropriate the total amount needed to fund the project, (or one 'self-contained' phase of the project). This ensures there is sufficient funding to complete the project the following year. Any unexpended funds at the end of the current fiscal year automatically roll over to the next fiscal year.

April: The budget team and departments meet to review and discuss their budget submittals. The budget meetings are interactive and informative in making critical policy and funding decisions, as well as strategic and economic decisions for long-term planning.

Subsequent meetings are held to review Capital Outlay, Capital Replacement and Information Technology needs. The purpose of the meetings are to ensure consistency and accuracy for equipment needs, and to develop funding strategies to meet these needs.

By the end of April, rewrites of the department' budgets take place as the program expenditures are brought into alignment with the available resources. During periods of abundant resources, additional improvements may be made or additional reserves created; during periods of economic downturns, this can be a very hard, frustrating time as budget requests may be reduced substantially, depending on how they align with the overall goals, mission, and vision of the City.

May: Budget briefings are held with the City Council. Special meetings are scheduled individually with each Council member to ask questions and/or make modifications to the budget. Based on the questions and concerns of the City Council, these meetings may be as few as one or as many as necessary.

June: The City Manager and budget team formally presents the budget to the City Council at the first Council meeting in June. This is a noticed, formal hearing for the budget that allows for input from the citizens regarding the budget. Modifications may be made to the budget at this time.

The Council formally adopts the budget with a roll call vote by minute action. The budget then becomes effective the beginning of the fiscal year, which starts July 1. It is the policy in Lancaster to adopt the budget before the beginning of the Fiscal Year.

AMENDING THE BUDGET

The budget is a flexible document in that once adopted, it can be modified to fit the changes necessary to run the City smoothly. The City Council adopts the budget; the City Manager has the authority to modify line items within each fund as long as the total appropriation for that fund remains the same. An increase to the total budget appropriation requires Council approval.

Basis of Budgeting

The budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The City utilizes the modified accrual basis of budgeting; obligations of the City are budgeted as expenses, but revenues are recorded when we know how much to expect (measurable) and we receive the revenues within the time needed to make payments for costs incurred within the fiscal year.

All annual appropriations (authorizations to expend funding) lapse at the end of the fiscal year unless there are outstanding encumbrances (commitments to pay for goods/services ordered through the utilization of a purchase order, a formal authorization of the City, or a contract).

The budget is the City's financial plan for delivering effective services and efficiently managing the revenues which support those services. The City's charter and municipal code provide broad governance for preparation of the operating and capital budgets. The adopted budgets are also developed based on the following:

- The City Council's top priorities and other City Council directives
- The City's Long Range Financial Forecast, which is updated annually and presented to the City Council prior to the release of the adopted budget
- Service level prioritization as identified by the City Manager
- Availability and sustainability of revenues
- Legal mandates
- Prioritization criteria outlined in the capital budget
- The City's policies regarding land use and community design, transportation, housing, natural environment, business and economics

Annual Appropriations Limit

The Appropriations Limit, otherwise known as the "Gann Limit or Gann Initiative", sets a limit to the amount of tax proceeds municipalities can appropriate each fiscal year. This limit was originally established when California voters approved Proposition 4 during the special election in 1979. It became part of the California State Constitution as Article XIII-B.

In June 1990, Proposition 111 was approved by the California voters which modified Article XIII B and established a new method for municipalities to calculate the annual appropriations limit. Prior to Proposition 111, the annual appropriations limit was adjusted annually by the change in the cost of living (Consumer Price Index) or by the change in California per capita personal income, whichever was less, and by the percentage change in the population of the City as provided by the California Department of Finance.

