

June 7, 2016

TO: City Council
FROM: City Manager
SUBJECT: 2016-18 BUDGET MESSAGE

RECOMMENDATION:

It is recommended that the City Council receive the 2016-18 Proposed Budget document for the period July 1, 2016 through June 30, 2018; direct staff to distribute the document; and set the time for a public hearing on the proposed budget for June 21, 2016.

INTRODUCTION:

On March 10, 2016, the City Council conducted a goal-setting exercise that formulated what Council considered to be the most important issues and/or priorities for staff to address over the next two-year period. Through this process the City Council identified the following items as essential priorities for staff to address during 2016-18:

- Reduce gang violence
- Increase availability of water supplies
- Continue economic development and attracting higher paying jobs
- Retrofit the old library into new City offices

In addition to the previously mentioned four priorities, a majority of the City Council also agreed that the following three items were important for staff to address during the next two-year period:

- Address inadequate City facilities, specifically look into the feasibility of a sports (soccer) complex
- Reduce the impact of H2A housing on City infrastructure and the community, and engage the local farmers and the County of Santa Barbara in these discussions
- Promote and pursue bringing a 4-Year University Degree Program to Santa Maria

As staff compiled the 2016-18 Budget, the aforementioned priorities were taken into consideration and are reflected in this document, as were other suggested issues brought up during the March 10th goal-setting exercise (as illustrated on page xx – xxi of the Introductory Section of this budget document).

The 2016-18 Budget consists of two, one-year budgets with the budget process being driven by the policies, programs, and objectives of the City Council, and financed by revenues received by the City. And as in the previous budget cycle, this year's budget process is geared toward maintaining operational

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expenses within the prior year’s budget amounts, i.e., a status quo budget, with slight modifications. Departments were asked to prepare their budgets using the existing budget amounts from the mid-cycle 2015-16 Budget with only a few new positions and/or programs considered for inclusion in the 2016-18 Budget. The second year of the two-year budget was developed from projected second year revenue levels. Consistent with past practice, should amendments to this document be necessary, they will be accomplished either through budget amendments during the next 12 month period or during the mid-cycle review a year from now. As far as an overview of the budget compilation process, it can be found on pages I12 and I13 in the Appendix Section of this document.

This budget document is also a comprehensive financial document that presents historical information for previous years, current year activity, and the proposed budgets for 2016-17 and 2017-18. The budget compares 2014-15 actual expenditures and revenues, the current 2015-16 adopted budget and current year-end estimated expenditures, and the financial plan for the next two-year period. The format of this document is consistent with the guidelines set forth by the Government Finance Officers’ Association (GFOA) and the California State Municipal Finance Officers’ (CSMFO).

This Budget Message will primarily focus on the 2016-17 budget, with the budget summary schedules, financial tables, and graphic presentations reflecting the proposed 2016-17 budget year. The 2017-18 budget is based on proposed 2016-17 funding amounts as well as factoring-in anticipated merit increases, known operational increases and the recommendation for two additional police officers.

SUMMARY:

Overview of the Proposed 2016-17 Budget for All Operating Funds:

Total revenues anticipated for all operating programs in 2016-17 are estimated to be \$156.3 million or roughly \$2.5 million more than in 2015-16. This represents approximately a 1.6 percent increase in total financing in 2016-17 for all operating programs when compared to 2015-16 as illustrated below.

	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Taxes	\$ 49,613,170	\$ 51,725,890	\$ 2,112,720	4.3%	33.0%
Licenses, Permits & Fines	3,379,250	3,560,450	181,200	5.4%	2.3%
Rev. from Use of Money & Property	956,540	862,760	(93,780)	-9.8%	0.5%
Revenues from Other Agencies	7,823,500	8,553,710	730,210	9.3%	5.5%
Charges for Service	9,436,360	9,048,040	(388,320)	-4.1%	5.8%
Other Revenue and Transfers	9,472,000	8,403,740	(1,068,260)	-11.3%	5.4%
Enterprise Fund Revenues	73,196,960	74,192,970	996,010	1.4%	47.5%
Total	\$ 153,877,780	\$ 156,347,560	\$ 2,469,780	1.6%	100.0%

Tax revenues are expected to increase due to forecast increases in property and transient occupancy taxes. Overall sales taxes totals for 2016-17 are forecast to decline by \$54,000 primarily due to the one-time receipt of \$1.3 million in the “Triple Flip” settle up that the City received this past year. Charges for services are expected to decline due to the forecast reduction in Non-Hazardous Hydrocarbon Soils (NHIS) revenue by \$500,000. Other revenue and transfers are forecast to decrease because last fiscal year included a transfer-in from the Local Economic Augmentation Fund (LEAF) of \$3.6 million to balance the General Fund. This year, the planned LEAF transfers are set at \$2.6 million based on the anticipated financial gap in the General Fund budget over the next two years.

