



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** April 22, 2014  
**TO:** Mayor and Councilmembers  
**FROM:** Administration Division, Finance Department  
**SUBJECT:** Fiscal Year 2015 Recommended Operating and Capital Budget

**RECOMMENDATION:** That Council:

- A. Receive the Fiscal Year 2015 Recommended Operating and Capital Budget;
- B. Hear a report from staff in connection with the filing of the Fiscal Year 2015 Recommended Budget; and
- C. Approve the proposed Schedule of Council Budget Review Meetings and Public Hearings related to the Fiscal Year 2015 Recommended Budget.

**DISCUSSION:**

In accordance with the City Charter, the Fiscal Year 2015 Recommended Budget has been filed with the City Clerk's Office and is being submitted to Council today.

In June of 2013, the City Council adopted a Two-Year Plan that included the adopted Fiscal Year 2014 budget and the proposed plan for Fiscal Year 2015. The purpose of preparing a two-year plan is to minimize the workload impacts associated with developing and producing a budget each year. Accordingly, major changes to the second year of the two year plan are avoided if possible, with the goal being to produce a "status quo" budget in relation to the previous year – at least on the appropriations side of the ledger.

In that context, the Fiscal Year 2015 Recommended Budget does not include significant changes to programs, services, or staffing. However, the recommended budget includes modest increased funding to certain departments that were the most severely impacted by the budget cuts made between 2009 and 2011 in response to the recession and attendant decline in General Fund revenues.

The recommended budget also reflects unexpected strong growth key tax revenues over the last year, in particular transient occupancy tax revenues. As a result, the overall financial picture of the General Fund has improved significantly. Specifically, the originally proposed financial plan proposed \$114.1 million in General Fund revenues for Fiscal Year 2015. The recommended budget now reflects estimated revenues of \$116.7 million, an increase of \$2.6 million.

Over the next two months, staff has scheduled special budget work sessions during which the details of the Recommended Budget will be presented and discussed as part of the public hearing process. Over the course of the public hearings, each City department will present their respective recommended budget. In keeping with the theme of “status quo,” a focus of the presentations will be on changes to the budget in relation to the originally proposed plan, including proposed changes to performance measures and objectives.

The first of these special budget work sessions will be held on Monday, April 28, from 3:00 p.m. to 6:00 p.m. in Council Chambers. The proposed schedule for the special budget work sessions, during which the public hearings on the budget will be held, is included as an attachment to this report for Council’s approval.

In addition to the public review by Council, staff recommends that the Finance Committee review certain elements of the Recommended Budget in more detail. The proposed Finance Committee Review Schedule will be presented to the Finance Committee for approval on April 22<sup>nd</sup> at 12:30 p.m. in the David Gephard Room, just prior to the City Council meeting.

A copy of the Recommended Plan will be available for review in the City Clerk’s Office and the Public Library’s main and eastside branches. It will also be available on the City’s website at [www.SantaBarbaraCa.gov](http://www.SantaBarbaraCa.gov).

**ATTACHMENT:** Schedule of Proposed Council Budget Review Meetings and Public Hearings

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

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

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

**CITY OF SANTA BARBARA**  
**Fiscal Year 2015 Recommended Budget**

**Schedule of Council Budget Review Meetings  
and Public Hearings**

MEETING	DATE	BUDGET AGENDA ITEM(S)
SPECIAL WORKSESSION AND PUBLIC HEARING #1	Mon., April 28, 2014 3:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ Open Budget Public Hearing</li> <li>➤ <u>Department Budget Presentations for:</u> <ul style="list-style-type: none"> <li>- Finance</li> <li>- General Government</li> <li>- Administrative Services</li> <li>- City Attorney's Office</li> <li>- City Administrator's Office</li> <li>- Mayor &amp; Council</li> </ul> </li> </ul>
SPECIAL WORKSESSION AND PUBLIC HEARING #2	Wed., April 30, 2014 3:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ <u>Department Budget Presentations for:</u> <ul style="list-style-type: none"> <li>- Public Works</li> </ul> </li> </ul>
SPECIAL WORKSESSION AND PUBLIC HEARING #3	Mon., May 5, 2014 3:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ <u>Department Budget Presentation for:</u> <ul style="list-style-type: none"> <li>- Airport</li> <li>- Waterfront</li> <li>- Solid Waste Fund (Finance)</li> </ul> </li> </ul>
SPECIAL WORKSESSION AND PUBLIC HEARING #4	Mon., May 12, 2014 3:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ <u>Department Budget Presentation for:</u> <ul style="list-style-type: none"> <li>- Fire</li> <li>- Police</li> </ul> </li> </ul>
SPECIAL WORKSESSION AND PUBLIC HEARING #5	Wed., May 14, 2014 1:00 – 4:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ <u>Department Budget Presentations for:</u> <ul style="list-style-type: none"> <li>- Community Development / Successor Agency</li> <li>- Library</li> </ul> </li> </ul>
SPECIAL WORKSESSION AND PUBLIC HEARING #6	Mon, May 19, 2014 3:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"> <li>➤ <u>Department Budget Presentation for:</u> <ul style="list-style-type: none"> <li>- Parks &amp; Recreation (including Creeks and Golf Funds)</li> </ul> </li> </ul>

SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING #7	Mon., June 2, 2014 3:00 – 5:00 pm Council Chambers	<ul style="list-style-type: none"><li>➤ Finance Committee Budget Recommendations to Council</li><li>➤ Council Budget Deliberations</li><li>➤ Final Council Budget Direction to Staff</li><li>➤ Close Budget Public Hearing</li></ul>
SPECIAL BUDGET WORKSESSION AND PUBLIC HEARING #8	Wed., June 4, 2014 4:00 – 6:00 pm Council Chambers	<ul style="list-style-type: none"><li>➤ Continue Council Budget Deliberations (if needed)</li></ul>
REGULAR CITY COUNCIL MEETING	Tues, June 10, 2014 Afternoon session Council Chambers	<ul style="list-style-type: none"><li>➤ Prop. 218 Hearing on Proposed Increases to Water, Wastewater and Solid Waste Rates</li></ul>
REGULAR CITY COUNCIL MEETING	Tues, June 17, 2014 Afternoon session Council Chambers	<ul style="list-style-type: none"><li>➤ Budget Adoption</li></ul>



# CITY OF SANTA BARBARA



FISCAL YEAR 2015  
RECOMMENDED BUDGET

# INTRODUCTION

- ◆ Pursuant to City Charter –Must be submitted no later than 60 days prior to July 1 (i.e., May 1).
- ◆ Early submittal to provide Council and community more time for review
- ◆ Second year of two-year financial plan adopted by Council in June 2013
  - Fiscal Year 2015 budget document is an addendum to 2<sup>nd</sup> year; focus of layout is on changes to the plan
  - Much less detailed document
  - Fiscal Year 2015 largely a “status quo” budget
  - Proposed enhancements/restorations are included

