



# CITY OF SANTA BARBARA

## CITY COUNCIL AGENDA REPORT

**AGENDA DATE:** June 6, 2012

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Fiscal Year 2013 Recommended Operating And Capital Budget

**RECOMMENDATION:** That Council:

- A. Approve including the Finance Committee and staff recommended adjustments in the Fiscal Year 2013 Budget; and
- B. Provide direction to staff on other Council adjustments to the Fiscal Year 2013 Budget.

### EXECUTIVE SUMMARY

In April 2012, the City Administrator filed the Fiscal Year 2013 Recommended Budget for Council and public review. The Fiscal Year 2013 budget is the second year of a two-year financial plan that was originally approved by City Council in June 2011. The budget submitted in April 2012 is largely unchanged from the version contained in the adopted two-year plan in terms of level of services provided to the community with some exceptions.

Since the filing of the two-year plan, the local economy has improved dramatically. In the General Fund, the projected deficit went from \$2.7 million to \$897,908. This change is primarily due to strong growth in sales tax and transient occupancy tax revenues.

The other significant change is the dissolution of the City's Redevelopment Agency (RDA) as a result of State legislation. In addition to eliminating funding for important capital improvement projects, the dissolution of the RDA means a loss in critical funding for low- and moderate-income housing development projects.

Since the filing of the Fiscal Year 2013 Recommended Budget in April 2012, the City Council held six public hearings during which Council and the public reviewed the recommended budget. Concurrent with the Council's review, the Finance Committee reviewed certain elements of the recommended budget in more detail.

During the public review process, Council directed staff to provide potential funding alternatives for several program areas that were reduced or eliminated in prior years due to revenue declines. In addition, the Finance Committee and staff identified proposed adjustments to the recommended budget due to new information received since its filing in April. All of these items are discussed within this report and will be presented to Council for final direction.

## **DISCUSSION:**

At today's meeting, staff recommends that Council take the following actions:

1. Approve including proposed adjustments to the Fiscal Year 2013 Budget, as a result of new information received since the filing of the recommended budget in April 2012; and
2. Provide direction to staff on items identified by Council during the budget review process for potential funding consideration in Fiscal Year 2013.

Each of these items is discussed below.

### **1. Proposed Adjustments To The Fiscal Year 2013 Budget**

#### ***Finance Committee Review and Recommendations***

During the months of April and May, the Finance Committee held four public meetings to review certain aspects of the Fiscal Year 2013 Recommended Budget in detail, including:

1. General Fund Balancing Strategy;
2. General Fund Revenue Estimates and Growth Assumptions;
3. Proposed Fee Changes for the General Fund and Enterprise Funds;
4. Reserve Policies and Balances; and,
5. Infrastructure and Capital Financing.

At its May 22, 2012 meeting, the Finance Committee concluded its review of the recommended budget and reviewed several staff recommended adjustments to the Library budget. The Finance Committee recommends that Council approve the following three adjustments to the Fiscal Year 2013 recommended budget in the Library department.

First, the Finance Committee recommends the addition of \$50,000 in General Fund hourly salaries to hire a Children's Library Project Development Director. The Development Director would oversee the capital fundraising campaign for the Children's Library Renovation Project and help establish the Children's Library endowment fund. The hourly salaries would be funded from a disbursement of library gift funds from the John & Peggy Maximus Trust.

Second, after the recommended budget was filed, the Library received updated County per capita revenue figures. Accordingly, the Finance Committee recommends an increase in the County per capita revenue of \$9,818 and \$14,217, respectively in the General and County Library funds. Additionally, due to the increased revenue in the County Library Fund, the Finance Committee recommends increasing the General Fund Library Administration Fee by \$2,253. The total additional General Fund revenue of \$12,071 is recommended to be programmed for additional hourly salaries. The additional revenue in the County Library Fund of \$11,964 (net of the increased Administration Fee expense) is recommended to reduce the use of reserves in Fiscal Year 2013.

Lastly, the Library also received updated Library Parcel Tax information from the County for the City of Goleta property tax area after the recommended budget was filed. As a result, the Finance Committee recommends that \$10,806 additional revenue be included in the County Library Fund budget and be used to reduce the use of reserves in Fiscal Year 2013. The Finance Committee recommended adjustments are shown on Attachment 1.