The proposed appropriations for all operating funds in 2016-17 are approximately \$157.9 million.

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	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Operating Programs	\$ 106,589,060	\$ 113,458,614	\$ 6,869,554	6.4%	71.8%
Capital & Outside Agencies	38,885,180	32,342,160	(6,543,020)	-16.8%	20.5%
Debt Service	5,463,240	5,320,190	(143,050)	-2.6%	3.4%
Transfers	7,601,470	6,748,000	(853,470)	-11.2%	4.3%
Total	\$ 158,538,950	\$ 157,868,964	\$ (669,986)	-0.4%	100.0%

The budget for all operating funds in 2016-17 is approximately \$670,000 or 0.4 percent less than in 2015-16, with the decrease being primarily attributed to the decrease in capital projects in the Enterprise Funds, especially the Water Resources Fund. Operating costs are expected to increase by 6.4 percent or \$6.8 million primarily due to personnel-related expenses associated with merit and negotiated salary increases, significant CalPERS-related pension cost increases as well as the proposed hiring of some additional personnel primarily in the public safety departments and the enterprise funds. The decrease in Transfers-In is primarily due to the reduction in transfers from LEAF.

Overview of the 2016-17 General Fund (Excluding Measure U):

As Council is aware, over the past several years, the City's General Fund has faced multi-million dollar budget deficits and has relied on expenditure savings including staff vacancies and reduction in operating expenditures to balance the budget, and in 2016-17, the General Fund is once again facing a significant \$4.4 million budget deficit.

For 2016-17, the estimated budget deficit has grown from approximately \$3.6 million in 2015-16 to the current \$4.4 million in 2016-17 as illustrated below. This deficit amount represents about seven percent of the overall General Fund budget.

Appropriations	\$ 66,931,022
Revenues	<u>62,543,460</u>
<i>Projected Deficit</i>	<u>\$ (4,387,562)</u>

Staff is recommending that the deficit be mitigated using a two pronged approach: 1) use LEAF reserves of \$2.6 million and 2) anticipated *expenditure savings* of approximately \$1.8 million.

DISCUSSION:

Economic Outlook:

The Great Recession officially ended in June 2009. Since then, the economic growth rate has averaged a moderate 2.1 percent annually. Private employers have added 14.6 million jobs to their payrolls in the 75 months since February 2010, an average of 198,000 jobs a month. The national unemployment rate is currently five percent versus over ten percent during the recession. Job growth has averaged 223,000 a month over the past 12 months. That pace is well above what is required to bring down unemployment and will begin to slow as labor market health continues to improve.

In the Summary of *The Budget and Economic Outlook: 2016 to 2026*, the Congressional Budget Office (CBO) anticipates that the economy will expand solidly this year and next. Increases in demand for goods and services are expected to reduce the quantity of underused labor and capital, or "slack," in the economy - thereby encouraging greater participation in the labor force by reducing the unemployment rate and pushing up compensation. That reduction in slack will push up inflation and interest rates. Over the following years, the CBO projects output will grow at a more modest pace constrained by relatively

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slow growth in the nation's supply of labor. The CBO projects real Gross Domestic Product (GDP) to grow by 2.7 percent in 2016 and 2.5 percent in 2017. From 2018 through 2020, the CBO anticipates that the economy would grow at an average of 2.0 percent. The agency anticipates that consumer spending will be the largest single component of that growth, as it has been in the past.

At the State level, California's economy will grow faster this year than the national economy, and unemployment will drop to five percent in early 2017 according to a new report by the UCLA Anderson Forecast. Personal income in California will increase more slowly than it has in recent years, when the State's economy was bouncing back from the high unemployment of the recession. Wages and salaries in the State, not adjusting for inflation, will grow about 3.6 percent this year according to projections and 3.2 percent in 2017.

Concerning the State budget, earlier this year the Legislative Analyst's Office (LAO) (the non-partisan government agency that has been providing fiscal and policy advice to the California Legislature since 1941), has assessed that the State budget situation through 2016-17 is decidedly positive. The State budget is better prepared for an economic downturn than it has been at any point in decades. In 2015-16, the LAO projects that the State's "Big Three" General Fund revenues – principally the personal income tax - will exceed budget assumptions by \$3.6 billion, with most of that gain to be deposited into the Proposition 2 rainy day fund. In 2016-17, the LAO projects revenues will exceed spending under current policies, resulting in further improvement in the State's fiscal situation. Assuming no new budget commitments are made, the estimate is that 2016-17 would end with reserves of \$11.5 billion. Of this total, the Legislature would have control over \$4.3 billion in the Special Fund for Economic Uncertainties, the State's traditional budget reserve, with the rest of the reserves held for future budget emergencies by Proposition 2. The improving State finances indicate less likelihood the State will look to cities and counties to balance its budget.