# **BUDGET OVERVIEW**

## **Presentation Outline**

**I. CITYWIDE OVERVIEW**

**II. GENERAL FUND**

**III. ENTERPRISE FUNDS**

**IV. PROPOSED PUBLIC REVIEW SCHEDULE**

**V. QUESTIONS**



# I. CITYWIDE OVERVIEW

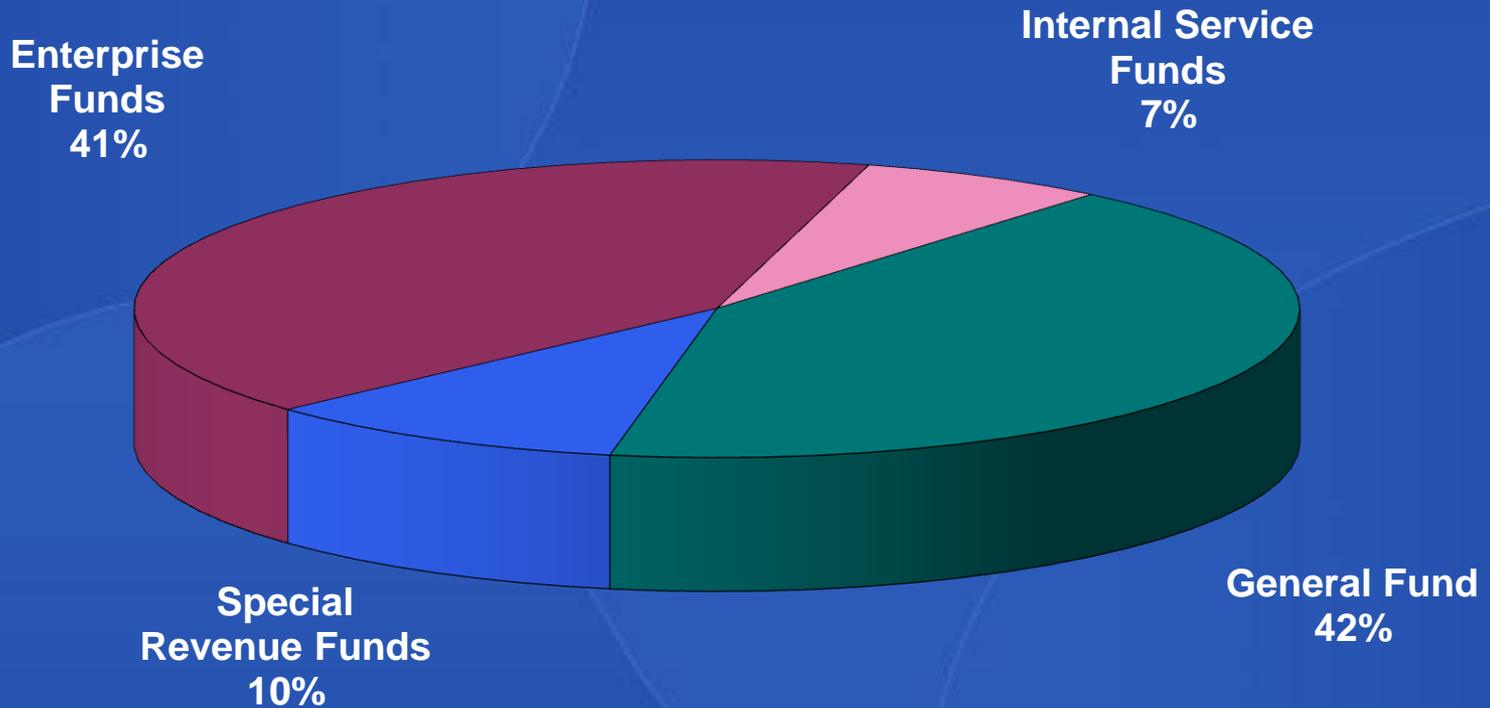
# CITYWIDE TOTALS

## Sources & Uses of Funds

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Totals
Use of Reserves	\$ 1,628,716	\$989,804	\$10,009,099	\$3,283,499	\$15,911,118
Revenue	116,693,796	33,097,800	125,017,064	23,513,679	298,322,339
<b>Total Sources</b>	<b>\$118,322,512</b>	<b>\$34,087,604</b>	<b>\$135,026,163</b>	<b>\$26,797,178</b>	<b>\$314,233,457</b>
Operating Budget	\$115,383,551	\$28,171,834	\$113,297,199	\$19,056,356	\$ 275,908,940
Capital	1,915,000	5,915,770	21,553,483	7,282,110	36,666,363
<b>Total Uses</b>	<b>\$117,298,551</b>	<b>\$34,087,604</b>	<b>\$134,850,682</b>	<b>\$26,338,466</b>	<b>\$312,575,303</b>
Surplus	\$1,023,961	\$0	\$175,481	\$458,712	\$1,658,154