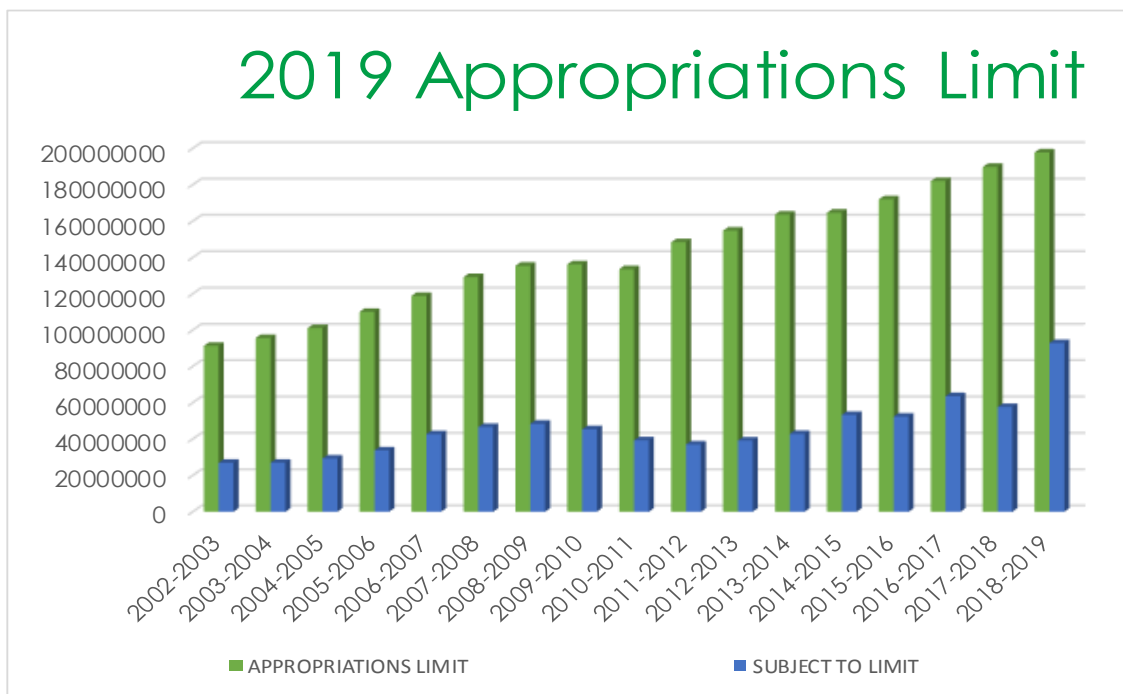
Under the guidelines set forth by Proposition 111, beginning with the FY 1990-91 appropriations limit, a city may choose between two annual adjustment factors. The factors include the growth in the California per capita personal income or the change in the local assessment tax roll due to local nonresidential construction. The annual appropriations limit will not exceed a base year adjusted by the adjustment factor that is chosen by the City.

Proposition 111 also established the base year as FY 1986-87. Although the limits for FY 1986-87

through FY 1989-90 were not affected, municipalities were required to recalculate these years using the new method to determine the correct limit for FY 1990-91 and future years.

The following table compares the difference between Lancaster’s Appropriations Limit and the estimated proceeds of taxes that are subject to the limit. With a gap of \$104,919,474 the City remains well below its Appropriations Limit of \$197,793,953 for FY 2018-2019.

FISCAL YEAR	APPROPRIATIONS LIMIT	SUBJECT TO LIMIT	DIFFERENCE
2002-2003	\$ 91,318,734	\$ 26,921,043	\$ 64,397,691
2003-2004	95,694,454	26,965,074	68,729,380
2004-2005	101,127,627	29,302,048	71,825,579
2005-2006	110,052,072	33,768,526	76,283,546
2006-2007	118,860,688	42,692,278	76,168,410
2007-2008	129,148,149	46,709,065	82,439,084
2008-2009	135,422,608	48,420,396	87,002,212
2009-2010	136,181,570	45,392,579	90,788,991
2010-2011	133,481,184	39,317,665	94,163,519
2011-2012	148,401,994	37,047,601	111,354,393
2012-2013	154,784,897	39,192,100	115,592,797
2013-2014	163,613,543	42,811,559	120,801,984
2014-2015	164,612,436	53,294,778	111,317,658
2015-2016	172,012,494	52,343,991	119,668,503
2016-2017	182,030,983	63,605,300	118,425,683
2017-2018	189,823,789	57,668,840	132,154,949
2018-2019	\$ 197,793,953	\$ 92,874,479	\$ 104,919,474



ALLOCATING THE COST OF SERVICES

The City allocates administrative costs among the services and funds that benefit from those activities. The City commissions a full and detailed cost allocation study on a regular basis to ensure utilization of the appropriate allocation amounts for distribution amongst those activities not funded by the General Fund.

FINANCIAL POLICIES

Reserve Policies

Major budget policies include: maintaining a 10% fund balance reserve fully appropriating funding for each capital improvement project (to prevent shortfalls the following year), and conservatively projecting revenues (at the minimum that can be expected to be received) and expenditures (at the maximum to be spent).

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. The Government Finance Officers Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain reserves (unrestricted fund balance) in their General Fund of no less than two months of operating revenues or expenditures, or a minimum of approximately 16.6 percent of General Fund operating expenditures. The GFOA further recommends that reserve levels be directly related to the degree of uncertainty the local government faces; specifically, the greater the uncertainty, the greater the financial resources necessary. Since reserves are used to mitigate risk, during these uncertain economic times, it is crucial that the City continue its practice of adhering to this GFOA guidance. This will provide the City with resources to cope with unforeseen expenditures, unanticipated events, or revenue shortfalls.