However, in contrast to the LAO forecast earlier this year, it should be noted that a recent publication from the State Controller Betty Yee stated that April State revenues fell short of estimates in the Governor's proposed 2016-17 budget by \$1.19 billion, mostly the result of lower than expected receipts from the personal income tax. Compared to actual revenues in the prior fiscal year, April revenues were \$215.0 million lower. In his message about the upcoming State budget, the Governor has noted that the State is developing plans in anticipation for a recession to hit the State sometime during the next 18 months. In addition, his administration projects that expenditures will outpace revenues and transfers in the latter years (2018-19 and 2019-20).

At the local level, Santa Barbara County's current financial outlook is positive and stabilizing, primarily due to growing property values, stabilization of pension costs, and an improved State and Federal fiscal environment. The recommended operational plan for fiscal years 2015-16 and 2016-17 presents a balanced budget, with 2015-16 operating revenues of \$965.6 million and operating expenditures of \$965.1 million resulting in an operating surplus of \$500,000. 2016-17 projects operating revenues of \$1,009.6 million and operating expenditures of \$994.6 million resulting in an operating surplus of \$15 million. Revenues from taxes are projected to increase by \$16.9 million or 6.4 percent in 2015-16 and \$11.5 million or 4.6 percent in 2016-17. The primary drivers of the increase in revenues can be attributed to property taxes from secured, in-lieu of vehicle license fees (VLF) and sales tax. Secured property taxes are projected to increase 5.3 percent and is the largest source of the tax category. The growth reflects continued valuation increases in the assessed value of local real estate that has been occurring for the last few years.

To the south of the City, strong revenue growth in the City of Santa Barbara over the last several years has helped close the funding gap in General Fund reserves, which were approximately \$10 million below the amounts required per City policy in 2008. The funding gap at the end of 2014 was just \$1.7 million. This was accomplished even with the new policy requiring that 50 percent of any surplus be allocated to

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capital expenditures. Santa Barbara's proposed budget for 2016-17 projects taxes to grow by 4.5 percent including property taxes by 3.9 percent and sales tax by 4.5 percent. Transient Occupancy Tax (TOT) is the third largest tax revenue source in Santa Barbara and is expected to increase by 6.7 percent or \$1.3 million. For 2016-17, Santa Barbara's General Fund revenues are projected at \$128.1 million versus expenditures at \$126.8 million increasing their fund balance by \$1.3 million.

One of the major challenges facing the City of Santa Barbara is the large funding gap in maintaining and rehabilitating major facilities and infrastructure, such as streets and sidewalks and older buildings. The funding gap is estimated at \$400 million over the next 20 years. The City recently formed a committee, including council members, to address the backlog of infrastructure needs and the exploration of a possible half cent sales tax initiative.

To the north of us, the City of San Luis Obispo financial outlook has also been improving over the past few years. The recent Five-Year Fiscal Forecast reflects that the General Fund will maintain balanced budgets and a fund balance that exceeds the minimum 20 percent reserve requirement throughout the five-year period. The City is benefitting from a continuously improving economic climate and previously implemented cost containment strategies such as pension cost-sharing with all of its employees (something the City of Santa Maria needs to start addressing). The revenue forecast presents a positive outlook for the General Fund that is consistent with what the City has experienced in recent years. Key revenue sources such as sales tax, property tax and transient occupancy tax (TOT) have all experienced growth.

For Santa Maria, the City's General Fund operating revenue consists primarily of sales and property taxes. These two revenue sources generate over 60 percent of total General Fund revenues. However, both of these revenues are economy driven with sales tax being one of the most volatile revenue sources next to the NHIS revenue. Economic factors can contribute to wide swings in these revenues sources as evidenced by the Great Recession.

The Great Recession significantly reduced local discretionary revenues. Sales tax, which accounts for 34 percent of General Fund revenues, decreased from \$18.1 million in 2007-08 to \$14.1 million in 2009-10, a 21 percent decline. Since 2009-10, sales tax has been on the mend reaching pre-recessionary levels at \$18.2 million in 2012-13. Receipts are expected to reach \$21.3 million in 2016-17.