# CITYWIDE TOTALS

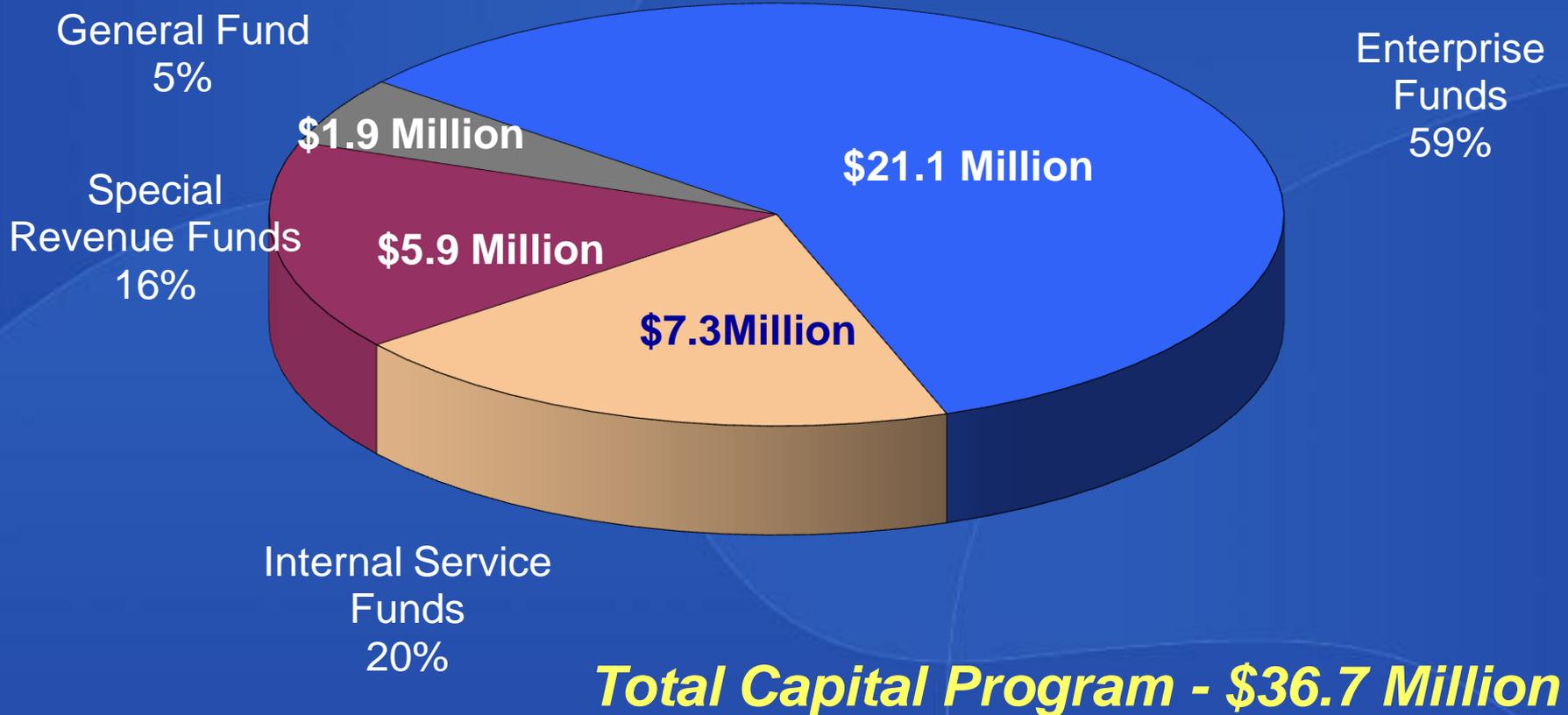
## Operating Budgets



**Total FY 2015 Operating Budgets - \$275.9 Million**

# CITYWIDE TOTALS

## FY 2015 Capital Program

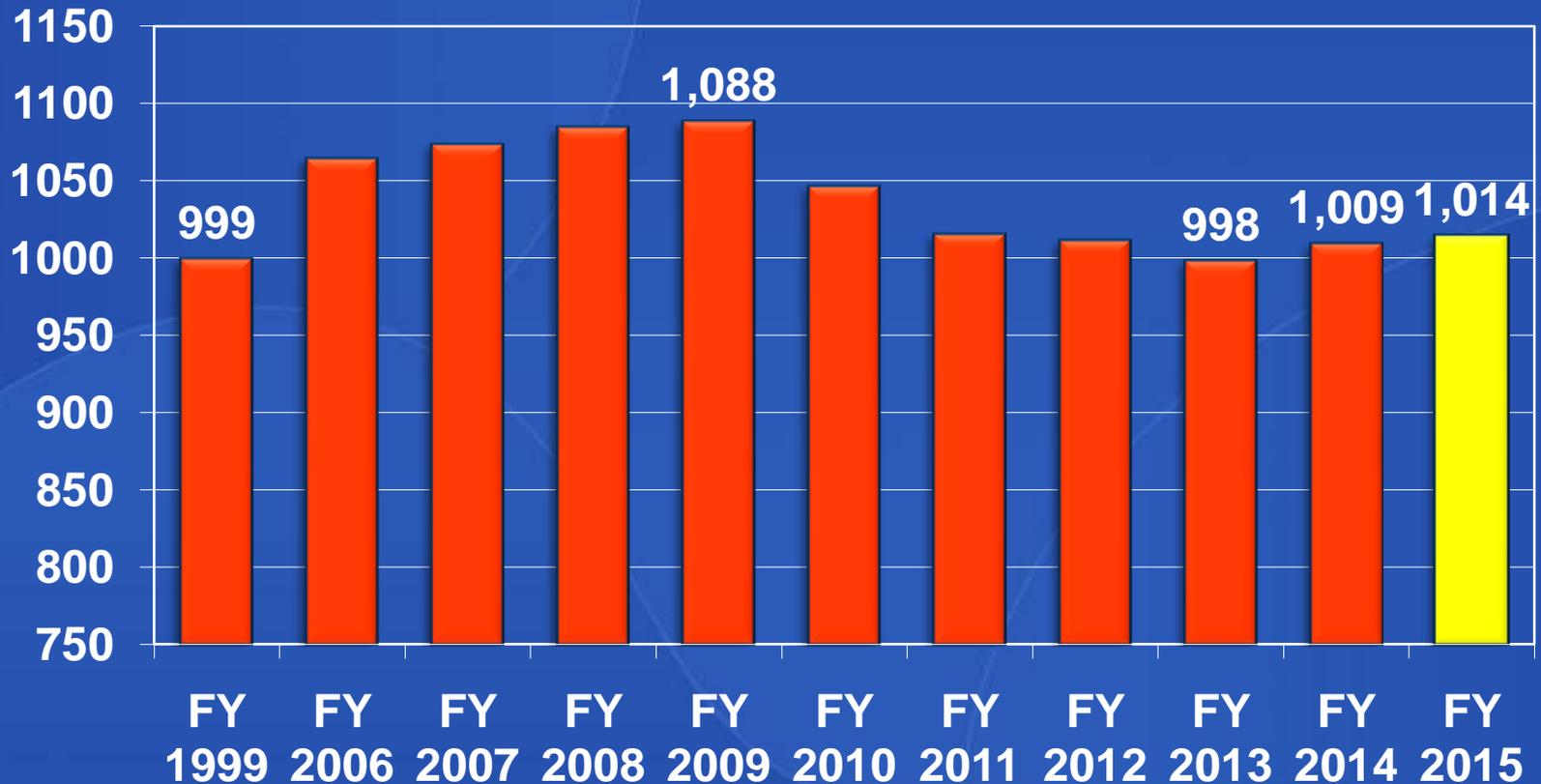




# **POSITIONS (FULL-TIME EQUIVALENTS)**

# CITYWIDE TOTALS

## Position Totals – FY 1999 - 2015



**Recommended**



## **II. GENERAL FUND BUDGET**

# GENERAL FUND

## Overview

- ◆ Economy has clearly improved
  - Sales tax, TOT and property tax revenues have performed well
  - TOT particularly strong
- ◆ Revenues \$2.4 million higher than originally projected
  - Increased capital program by \$250,000
  - Proposed enhancements/restorations totaling \$1.4 million
  - Projected year-end surplus increased from \$210,951 to \$1,023,961

# GENERAL FUND

## Sources and Uses of Funds

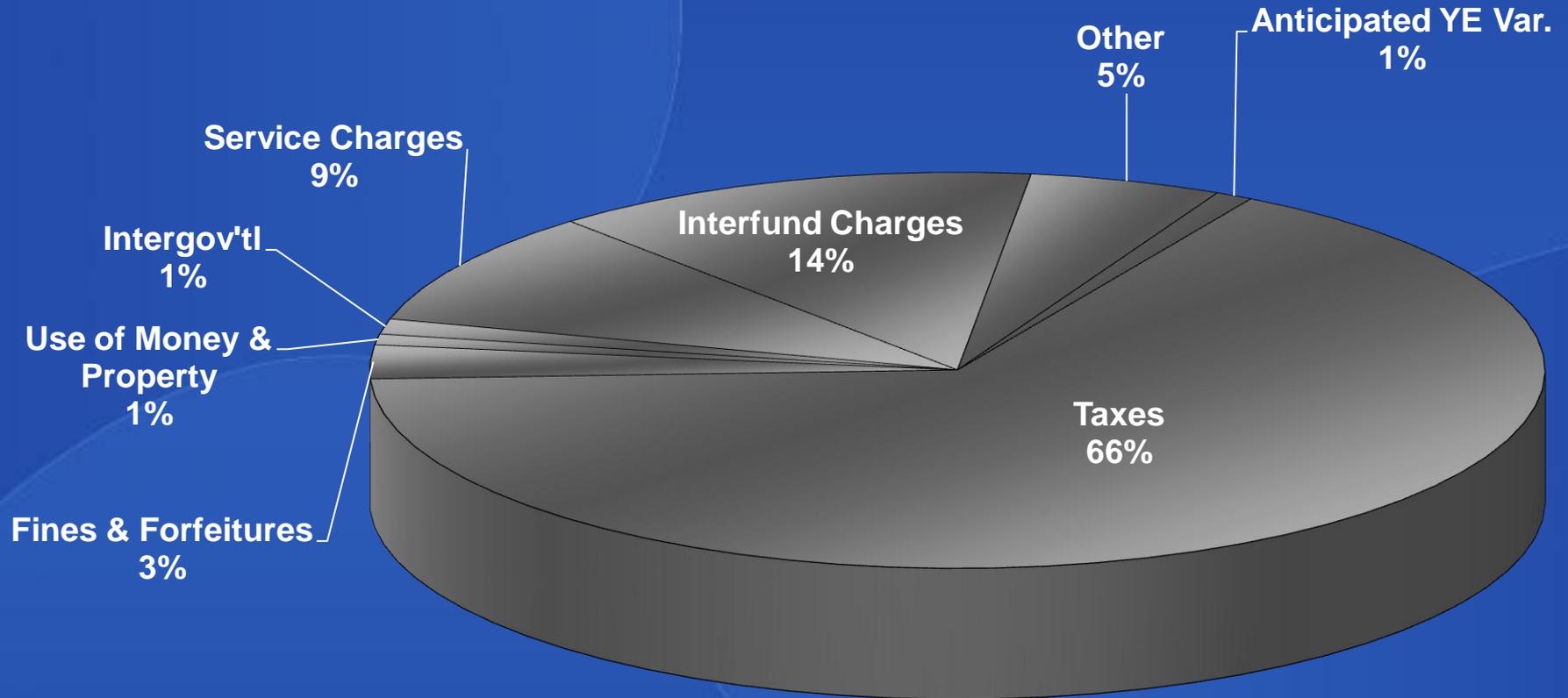
	Original Plan	Recommended Adjustments	Recommended Budget
Use of Reserves	\$ -	\$ -	\$ -
Operating Revenue	114,135,905	2,437,891	116,573,796
Total Sources	114,135,905	2,437,891	116,573,796
Operating Budget	112,939,954	1,374,881	114,314,835
Capital	985,000	250,000	1,235,000
Total Uses	113,924,954	1,624,881	115,549,835
Surplus	\$ 210,951	\$ 813,010	\$ 1,023,961