### ***Additional Staff Recommended Adjustment to County Library Budget***

After the conclusion of the Finance Committee's budget review and its final budget recommendations to Council were approved, Library staff was notified that the City of Carpinteria is expected to increase its contribution by \$17,000 for library services at the Carpinteria branch based on the results of a recent survey of its city residents. The staff proposed adjustment for Council's approval would increase County Library Fund revenues by \$17,000 and increase hourly salaries for the Carpinteria branch by an equal amount. The additional staff recommended adjustment is also shown on Attachment 1.

## **2. Council Direction on Additional Program Areas in Fiscal Year 2013**

### ***Potential Funding for Additional General Fund Program Areas***

During Council's review of the Fiscal Year 2013 recommended budget, Council directed staff to provide potential funding alternatives for several General Fund program areas that had been previously reduced or eliminated. These program areas include the Restorative Policing Program (\$322,243), the Rental Housing Mediation Task Force (\$64,129), and reopening the Central Library on Mondays (\$139,475-\$175,710). These items are listed on Attachment 2.

As part of the Fiscal Year 2011 adopted budget, the Central and Eastside libraries were permanently closed on Mondays, resulting in \$288,000 in annual savings to the General Fund. The Fiscal Year 2013 recommended budget includes funding to reopen the Eastside library on Mondays. At the May 16, 2012 budget worksession, Council directed library staff to return with options and costs for also reopening the Central library on Mondays. After extensive examination, a plan was developed to reopen the Central Library on Mondays with a minimum level of staffing that would still allow essential functions to be performed. The plan does not include the addition of permanent staff, but rather uses hourly staff and one permanent part-time position for a total of \$175,710. The cost could be reduced by \$15,890 by hiring only hourly staff and not creating the permanent part-time Building Monitor position. The cost could be reduced by an additional \$20,345 by closing the Central library an hour earlier Mondays through Thursdays (at 7:00 p.m. daily), thereby, resulting in the library's open hours at 55 total each week compared to the current 49 hours. The total cost to reopen Monday using both lower cost options is \$139,475.

Also included on Attachment 2 are potential funding sources available for these program areas. These sources include increased sales tax and transient occupancy tax revenue estimates (\$124,000) based upon our most recent data, accumulated Workers' Compensation reserves for the General Fund (\$497,095), savings from the reduction of a Community Development Planner to part-time status (\$60,544), and the General Fund appropriated reserve (\$655,384). The total available funding is \$1,337,023.

Although \$655,384 is currently budgeted in the Fiscal Year 2013 General Fund appropriated reserve, staff recommends that \$150,000 be retained in this line-item to cover unanticipated expenses during the year. This would leave \$505,384 available for potential service restorations from the General Fund appropriated reserve.

During the Library budget review hearing on May 16, 2012, Council also discussed potentially restoring staffing at the Central Library reference desk daily after 6 p.m. and on Sundays. The cost of restoring this service is approximately \$11,000. We have not included this as a service restoration, since library management believes that other funding needs, such as enhancement of the library materials budget remain a higher priority for funding.

### ***Proposed Change in Service to MTD Contract in Streets Fund***

For many years, the Redevelopment Agency has funded \$300,000 of the \$1.275 million contract with MTD as an annual transfer into the Streets Fund. The purpose of this funding was to mitigate the traffic impacts created by the establishment of the Central City Redevelopment Project Area. On May 30, the Oversight Board administering the dissolution of our Redevelopment Agency denied the City's request that this be considered an enforceable obligation. As a result, funding of this obligation from tax increment monies will be discontinued on July 1, 2012.

In order to deal with this loss in funding, staff worked with MTD staff to identify changes in service that would have the least impact upon the public. The recommended changes are to reduce the mid-day service on the Crosstown Shuttle when ridership is lower (\$101,000 savings), eliminate the under-utilized Carrillo Commuter Lot Shuttle (\$102,000 savings), and increase the shuttle fare from \$0.25 to \$0.50 per ride (\$75,000). The total of these changes is \$278,000. It is anticipated that additional revenues above the proposed \$75,000 estimate could be generated, which would offset the \$22,000 shortfall, or another funding source could be identified next year to backfill the shortfall. Attached is a more detailed memorandum from Public Works discussing these proposed changes.

MTD staff is supportive of the contract and fare changes in light of the elimination of RDA funding for these services. The Transportation and Circulation Committee also reviewed these service changes and recommends approval by the City Council.