Property tax, which accounts for 26 percent of General Fund revenues, reached \$15.3 million in 2007-08 and declined to \$13.9 million in 2009-10, a nine percent decline. Since then, the housing market has recovered and property tax receipts are forecast at \$17.2 million for 2016-17.

Due to the bursting of the housing bubble, building permit revenue declined dramatically from \$2.5 million in 2006-07 to a low of \$622,000 in 2011-12, a 400 percent decline. Construction activity has increased with a forecast for \$3 million in revenue for 2016-17, which includes the projected permit revenue from the Enos Ranchos project along with other projects.

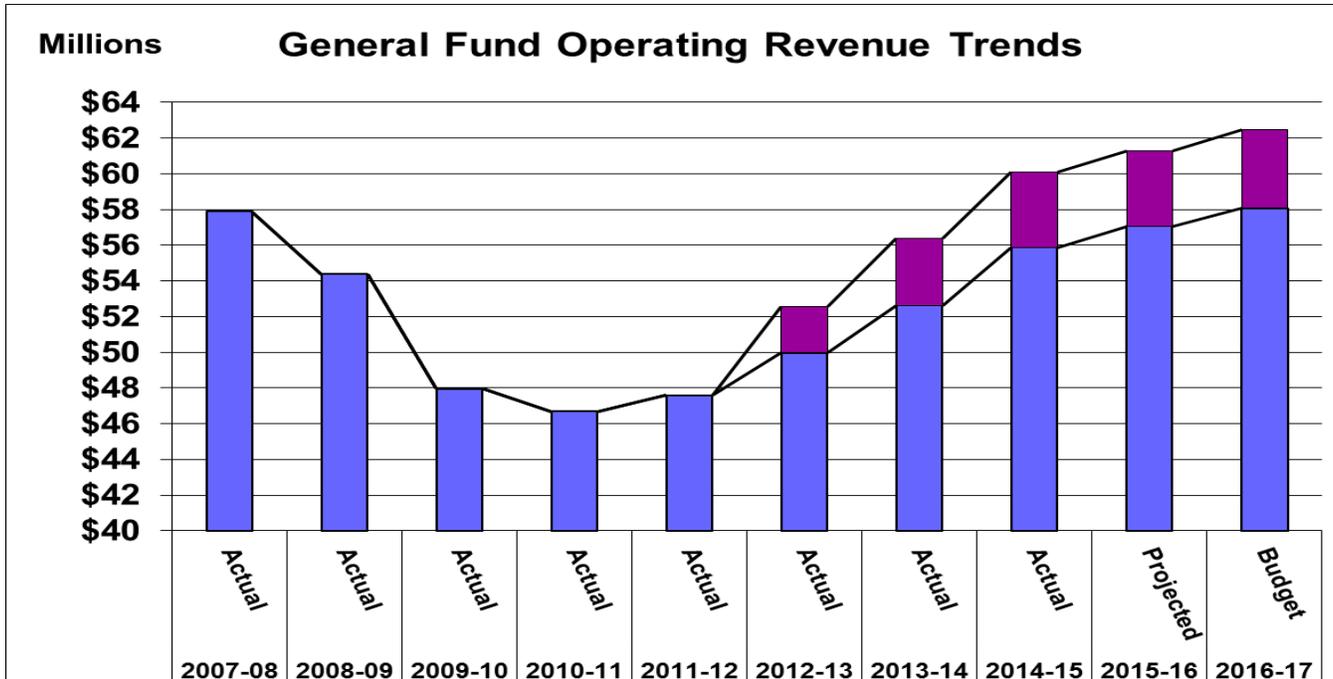
NHIS has been on the decline for the past several years from a high of \$5.5 million in 2007-08 to a forecast of only \$1.3 million for 2016-17— \$4.1 million less than what was received prior to the recession. It should be noted that this revenue source was the financing mechanism used to fund 16 new police officers and the nine fire fighters assigned to Fire Station No. 4. Now, the anticipated \$1.3 million only covers three-quarters of the costs associated with the personnel costs of the aforementioned fire fighters and none of the costs associated with the 16 police officers.

Receipts from TOT or otherwise known as Bed Tax, represents about five percent of General Fund revenues and it has been increasing since it bottomed in 2009-10 at \$2.1 million. TOT rebounded with

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a forecast of \$3.6 million in 2016-17, an increase of 6 percent over 2015-16 estimated. And while the Municipal Code, prescribes that the City allocate a certain percentage of TOT receipts to the Chamber of Commerce for Visitor and Convention Bureau Services, because of the City's financial constraints in its General Fund, a reduced amount has been allocated in the past few years. In 2016-17, staff recommends continuing this modified allocation due to the proposed deficit in the General Fund.