# General Fund Revenues

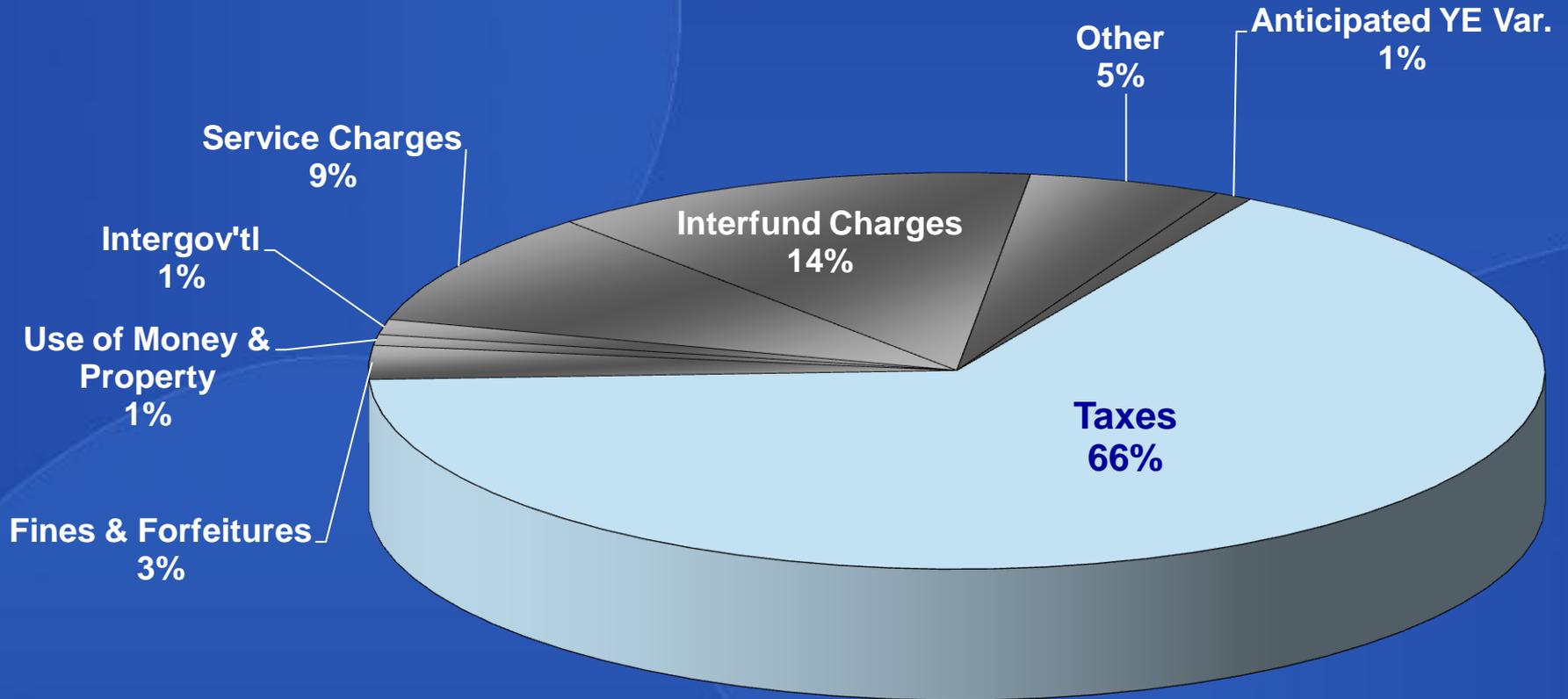
# GENERAL FUND

## Revenues – by Category



**Total FY 2015 General Fund Revenues - \$116.6 million**

# GENERAL FUND Revenues – by Category



**Total FY 2015 General Fund Revenues - \$116.6 million**

# GENERAL FUND

## Property Tax Revenues – 2008-2015



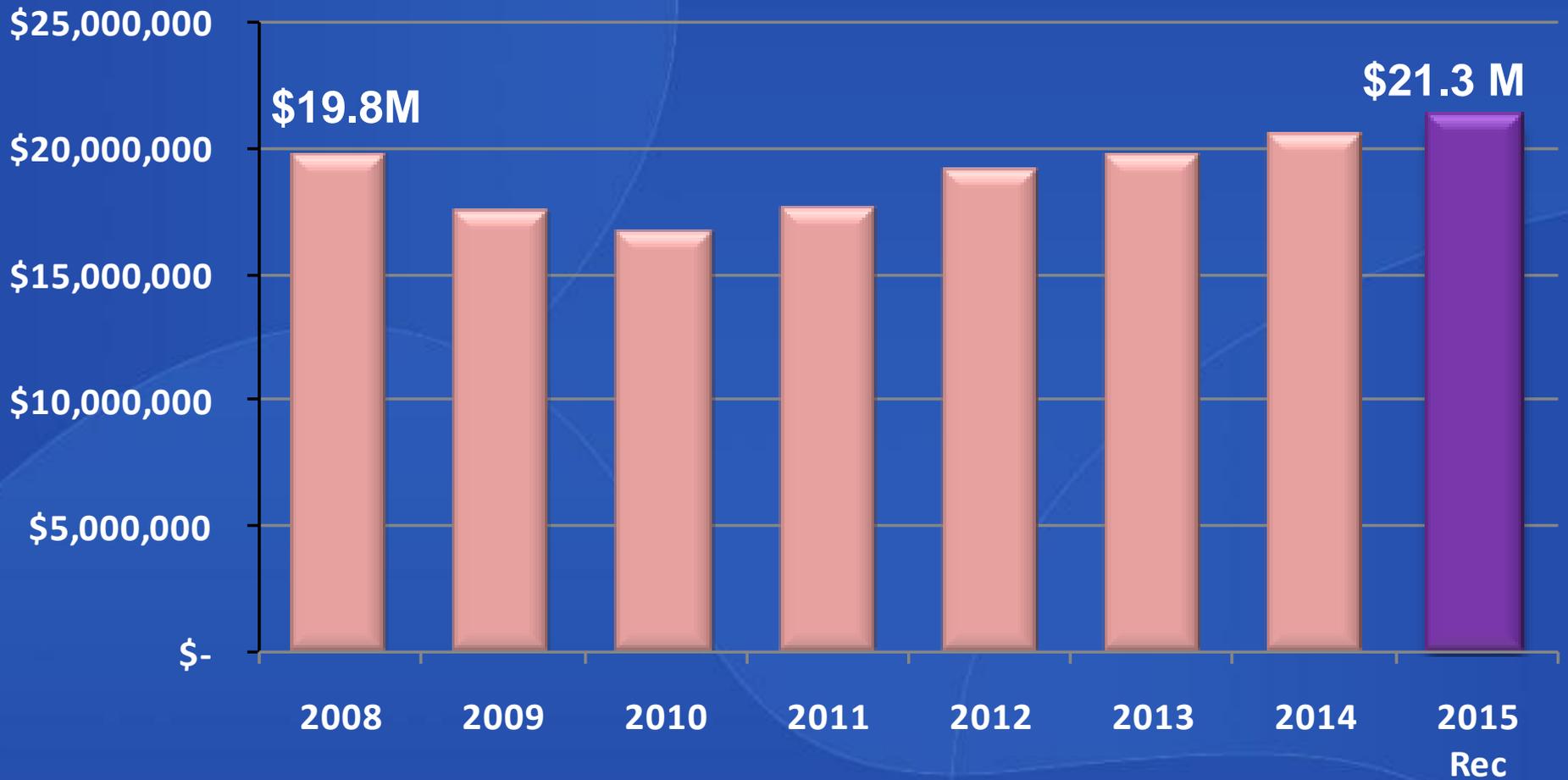
# GENERAL FUND

## Property Taxes

	FY 2013 Actual		FY 2014 Projected		FY 2015 Recomm'd	
Property Taxes	\$ 23,211,426	2.6%	\$ 24,204,918	4.3%	\$ 24,931,065	3.0%
Airplane	409,726		400,000		400,000	
Interest	8,146		8,000		8,000	
Supplemental	307,395		315,000		315,000	
County Admin Fees	(233,498)		(208,666)		(214,926)	
RDA Prop Tax to GF	3,871,969		1,541,200		1,585,895	
	<u>\$ 27,575,164</u>		<u>\$ 26,260,452</u>		<u>\$ 27,025,034</u>	