***Measure B Funding for the Andrée Clark Bird Refuge Vegetation Maintenance & Restoration Project***

The Andrée Clark Bird Refuge is a 42-acre open space park including a 29-acre lake, trails, a small parking lot, and a section of the multi-modal beach way. The purpose of the Bird Refuge Vegetation Maintenance and Restoration Project (Bird Refuge Project) is to restore water flow and conveyance within the Bird Refuge Park to reduce mosquito production and the potential for flooding on Old Coast Highway, Highway 101, and Cabrillo Boulevard. The project includes vegetation removal, maintenance of those areas for five years, and then eventual restoration of the wetlands habitat. Restoration is required by various permitting agencies as mitigation for the habitat that is removed.

The Bird Refuge Project budget is \$403,352 and is appropriated in the General Fund Capital Outlay Fund. Of the total budget, \$177,000 was originally appropriated by Council in June 2008 as part of the adoption of the city's fiscal year 2009 operating and capital budget. On December 6, 2011, Council allocated additional funding by reallocating \$236,900 from the existing Park Restroom Renovation project and an additional transfer of \$49,452 from the General Fund by increasing the General Fund's Transient Occupancy Tax revenue estimate for Fiscal Year 2012.

In addition to appropriating additional funding for the project at the December 6, 2011 meeting, Council referred the item to the Creeks Advisory Committee to consider if the project was an appropriate use of Measure B funds to backfill the \$49,452 supplemental funding transferred in from the General Fund. The Creeks Advisory Committee reviewed the item on March 14, 2012 and unanimously recommended that the Bird Refuge project is not an appropriate use of Measure B funds.

On May 15, 2012, the Finance Committee received a report on the Bird Refuge Project and the Creeks Advisory Committee recommendation. On a 2-1 vote, the Finance Committee moved that the item be referred back to Council, without a Committee recommendation, for a policy discussion of the guidelines for use of Measure B funds and a final decision on Measure B funding for the Bird Refuge Project. If approved, the Measure B funding would be used to reduce the capital outlay transfer from the General Fund in the Fiscal Year 2013 operating budget.

***Consent Decree Costs Resulting from Channelkeeper Litigation of Wastewater and Stormwater NPDES Permit Violations***

As part of the consent decree related to the Santa Barbara Channelkeeper litigation, the City is required to fund a supplemental environmental project (SEP) for low impact development education and outreach. The project will be conducted by the Watershed Management Group and is designed to promote projects that limit runoff. The cost of the SEP is \$125,000. The Wastewater fund is projected to end the fiscal year at approximately \$672,800 below Council policy reserves and the current financial plan does not project restoring Council policy reserves within the next six years. Funding the SEP from Measure B would reduce the impacts of the Consent Decree to the Wastewater Fund.

- ATTACHMENTS:**
1. Proposed Adjustments to the Fiscal Year 2013 Recommended Budget
  2. Schedule of Items Requiring Final Direction from Council
  3. Memorandum from Public Works Department on Proposed Changes in Service to MTD Contract

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

**CITY OF SANTA BARBARA**  
**Schedule of Proposed Adjustments**  
**Recommended Operating and Capital Budget for Fiscal Year 2013**

	Revenues	Approp.	Addition to/ (Use of) Reserves
<b>FINANCE COMMITTEE ADJUSTMENTS</b>			
<b><u>GENERAL FUND</u></b>			
<b>Library Department</b>			
Transfer In Library Gift Funds from John & Peggy Maximus Trust	50,000		
Increase Hourly Salaries for Children's Library Project Development Director		50,000	
Increase County Per Capita Revenue	9,818	-	
Increase County Library Administration Fee	2,253	-	
Increase General Fund Hourly Salaries	-	12,071	
<b>General Fund Total</b>	<b>\$ 62,071</b>	<b>\$ 62,071</b>	<b>\$ -</b>
<b><u>COUNTY LIBRARY FUND</u></b>			
<b>Library Department</b>			
Increase County Per Capita Revenue	14,217	-	
Increase Goleta Library Parcel Tax Revenue	10,806	-	
Increase Library Administration Fee to General Fund	-	2,253	
<b>County Library Fund Total</b>	<b>\$ 25,023</b>	<b>\$ 2,253</b>	<b>\$ 22,770</b>
<b>ADDITIONAL STAFF ADJUSTMENT</b>			
<b><u>COUNTY LIBRARY FUND</u></b>			
<b>Library Department</b>			
Increase Contribution from City of Carpinteria for Carpinteria Branch	17,000	-	
Increase Hourly Salaries for Carpinteria Branch	-	17,000	
<b>County Library Fund Total</b>	<b>\$ 17,000</b>	<b>\$ 17,000</b>	<b>\$ -</b>

