

STAFF REPORT
City of Lancaster, California
Lancaster Redevelopment Agency

Date: June 10, 2008

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

From: Mark V. Bozigian, City Manager

Subject: **Proposed Fiscal Year 2008-09 Budget**

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06/10/08
MVB

Redevelopment Agency Recommendations:

Open public hearing, receive report and public testimony, close public hearing and direct staff to schedule budget adoption for June 24, 2008.

City Council Recommendations:

Open public hearing, receive report and public testimony, close public hearing and direct staff to schedule budget adoption for June 24, 2008.

Background:

The City and the Redevelopment Agency are required to adopt a budget by July 1 of each year that establishes appropriations and estimated revenues for the fiscal year. The proposed budget is a culmination of many months of work by the City Council/Agency Board and staff in reviewing priorities and evaluating programs to meet those priorities. A special budget workshop to review the proposed budget was held June 3, 2008.

The City and Agency proposed budget ensures the continued delivery of critical public services, reflects that public safety remains the City's top priority, and focuses on the following five priorities:

- Maintaining service levels to the public despite an economic downturn through ongoing conservative financial practices;
- Significantly increasing the City's commitment to public safety to ensure that recent momentum is maintained;
- A commitment to continued leadership on a regional level in addressing critical water resource issues;
- Strategic financial management over the next few years to ensure the City's ongoing financial stability;
- Capital improvements to enhance water resource management, enhance economic development and recreational opportunities, and maintain existing public facilities.

The City and Agency are facing tough economic times. The housing market continues to be sluggish, in terms of both resale and new construction. Sales tax revenues, which are projected to be down in the current fiscal year, are estimated to be flat in the coming year, based on a downturn in the auto sales market and the trickle effect of the slow housing market on construction purchases. Property tax revenues, which have been experiencing significant increases over the past several years are projected to have little growth in the coming year.

Despite these difficult conditions, the City and Agency are proposing a budget that is in balance, maintains current service levels, increases public safety and maintains reserves. We are able to do this due to the conservative financial management practices the City and Agency have followed over the years.

Budget Overview:

Total revenues for Fiscal Year 2008-09 are estimated at:

	City	Redevelopment Agency
	\$101,538,035	\$91,385,156

The proposed expenditure budget is broken into the following categories:

	City	Redevelopment Agency
Operating	\$80,487,830	\$78,935,630
Programmatic		67,800,219
Capital Improvement Program	<u>30,309,210</u>	<u>8,933,454</u>
TOTAL PROPOSED	<u>\$110,817,040</u>	<u>\$155,669,303</u>

The difference between the revenues and expenditures relates to one-time capital improvement projects and Redevelopment Agency programmatic expenditures funded with one-time fund balance.

General Fund

Revenues in the general fund are estimated at \$61,117,656 including operating transfers in from other funds in the amount of \$1,722,371.

The General Fund expenditure budget for next fiscal year is proposed as follows:

	General Fund
Operating	\$53,781,730
Transfers to other Funds	5,220,121
Capital Improvement Program	<u>1,463,000</u>
TOTAL PROPOSED EXPENDITURES	<u>\$60,464,851</u>

The difference between the estimated revenues and proposed expenditures will be added to the financial stability reserve, to be used in future years if it becomes necessary.

The proposed budget was developed consistent with City Council policy of maintaining a minimum General Fund unallocated fund balance of 10% of revenues, and maintaining the financial stability reserve at 25% of expenditures to ensure a consistent level of service.

Capital Improvement Program

The FY 2008-09 Capital Improvement Program was developed consistent with the City's priorities of being a leader in water resource management, promoting economic development, and providing recreational opportunities to our citizens. The program is proposed at \$37,562,210, (combined City and Redevelopment Agency) in new funds as follows:

Water Projects	\$ 3,162,000
Economic Development	19,053,000
Parks, Recreation & Arts	5,727,210
Street & Pavement Mgmt.	8,225,000
Other Projects	<u>1,395,000</u>
TOTAL	<u>\$37,562,210</u>

Major projects proposed include:

Ave. I & SR 14 Interchange Impr.	\$11.7 million
2009 Pavement Management	\$5.5 million
Front Row Center/Hopkins	\$4.7 million
Gilley Park	\$3.9 million
30 th St. West Ave. G. Imp.	\$2.0 million

In addition, it is estimated that \$66.8 million in projects funded in FY 2007-08 will be carried over into FY 2008-09. This is due to the nature of capital improvement projects in that they typically run longer than one fiscal year.

Lancaster Redevelopment Agency

The proposed Fiscal Year 2008-09 budget for the Lancaster Redevelopment Agency is comprised of four distinct elements: economic development, housing, debt service and tax increment pass-throughs which, when combined, finance the various programs, projects and activities approved by the Redevelopment Agency Board. The proposed budgets for these areas are:

Economic Development	\$33.8 million
Housing & Neighborhood Revitalization	\$47.6 million
Pass Throughs	\$58.5 million
Debt Service	<u>\$15.8 million</u>
TOTAL	\$155.7 million

The proposed budgets for Economic Development and Housing & Neighborhood Revitalization include carrying forward funds approved in FY 2007-08 for programs that have not yet been completed in the amounts of:

Economic Development	\$12.8 million
Housing & Neighborhood Rev.	\$9.6 million