# GENERAL FUND

## Sales Tax Revenues – 2008-2015



# GENERAL FUND

## Sales Tax Revenues

### Quarterly Analysis – FY 2013 thru FY 2015

Quarter	FY 2013		FY 2014		FY 2015	
	Actual	Growth	Actual	Growth	Projected	Growth
1st Qtr	\$ 5,045,256	5.2%	\$ 5,210,484	3.3%	\$ 5,392,900	3.5%
2nd Qtr	5,126,847	4.0%	5,489,331	7.1%	5,681,500	3.5%
3rd Qtr	4,651,142	6.1%	4,813,900	3.5%	4,982,400	3.5%
4th Qtr	4,938,809	-1.5%	5,111,700	3.5%	5,290,600	3.5%
	<u>\$ 19,762,054</u>	5.2%	<u>\$ 20,625,415</u>	4.4%	<u>\$ 21,347,400</u>	3.5%

**Originally Proposed  
\$21,420,000  
(Decrease of \$72,600)**

# GENERAL FUND

## TOT Revenues – 2008-2015



# GENERAL FUND

## Transient Occupancy Taxes

Month	FY 2014		FY 2015	
	Actual and Projected	Growth	Projected Actual	Growth
July	\$ 2,050,097	12.6%	\$ 2,150,691	4.9%
August	2,069,170	12.9%	2,171,457	4.9%
September	1,510,334	9.5%	1,586,260	5.0%
October	1,283,718	6.3%	1,436,304	11.9%
November	1,036,437	15.8%	1,137,233	9.7%
December	930,596	17.7%	940,000	1.0%
January	1,004,235	25.3%	971,723	-3.2%
February	1,022,811	23.5%	1,005,724	-1.7%
March	1,187,449	11.1%	1,271,101	7.0%
April	1,326,916	11.1%	1,419,827	7.0%
May	1,489,765	11.1%	1,592,789	6.9%
June	1,741,459	11.1%	1,864,330	7.1%
<b>TOTALS</b>	<b>\$ 16,652,987</b>	<b>13.1%</b>	<b>17,547,439</b>	<b>5.4%</b>

Generated an extra  
**\$284,000**

Originally Proposed  
**\$17,013,000**  
(Increase of \$534,439)

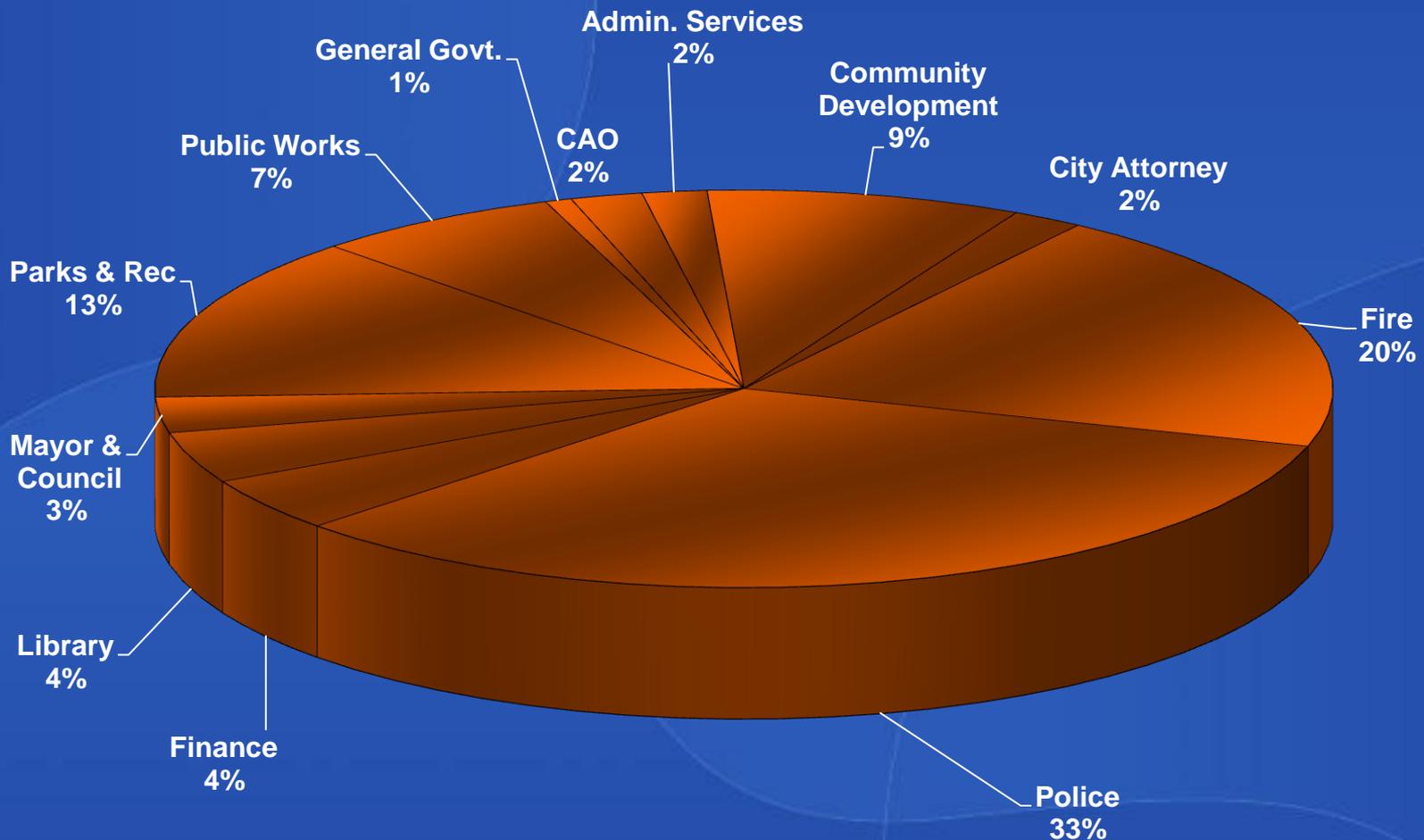
2015 Estimate  
Reduced by  
**\$257,276**  
(Great Weather  
Adjustment)