**CITY OF SANTA BARBARA**  
**Schedule of Items Requiring Final Direction from Council**  
**Recommended Operating and Capital Budget for Fiscal Year 2013**

<b>GENERAL FUND</b>	<b>Revenue</b>	<b>Appropriations</b>
<b>POTENTIAL FUNDING DECISIONS</b>		
Fund Restorative Policing Program	-	\$322,243
Restore Monday Library Hours (10 AM to 8 PM)	-	\$139,475 - \$175,710
Rental Housing Mediation Task Force	-	\$64,129
<b>Total Potential Funding Decisions</b>	<b>\$525,847 - \$562,082</b>	
<b>POTENTIAL FUNDING SOURCES</b>		
Reduce Appropriated Reserves	-	(\$505,384) - (\$655,384)
Savings from half-time Planner vacancy	-	(\$60,544)
Accumulated Workers Comp. reserves	\$497,095	-
Increase Sales Tax & TOT revenue estimates	\$124,000	-
<b>Total Potential Funding Sources</b>	<b>\$1,187,023 - \$1,337,023</b>	

<b>STREETS FUND</b>	<b>Revenue</b>	<b>Appropriations</b>	<b>(Use of) Reserves</b>
<b>PROPOSED CHANGE IN SERVICE TO MTD CONTRACT</b>			
Redevelopment Funding Eliminated	(\$300,000)	-	
Shuttle Fare increase from \$0.25 to to \$0.50	\$75,000	-	
Eliminate Carrillo Commuter Lot Shuttle Service	-	(\$102,000)	
Reduce midday service on the Crosstown Shuttle	-	(\$101,000)	
<b>Total Impact - Streets Fund</b>	<b>\$ (225,000)</b>	<b>\$ (203,000)</b>	<b>\$ (22,000)</b>

<b>CREEKS FUND (MEASURE B)</b>	<b>Revenue</b>	<b>Appropriations</b>	<b>(Use of) Reserves</b>
Andree Clark Bird Refuge Project	-	\$50,000	
Wastewater Consent Decree SEP Funding	-	\$125,000	
<b>Total Impact - Creeks Fund</b>	<b>\$ -</b>	<b>\$ 175,000</b>	<b>\$ (175,000)</b>





**CITY OF SANTA BARBARA  
PUBLIC WORKS DEPARTMENT  
MEMORANDUM**

**DATE:** June 6, 2012  
**TO:** Mayor and City Council  
**FROM:** Transportation Division, Public Works Department  
**SUBJECT:** Proposed Changes in Service to MTD Contract for Fiscal Year 2013

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The City of Santa Barbara has an agreement with Santa Barbara Metropolitan Transit District (MTD) to provide shuttle service for downtown employees between the two commuter lots in the downtown area, the downtown business district, and the Downtown/Waterfront Shuttle that services State Street and the Waterfront. Shuttle service for the commuter lots is free to downtown employees who have purchased a monthly parking permit for the two commuter lots. The fare for the Downtown/Waterfront Shuttle is set at \$.25.

The Fiscal Year 2012 City subsidy to MTD for these services is \$1,275,000. Financial support for these services has come from the Measure A, Downtown Parking and Redevelopment Agency (RDA) funds. Of this total, \$300,000 is made possible by RDA funds. The State of California eliminated RDA's as part of the budget balancing measure which went into effect on February 1, 2012. The City has requested that the Redevelopment Oversight Committee continue to support the RDA funding for this shuttle service. If the committee does not support the continuation of the RDA funding, the City will have to reduce the subsidy to MTD which will result in modifications to the service.

**RECOMMENDED CHANGES IN SERVICE**

**Carrillo Commuter Lot Shuttle**

The Carrillo Commuter Lot Shuttle is a weekday peak hour service subsidized by the City as an incentive to attract downtown employees to park in the Carrillo commuter lot. The service is free for commuter lot parkers and \$0.25 for other riders.