In all, total General Fund operating revenues (total revenues minus transfers-in) have declined from a peak of \$57.9 million in 2007-08 to a low of \$46.7 million in 2010-11. However, with an improving economy, operating revenues are now increasing and have reached their prior peak of 2007-08 with budgeted revenues in 2016-17 of \$58.1 million as displayed in the following chart:



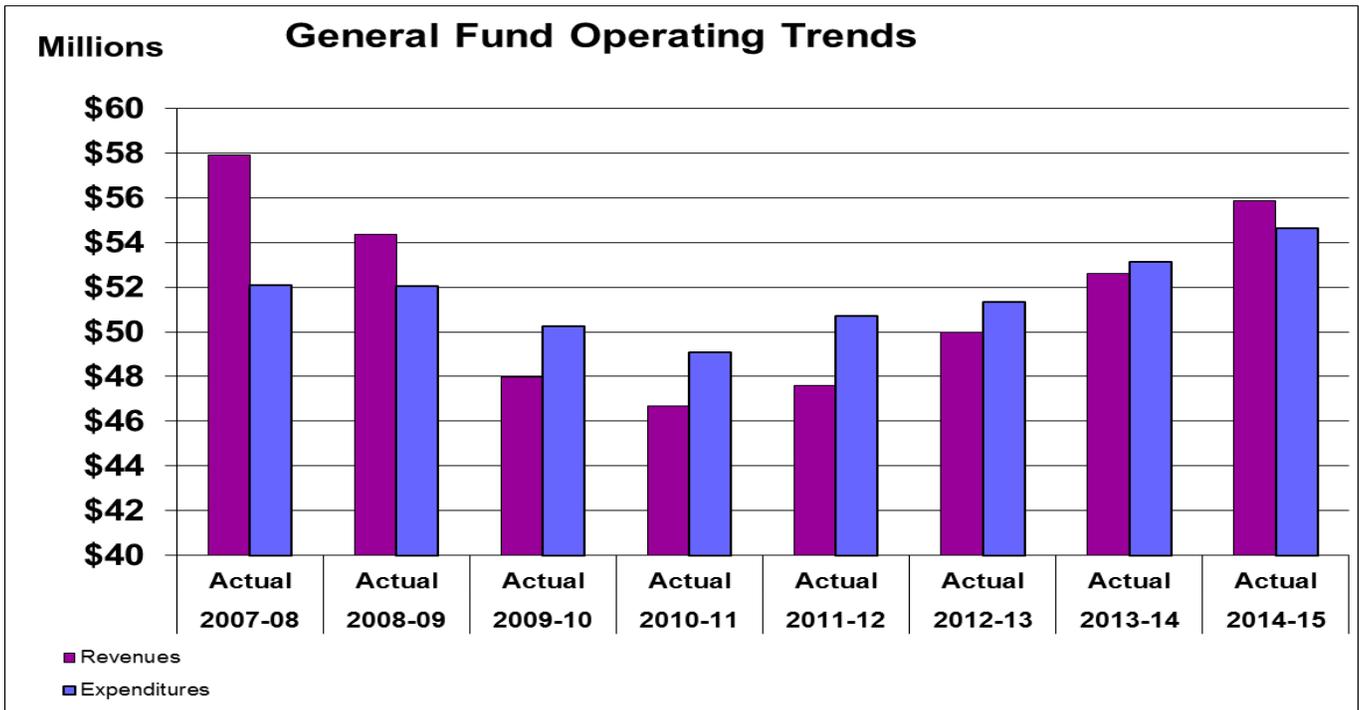
The magenta in the above chart depicts the Measure U revenue that the City started to receive in 2012-13. This revenue source came at a time that revenues were still down and the demand for service was up. You will notice that the financial impact of the last recession plummeted City revenues and that it took over nine years for General Fund revenues to rebound. And while revenues have rebounded, they have not rebounded to the degree needed to finance operational costs; thus attributing to the reason why the General Fund is facing a \$4.4 million budget deficit going into 2016-17.

In 2016-17, General Fund expenditures are outpacing General Fund revenues; thus the reason for the \$4.4 million budget deficit. In fact, since 2009-10, General Fund expenses have routinely exceeded operating revenues as illustrated on the chart on the following page. Accordingly, in five of the last six years, this has been the trend. The only exception was in 2014-15 when revenues exceeded expenses, but that was primarily due to the fact that there was unusually high NHIS activity in the valley which resulted in higher than anticipated NHIS revenues. That will not be the case going forward as plummeting oil prices has slowed the remediation efforts of local oil companies.