# General Fund Expenditures

# GENERAL FUND

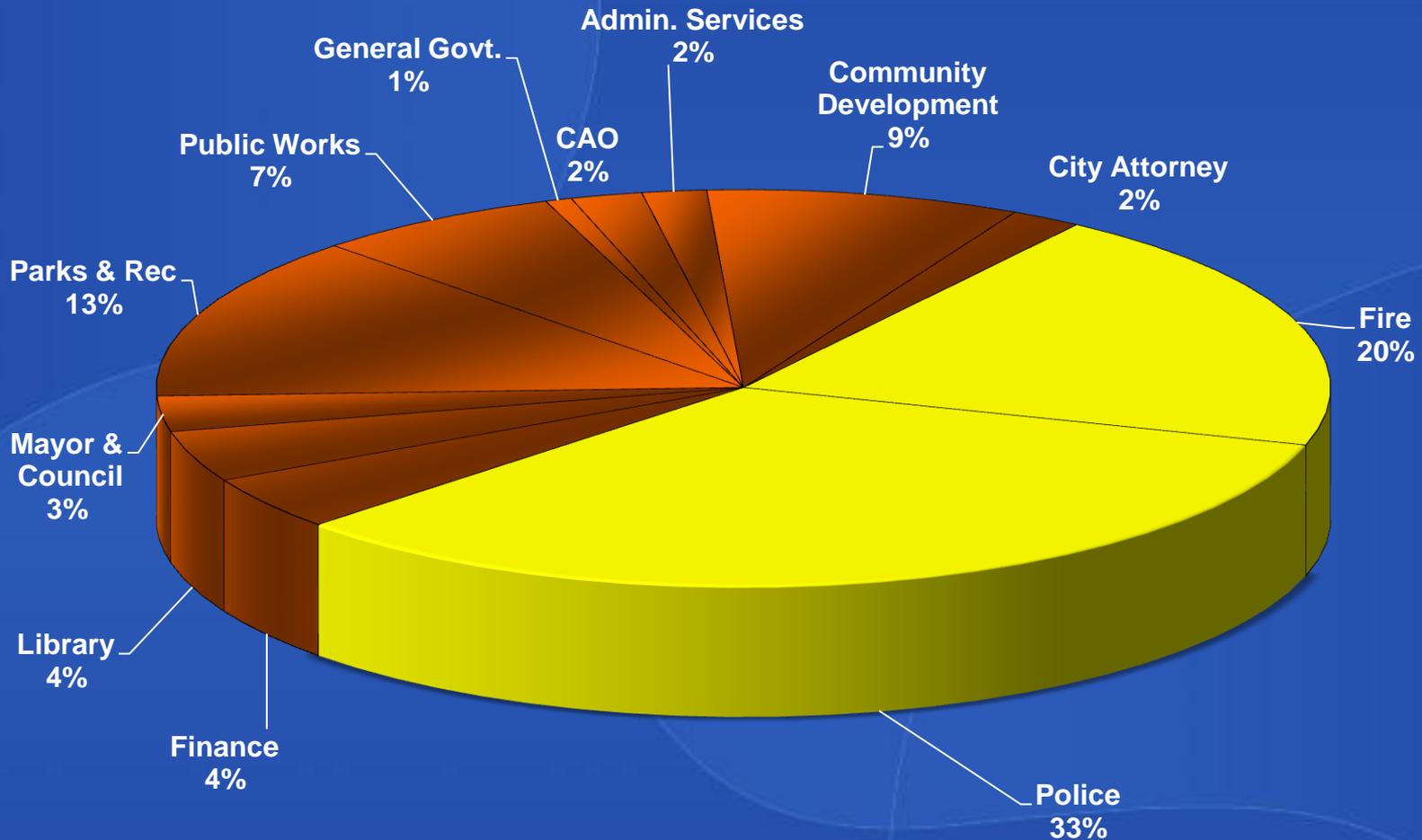
## Expenditures – by Department



**Total FY 2015 Expenditures - \$114.3 Million**

# GENERAL FUND

## Expenditures – by Department



**Total FY 2015 Expenditures - \$114.3 Million**

# GENERAL FUND

## Expenditures – Changes by Dept.

	Originally Proposed	Enhancements/ Restorations	Other Adjustments	Recommended Budget
Mayor & Council	\$ 765,003	47,532	\$ 2,494,581	\$ 3,307,116
City Attorney	2,191,189	38,615	860	2,230,664
City Administrator	2,177,589	5,449	69,533	2,252,571
Finance	5,000,000	10,000	(124)	5,015,553
Administration	2,031,566		31,946	2,031,566
Community Development	9,905,580		(365,812)	9,905,580
Fire	22,947,979	100,000	(263,840)	22,947,979
Police	37,926,761	203,644	(171,866)	37,926,761
Public Works	7,793,384	1,197	32,995	7,793,384
Library	4,757,123	40,978	98,167	4,757,123
Parks & Recreation	15,316,938	745,918	53,185	15,316,938
General Government	829,600	-	(2,040,280)	829,600
	<u>\$112,939,954</u>	<u>\$ 1,435,536</u>	<u>\$ (60,655)</u>	<u>\$ 114,314,835</u>

**Created a new  
Arts & Community Promotions Program  
in Mayor & Council Budget**

**Lower retirement rates**

# General Fund Capital

Project Description	Original Plan	Proposed Adjustments	Recommended
Self-Contained Breathing Aparatus	\$ 462,000	\$ -	\$ 462,000
Cargo Container Live-Burn Training System	-	240,000	240,000
Library Plaza Renovation	-	75,000	75,000
Playground Equipment Replacement	-	80,000	80,000
1,000 Steps Replacement	-	200,000	200,000
Kids World Refurbishment	-	250,000	250,000
Neighborhood Enhancement Program	20,000	-	20,000
Cabrillo Ballfield Renovation	183,000	155,000	338,000
Park Infrastructure Safety Program	100,000	-	100,000
Parks & Recreation Facilities Sign Replacement	50,000	-	50,000
ADA Transition Plan	-	100,000	100,000
Walkways and Building Pathways	100,000	(100,000)	-
Pool ADA Regulatory Improvements	70,000	(70,000)	-
Additional Funding to Streets Program	-	568,716	568,716
Zoning Ordinance Update	265,000	-	265,000
Police HVAC System - Funding to Facilities	-	500,000	500,000
<b>Total</b>	<b>\$ 1,250,000</b>	<b>\$ 1,998,716</b>	<b>\$ 3,248,716</b>

\* These amounts are presented within the operating budget as transfers to other funds.

# General Fund Capital by Source

<u>Funding Source</u>	<u>Original Plan</u>	<u>Proposed Adjustments</u>	<u>Recommended</u>
General Fund Revenues	\$ 1,250,000	\$ 250,000	\$ 1,500,000
Fiscal Year 2013 Surplus (Reserves)	-	1,628,716	1,628,716
Grants	-	120,000	120,000
	<u>\$ 1,250,000</u>	<u>\$ 1,998,716</u>	<u>\$ 3,248,716</u>
<b>Budget Presentation</b>			
Operating Budget	\$ 265,000	\$ 1,068,716	\$ 1,333,716
Capital	985,000	930,000	1,915,000
	<u>\$ 1,250,000</u>	<u>\$ 1,998,716</u>	<u>\$ 3,248,716</u>