The City will maintain an unallocated reserve in the General Fund equal to a minimum of 10% of expenditures and transfers out to buffer any unexpected change in the revenue/expenditure picture for the fiscal year. This was formalized in June of 1996 by Resolution No. 96-111.

The City will maintain a financial stability reserve fund to provide funds to maintain service levels during economic downturns.

Long-Term Policies

OPERATING BUDGET POLICIES

- The City will present to the City Council a Program and Financial Plan that is a balanced document. Expenditures will not exceed available resources, including funding carried over from the previous year
- The City will maintain a General Fund Reserve that provides the necessary cash flow, a safety net for handling the unexpected, and flexibility in day-to-day operations. The City Council has formally established this reserve at 10% of operating expenditures as the minimum desired level. Lancaster, like most cities, has experienced economic cycles; during good economic times, we increase the reserve to a higher level, as cash flow allows, to buffer downturns in the local economy

- The City will maintain a Financial Stability Reserve that provides the funding necessary to maintain the desired levels of service during downturns in the economy
- To ensure that the largest revenue source will cover the largest expenditure item, we closely compare the Sheriff's Department contract to the Sales and Property Tax Revenue
- The City will allocate resources to special law enforcement programs such as, Target Oriented Policing (TOP) to specifically identify and resolve crime that has received substantial attention. Those programs, which include Christmas Shopping Patrols, Anti-Auto Theft Operations, TOP-Bomb (sheriff units available to patrol at will), and Gang Violence Suppression have been highly successful in reducing specific types of crime
- The planning and approval process for any new Capital Improvement Project will include an analysis of future operating costs to ensure that not only is funding available to build the project, but future operational costs can be covered once construction is complete
- The City will seek financial co-sponsors and partners for special events and recreational programs that are a benefit to the community. Prime examples of this include corporate sponsorship for the annual Streets of Lancaster Grand Prix, co-sponsorship of special theatrical performances for students to gain an appreciation of the performing arts, and community partnerships to provide community neighborhood impact homes and wellness homes.

REVENUE POLICIES

- The City will attempt to maintain a diversified and stable revenue system to shelter it from short-term fluctuations of any one revenue source
- The City will diversify its general fund revenue base away from past reliance on sales tax alone. Successful lobbying efforts to obtain a share of the property tax (Lancaster received no property tax for the first 11 years) is one example of this policy
- The City will utilize one-time non-recurring revenues for one-time expenditures or reserves and avoid using one-time revenues for on-going expenses or programs
- The City will seek out additional sources of revenue as a way of enduring a balanced budget necessary for the quality of services expected by our citizens
- The City will require user fees that cover the direct cost of adult recreation programs, and the cost of development services (building permits, etc.) provided to developers
- The City will do cost comparisons with other cities to ensure that our fee structure is reasonable
- The City will update fees annually based on the prior year annual average consumer price index for the Los Angeles-Riverside-Orange Co. All Urban Consumers percentage change

CASH MANAGEMENT/INVESTMENT POLICIES

- Investment of City funds will be in accordance with the Adopted Investment Policy. Safety of principal will continue to be the number one priority, followed closely by ensuring that funds will be available when needed (liquidity). Only after these two priorities have been fully satisfied will the City consider yield as an investment criterion
- The City will aggressively collect revenues on a timely basis

DEBT POLICIES

- The City's General Fund does not currently have any long-term debt obligations. Current operations will be funded with current revenues.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

- The City will have an independent audit performed annually. An interim audit will be performed mid-way through the fiscal year to ensure correct accounting and internal control procedures are followed
- The City will produce a Comprehensive Annual Financial Report (CAFR) each year in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). This report is submitted annually to the Government Finance Officers Association of the United States and Canada for their Excellence in Financial Reporting Awards Program (The City has received the award for numerous consecutive years)
- The City will maintain a strong internal audit capability

CAPITAL BUDGET POLICIES

- The City will update its multi-year plan for capital improvements; this will include modification of existing projects, and adding/deleting projects, in keeping with the General Plan as adopted by the City Council
- The City will maintain a Capital Replacement fund for ensuring that the equipment necessary for the operations of the City is always available
- The City will ensure that prime commercial and industrial acreage is available and ready for development, thus being able to quickly assist in the provision of jobs and diversity in the economy