The following chart is another indicator that General Fund operating revenues are not sustaining the operational expenses in the General Fund. Having said that, what is even more concerning is the fact that CalPERS pension-related expenses continue to escalate and there doesn't appear to be any tapering-off of these multi-million dollar annual increases anytime soon.

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Below is a chart displaying historical General Fund (excluding Measure U) operating revenues and expenditures.



Proposed 2016-17 Budgets:

I. General Fund

Revenues for the General Fund are estimated at \$62.5 million while proposed appropriations are \$66.9 million; thus accounting for a **projected budget deficit of \$4.4 million** for 2016-17. As mentioned previously, in order to balance the 2016-17 General Fund budget, staff is proposing to use \$2.6 million in one-time LEAF proceeds and expected *expenditure savings of \$1.8 million* to help bridge this financial gap. For the first time, staff is proposing to use estimated *expenditure savings* in the General Fund in order to submit a balanced budget for Council's consideration.

Over the last several years, because of personnel vacancies, the City has not expended 100 percent of its appropriation authority in the General Fund; thus resulting in an *expenditure savings*. This expenditure savings has been the primary means used to finance one-time capital projects over the last several years. Consequently, now utilizing this anticipated savings brings into question the City's ability to finance General Capital Projects in the foreseeable future.

Under the City's budgeting procedures, appropriation projections for staffing costs are based on all positions being filled throughout the year. Cost projections for major supply purchases and service contracts are also projected on a similar basis. However, historically, costs have been less due to personnel vacancies and purchases not having been made; thus resulting in *expenditure savings*. In fact, dating back ten years, the General Fund has averaged an annual *expenditure savings* of approximately five percent in its appropriations authority, with the lowest year recording a 3.5 percent budget savings.

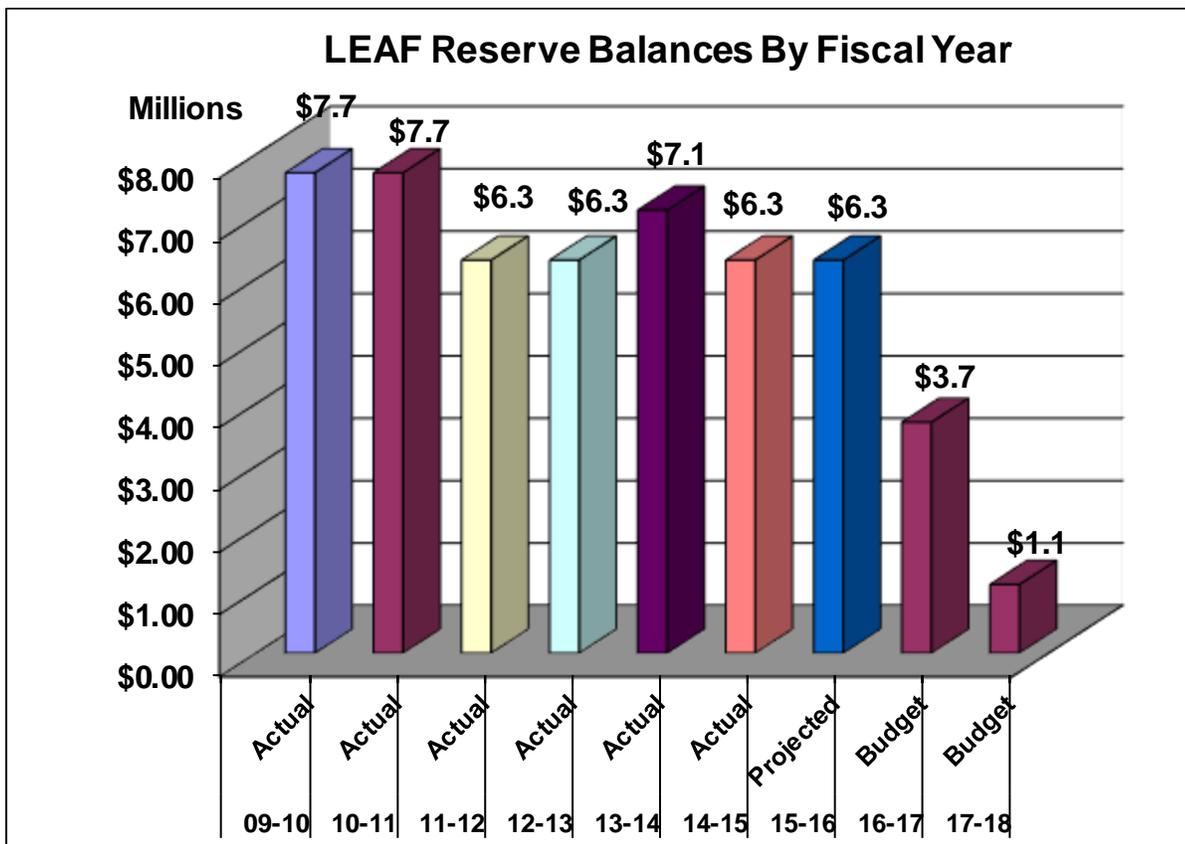
While the above concept of using *expenditure savings* as a mechanism to help bridge the financial gap in the General Fund is common in other municipalities, it does come with risks, especially given the fact