# GENERAL FUND

## Position Changes

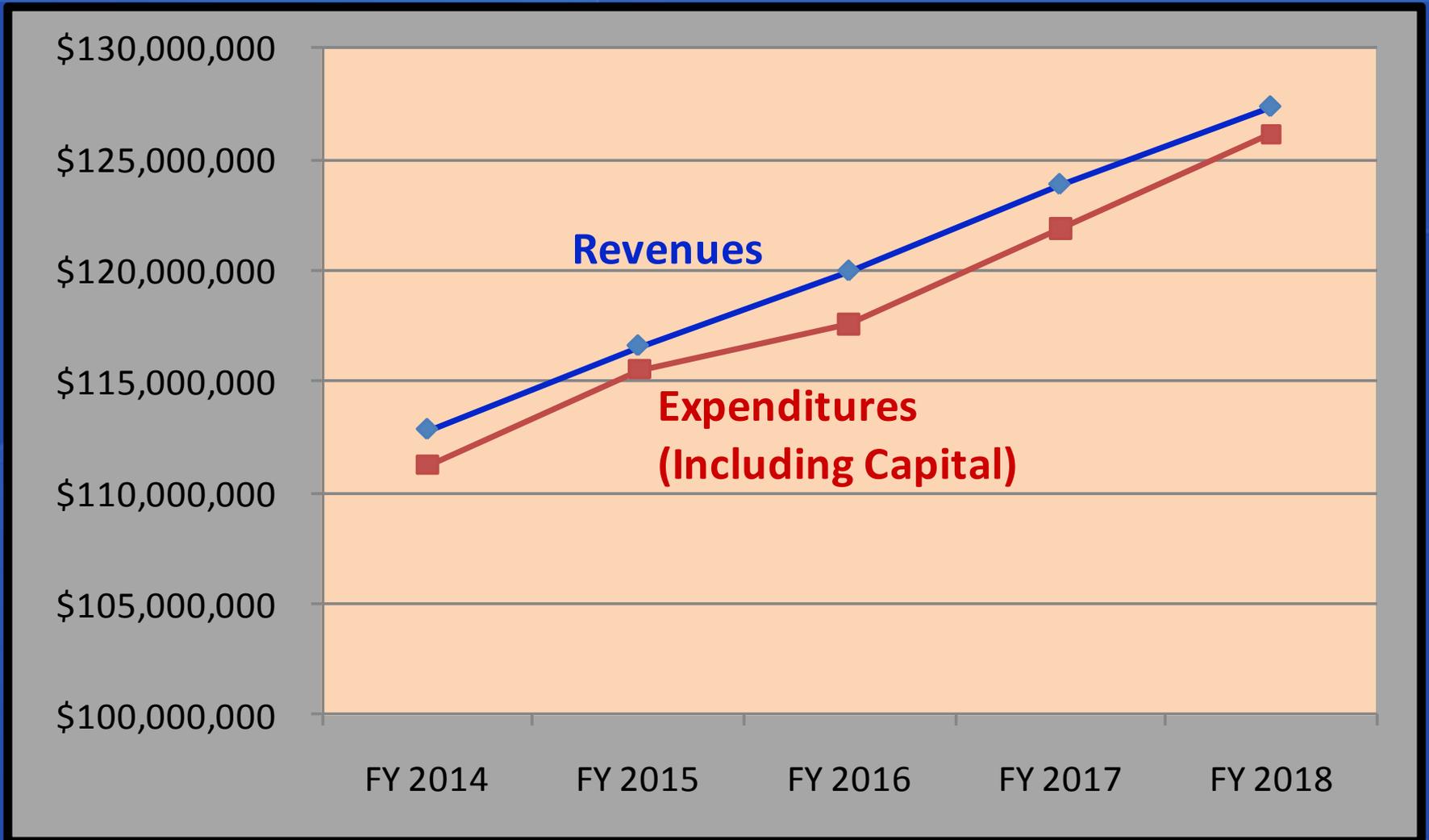
<u>DEPARTMENTS</u>	<u>FY 2015 Proposed</u>	<u>FY 2015 Recomm'd</u>	<u>Net Change</u>
Administrative Services	13.00	13.50	0.50
Mayor & Council	8.00	8.00	-
City Administrator	9.90	10.40	0.50
City Attorney	11.30	11.60	0.30
Community Devel.	60.30	61.80	1.50
Finance	34.35	34.35	-
Fire	104.00	104.00	-
Library	26.95	27.75	0.80
Parks & Recreation	74.51	76.25	1.74
Police	206.83	207.46	0.63
Public Works	48.20	49.20	1.00
	<b><u>597.34</u></b>	<b><u>604.31</u></b>	<b><u>6.97</u></b>