In Fiscal Year 2012, the City is providing MTD a fare subsidy of approximately \$102,000, for this Shuttle. In Fiscal Year 2011, the annual ridership for this service was 12,123, for an average of approximately 10 riders per hour, the lowest of any MTD route. The average operating cost for this service was \$10.78 per passenger, compared to \$3.01 for the Downtown/Waterfront Shuttle.

City and MTD staffs are recommending the elimination of the Carrillo Commuter Lot Shuttle if RDA funds are not appropriated

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### **Crosstown Shuttle**

The Crosstown Shuttle connects the east and west sides of Santa Barbara with downtown via Cota and Micheltorena Streets. It also serves the Cota Commuter Lot. The service is free for commuter lot parkers and the standard MTD fare of \$1.75 for other riders.

In Fiscal Year 2012, the City is providing MTD a subsidy of approximately \$101,000 for the Crosstown Shuttle. Under the agreement between MTD and the City, passengers who park in the Cota Street commuter parking lot are allowed to ride the Crosstown Shuttle for free. Like the Carrillo Commuter Lot Shuttle, the Crosstown Shuttle operates on weekday service days only.

Downtown Parking staff did a visual survey of the commuter lot users to determine where they went after parking their vehicles. The majority of drivers left the parking lot thru the Cota Street entrance and walked towards State Street. Very few of the lot users boarded the Crosstown Shuttle.

In Fiscal Year 2011, the Crosstown Shuttle carried an average of approximately 21 passengers per hour, which placed it in the fourth quartile of MTD's trunk & local routes. In Fiscal Year 2012 the route has boarded an average of approximately 22 passengers per hour to date. This route is scheduled to provide approximately 6,000 hours of service in the current fiscal year.

MTD staff analyzed Crosstown Shuttle ridership by trip for a typical month (October 2011). This analysis suggested that a reduction in midday service from approximately 9:30 A.M. to 2:30 P.M. would have less of an effect on the passengers than other potential reductions to the route. Currently two buses are in service all day on the Crosstown Shuttle, resulting in headways of approximately 25 minutes. With this change, only one bus would operate at midday, which would result in headways of approximately 50 minutes during that period. This change would reduce the service by an estimated 1,359 revenue hours annually.

In October 2011, a daily average of 203 passengers boarded the Crosstown Shuttle between 9:30 A.M. & 2:30 P.M. An elasticity analysis suggested that a change in headways, as described above, would result in a decrease in midday ridership to 148 daily passengers (a decrease of 55 daily passengers). It is likely that many of those riders would shift to Lines 1 & 2.

City and MTD staffs are recommending that the midday Crosstown Shuttle service be reduced, if RDA funds are not appropriated.

### **Downtown/Waterfront Shuttle Fare**

The Downtown/Waterfront Shuttle operates along State Street, from Sola Street to Cabrillo Boulevard, and the Waterfront service operates along Cabrillo Boulevard, from the harbor to

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the zoo. The one-way fare is \$0.25. Transfers between State Street and the Waterfront are free.

City and MTD staffs concur in recommending that the City Council and MTD Board increase the Downtown/Waterfront Shuttle fare from the current \$0.25 fare for all riders, to a proposed \$.50 fare with a \$.25 half-fare for persons aged 62 or older and persons with disabilities. MTD's staff estimates that this fare increase would generate approximately \$75,000 in additional fare revenue annually.

### **Summary**

The Downtown Parking Committee reviewed the options for the Commuter Lot and Crosstown Shuttle service at their May 10, 2012 meeting and recommended the elimination of this service. The Transportation and Circulation Committee reviewed these recommendations at their May 24, 2012 meeting and their recommendation supports the elimination of this service and the increase in fare to \$.50.

If the \$300,000 in current subsidy to MTD that is made possible by the Redevelopment Agency is not available for Fiscal Year 2013, the following actions are recommended:

Eliminate the Carrillo Commuter Lot Shuttle.

- \$102,000 in cost savings.

Reduce midday service on the Crosstown Shuttle.

- \$101,000 in cost savings

Fare increase to \$0.50 for the Downtown-Waterfront Shuttle.

- Estimated \$75,000 in additional revenue

Waterfront Funds

- Consider using approximately \$25,000 in Waterfront funds to close the gap