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that there's a \$4.4 million structural deficit in the General Fund and overall revenues are not sustaining the ever-increasing operational expenses.

In that regard, because staff is proposing to use estimated *expenditure savings* in the General Fund, the General Fund's Unassigned Fund Balance is shown to be \$8.7 million at June 30, 2017 (page B-20), because there will not be off-setting revenues. The reduction to \$8.7 million is \$8.0 million or 47 percent less than the Council authorized minimum balance of twenty-five percent (25%) of operating appropriations; however this takes into consideration that the City will not realize any expenditure savings. Should the City experience expenditure savings of \$1.8 million in the General Fund, then the Unassigned Fund Balance would remain at \$10.5 million.

Because staff is proposing to use \$2.6 million in LEAF financing to bridge this financial gap in the General Fund in 2016-17, it is anticipated that an equal amount will also be needed in 2017-18. Should that be the case, then the LEAF Fund Balance will be approximately \$1 million dollars heading into the next two-year budget cycle in 2018-20 as depicted in the following graph.



Summary of Key General Fund Revenues

General Fund revenue projections for 2016-17 were estimated using 2015-16 projected receipts as the basis and then taking into consideration anticipated changes in the local economy. Overall, General Fund revenues are anticipated to be \$1.4 million more in 2016-17 when compared to the 2015-16 Budget. The chart on the following page shows the top revenue sources, excluding Measure U2012, and including the use of \$2.6 million in LEAF financing under the category *Other Revenue*.

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	Budget 2015-2016	Proposed 2016-2017	Increase (Decrease)	Percentage Increase (Decrease)	Percentage of Total 2016-17
Sales Tax	\$ 21,397,000	\$ 21,343,320	\$ (53,680)	-0.25%	32.76%
Property Tax	15,990,970	17,246,670	1,255,700	7.85%	26.47%
Hotel/Bed Tax	3,050,000	3,600,000	550,000	18.03%	5.53%
Impacted Soils	1,865,000	1,365,000	(500,000)	-26.81%	2.10%
Construction Permits	2,310,500	3,040,000	729,500	31.57%	4.67%
Total Key Revenues	44,613,470	46,594,990	1,981,520	4.44%	71.53%
Other Revenues	19,092,870	18,548,470	(544,400)	-2.85%	28.47%
Total General Fund	\$ 63,706,340	\$ 65,143,460	\$ 1,437,120	2.26%	100.00%

Sales tax revenue is the General Fund's largest revenue source and is projected to decrease by \$54,000 in 2016-17. The reason for this apparent decrease is primarily due to the fact that this past fiscal year, the General Fund received a one-time "Triple Flip" settle-up of \$1.3 million, which was the result of the payoff of the Proposition 57 Bonds. Excluding this one-time payment, sales tax is actually increasing by 6.2 percent. Strong auto sales and leases as well as increases in business and retail activity are propelling sales tax higher. General consumer goods are experiencing strong gains and consumer spending is increasing as well. However, this gain is partially offset by decreasing gas prices and the fact that more fuel efficient automobiles are resulting in a reduction in gasoline consumption, all of which reduce sales tax receipts.

Property tax is the second largest General Fund revenue source. As mentioned earlier, sales and property tax combined comprise approximately 62 percent of total General Fund revenues. Like sales tax, property tax is, in large part, also directly tied to the economy. Therefore, staff continues to work very closely with the City's sales and property tax consultant in compiling revenue estimates for the next two-year budget cycle.