# General Fund Multi-Year Forecast

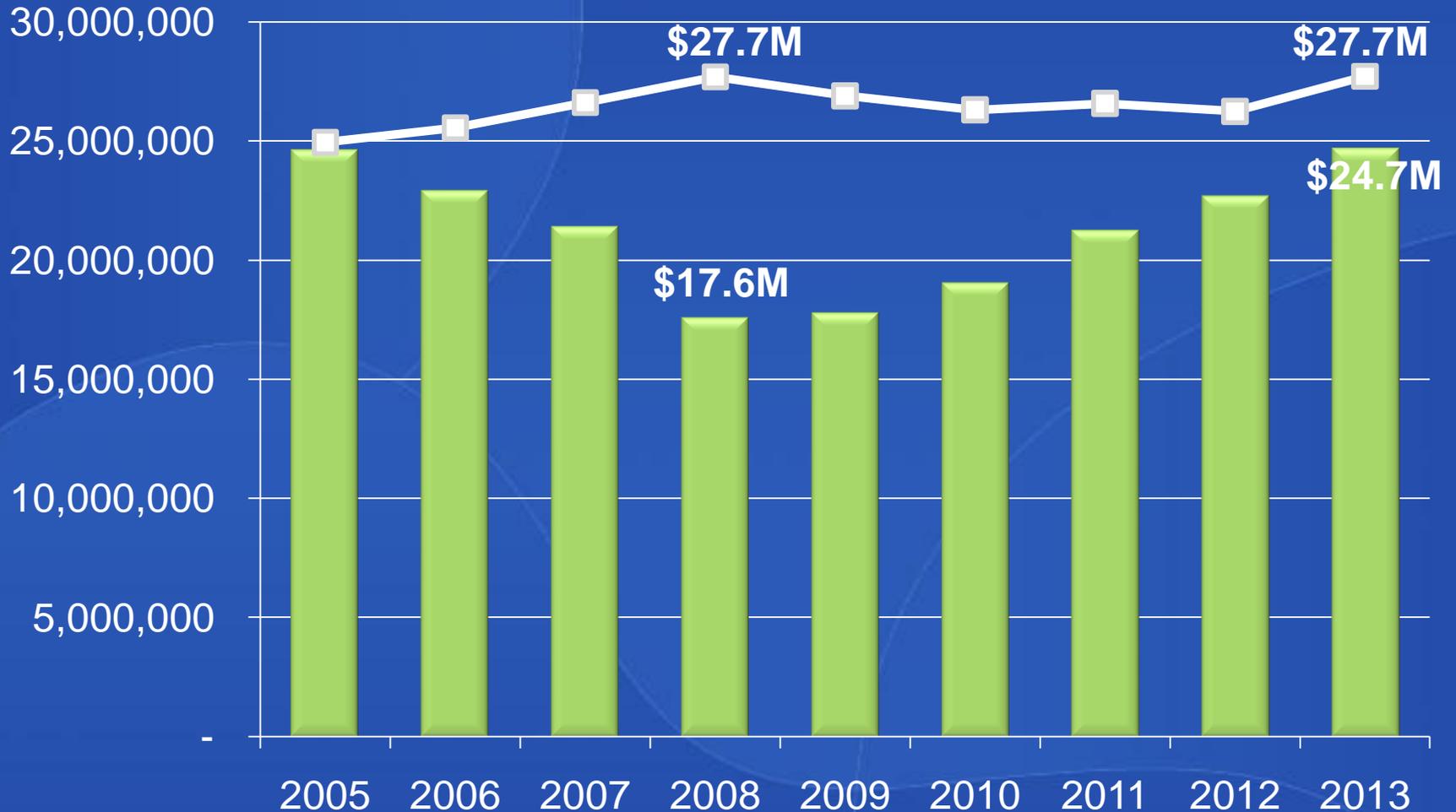
# GENERAL FUND

## Multi-Year Forecast



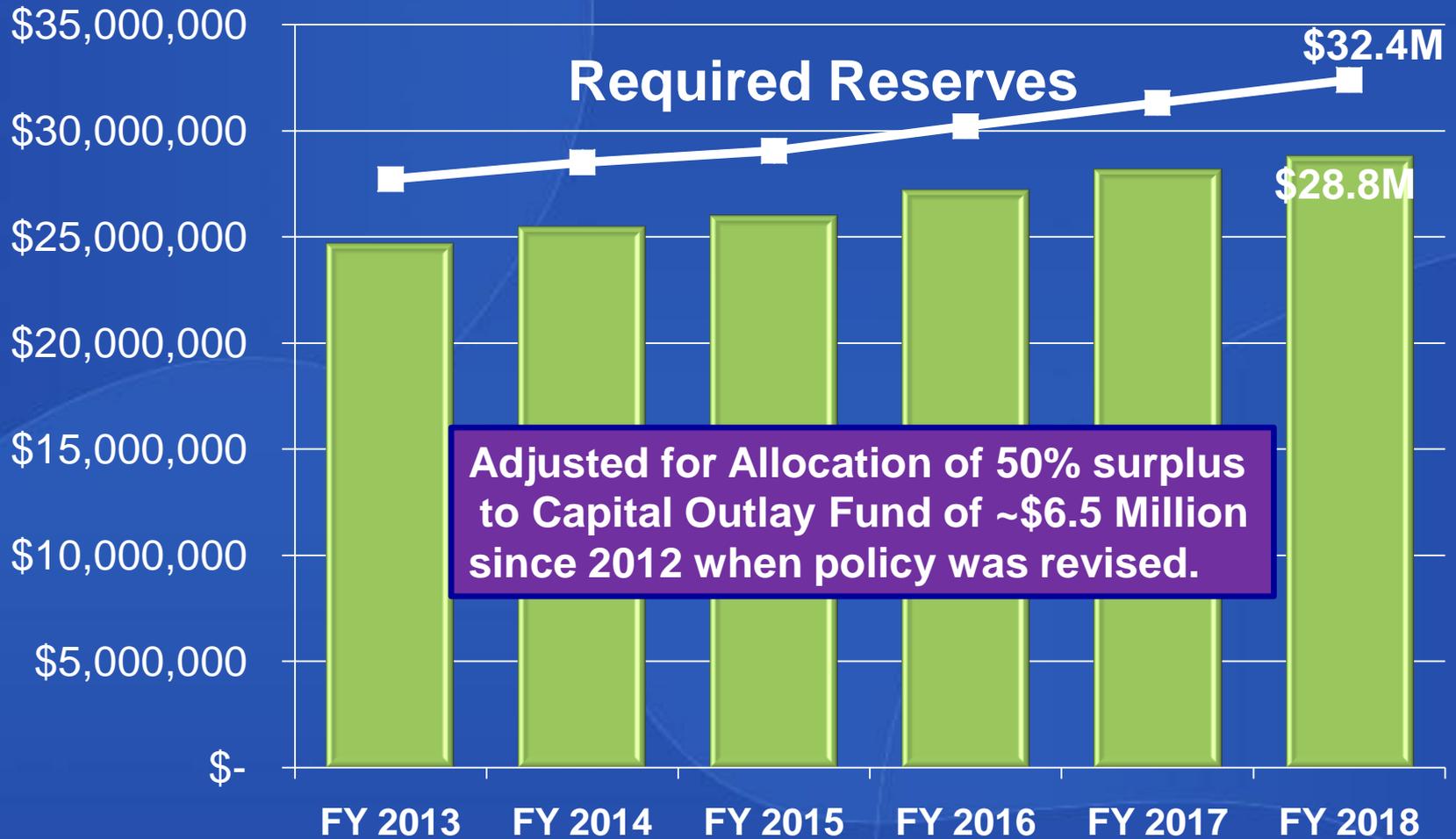
# GENERAL FUND

## Reserve Balances – 2005 thru 2013



# GENERAL FUND

## Projected Reserve Balances





# Long-Term Challenges

# LONG-TERM CHALLENGES

## Pension Costs

- ◆ City provides defined benefit retirement plans to all city employees
- ◆ Retirement plans administered by CalPERS
  - Fire
  - Police
  - Non-Safety

# LONG-TERM CHALLENGES

## Pension Costs

- ◆ Pension Account Balance: \$515 Million
- ◆ Accrued Liability: \$770 Million

Unfunded Liability: \$255 Million

# LONG-TERM CHALLENGES

## Pension Costs

### ◆ Pension Costs

- CalPERS Board adopted rate strategy to cure unfunded liabilities statewide
- Significant rate increases planned over 5-year period
  - FY 2016 – 2020 to address unfunded liabilities
  - FY 2017 – 2021 to address changes in mortality assumptions

# LONG-TERM CHALLENGES

## Pension Costs

### Estimated Employer Rates

	Police Sworn	Fire Sworn	Miscellaneous
FY 2014 (Actual)	43.633%	43.766%	23.412%
FY 2015 (Actual)	40.127%	41.115%	24.169%
FY 2016	38.000%	39.400%	25.055%
FY 2020	52.225%	54.550%	31.513%

**Rates Based on “Medium Case” Scenario**

# LONG-TERM CHALLENGES

## Funding Infrastructure

- ◆ City owns and maintains assets valued at over \$1 billion
  - Many in enterprise funds
    - Rates are designed to fund capital costs
  - Voter approved tax measures and other funds dedicated to:
    - Streets (Measure A, UUT, Gas Tax)
    - Creeks (Measure B)
  - City also receives various federal and state grant funds

# LONG-TERM CHALLENGES

## Funding Infrastructure

- ◆ Large portion of infrastructure does not have a dedicated funding source
  - Parks and recreation facilities
  - Sidewalks
  - Streets (Funding is Inadequate)
  - Facilities – police headquarters, fire stations, admin offices
  - Parking lots
- ◆ Unfunded liability estimated at \$368 Million

# LONG-TERM CHALLENGES

## Funding Infrastructure

- ◆ In March 2014, City Council formed an Ad Hoc Committee
  - Purpose - develop a strategy for engaging the community in the discussion of infrastructure needs
    - Determine priorities
    - Funding options



## **III. ENTERPRISE FUNDS**

# ENTERPRISE FUNDS

## Summary of Changes

Funded almost entirely from user fees (no tax support)

	Fiscal Year 2015		
	Originally Proposed	Proposed Adjustment	Recommended Budget
Airport	\$ 18,742,858	\$ (734,763)	\$ 18,008,095
Waterfront	11,938,464	71,000,000	82,938,464
Downtown Parking	7,224,736	64,210	7,288,946
Golf		49,062	1,980,321
Solid Waste	25,313	(100,018)	20,325,295
Water	46,503	4,505,888	38,252,391
Wastewater	14,820,179	611,944	15,432,123
<b>Totals</b>	<b>\$108,829,312</b>	<b>\$ 4,467,887</b>	<b>\$ 113,297,199</b>

Loss of American Eagle

Increased Drought Costs

Upgrade to SCADA and CMMS



# **IV. BUDGET REVIEW SCHEDULE**

# Budget Review Schedule

- ◆ Monday, April 28 Budget Work Session & Public Hearing (3:00 – 6:00 p.m.)
  - Department Presentations
    - City Administrator
    - Administrative Services
    - Mayor & Council
    - Finance
    - City Attorney

# Budget Review Schedule

- ◆ **Wednesday, April 30<sup>th</sup> (3:00 – 6:00 p.m.)**
  - Public Works
- ◆ **Monday, May 5<sup>th</sup> (3:00 - 6:00 p.m.)**
  - Airport, Waterfront and Solid Waste Fund
- ◆ **Monday, May 12<sup>th</sup> (3:00 p.m. – 6:00 p.m.)**
  - Fire and Police

# Budget Review Schedule

- ◆ **Wednesday, May 14<sup>th</sup> (1:00 p.m. – 4:00 p.m.)**
  - Community Development
  - Library
- ◆ **Monday, May 19<sup>th</sup> (3:00 - 6:00 p.m.)**
  - Parks & Recreation (Including Golf)
- ◆ **Monday, June 2, 2014 (3:00 – 5:00 p.m.)**
  - Finance Committee Recommendations
  - Final directions to staff (including other potential funding considerations)

# WHERE TO FIND THE BUDGET

- ◆ Copies of the Recommended Budget can be obtained at:
  - On CD-ROM at Finance Department (City Hall)
  - Library – Main and Eastside branches reference desk
  - City's website – [www.SantaBarbaraCa.gov](http://www.SantaBarbaraCa.gov)

# Special thanks to...

- ◆ City staff across all departments
- ◆ Departmental budget staff
- ◆ CAO staff
  - Kate Whan, Administrative Analyst
- ◆ Finance budget staff
  - Michael Pease, Budget Manager
  - Jonathon Abad, Budget Finance Analyst
  - Genie Wilson, Treasury Manager
  - Julie Nemes, Accounting Manager
  - Diego Martin, Finance Analyst
  - Jennifer Disney, Executive Assistant



# QUESTIONS...?