For 2016-17, the State Assessor determined that the consumer price index factor to be used for the Proposition 13 Property Tax Inflation Factor will be 1.525 percent. Normally, this factor is two percent, which is the maximum rate. Therefore, Proposition 13 value homes will be multiplied by a factor of 1.01525 rather than 1.02 to determine their assessed value. Non-Proposition 13 value changes are anticipated to provide two percent growth. Continued growth in both ownership changes and new construction is expected to generate about a 1.5 percent increase in property tax revenue. The total increase is approximately 5.2 percent over year-end estimated 2015-16 and 7.85 percent over budgeted 2015-16.

TOT has been increasing over the past few years. Projected TOT receipts for 2016-17 are anticipated to increase almost six percent from 2015-16 Year-End Estimated at \$3.6 million. TOT revenue makes up almost five percent of General Fund revenues.

NHIS revenue peaked in 2007-08 at \$5.5 million, but because of low oil prices, increased competition from other landfills and the fact that the Guadalupe Dunes Restoration Project has completed its initial phase of work, NHIS revenue has declined from \$5.5 million to an estimated \$1.3 in 2016-17. While this revenue is not considered a long-term revenue source, it was designated to finance the cost of 16 police officers and nine firefighters when it was originated back in 2001-02. Accordingly, the City has lost over \$4 million annually because of this decline in revenue and yet the costs associated with the aforementioned personnel continue to escalate.

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Construction continues to gain momentum in the City. Job growth and expanding wages are expected to continue to lead to higher demand for single family home construction. Interest rates are expected to continue to remain low. Construction activity has been increasing significantly over the past two years. Permit revenue reached a low of \$622,000 in 2011-12. However, in 2014-15, permit revenue reached \$2.7 million. Construction Permit revenue is expected to reach \$3 million in 2016-17, which includes permit revenue from the 113 acre Enos Ranchos commercial development project.

The total of all the “other revenue sources” is also declining as revenue from traffic citations (transferred-in from the Traffic Safety Fund) has not materialized as expected.

Overview of 2016-17 General Fund Proposed Appropriations

Proposed 2016-17 appropriations for the General Fund are almost \$67 million. This represents an increase of 5.1 percent or approximately \$3.2 million more than in 2015-16.

	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Operating Programs	\$ 58,063,250	\$ 62,571,292	\$ 4,508,042	7.8%	93.5%
Outside Agencies	881,940	940,940	59,000	6.7%	1.4%
Debt Service	833,860	690,810	(143,050)	-17.2%	1.0%
Transfers	3,927,290	2,727,980	(1,199,310)	-30.5%	4.1%
Total	\$ 63,706,340	\$ 66,931,022	\$ 3,224,682	5.1%	100.0%

The General Fund expenditure plan for 2016-17 was based on current year allocations (2015-16) plus associated merit increases, negotiated salary increases, pension-related increases, increased cost allocations for the Liability, Fleet, and Equipment Internal Service Funds as well as an increase in personnel (primarily in the public safety departments). Previously authorized and negotiated salary increases account for \$1.6 million of the increase with retirement and other benefits accounting for a \$1.9 million increase. Cost allocations to the Fleet and Equipment Funds as well as the Liability Internal Service Fund are increasing by \$568,000 and \$300,000 respectively. The transfers-out category is declining due to the one-time transfer-out of \$1.3 million to the Business Equipment Fund that was made this past year.

Total appropriations by department are shown on the below chart:

	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)
Mayor & Council	\$ 187,500	\$ 188,660	\$ 1,160	0.6%
City Attorney	1,210,220	1,300,844	90,624	7.5%
City Manager	2,945,750	5,413,533	2,467,783	83.8%
Finance	8,254,490	4,916,530	(3,337,960)	-40.4%
Community Development	3,094,420	3,668,914	574,494	18.6%
Recreation & Parks	9,188,560	9,503,990	315,430	3.4%
Fire	9,950,670	10,720,004	769,334	7.7%
Police	26,048,510	28,409,858	2,361,348	9.1%
Public Works	2,826,220	2,808,689	(17,531)	-0.6%
TOTAL	\$ 63,706,340	\$ 66,931,022	\$ 3,224,682	5.1%

Proposed appropriations in all departments include anticipated merit increases, negotiated salary and benefit increases, as well as increased pension-related expenses. In addition to these increases, some of the other more noteworthy variances in the above table are as follows:

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- The Fire Department is proposing the elimination of six vacant limited-service Reserve Command Chief positions resulting from a change in the California Fire Assistance Agreement for mutual aid reimbursement. This will result in savings of approximately \$200,000. The Department is recommending the addition of a Battalion Chief/Training Officer. The Fire training program is currently assigned as an ancillary duty conducted by a 56 hour-per-week shift Battalion Chief, which requires much time to be dedicated to this assignment due to the need to properly coordinate extensive training activities. The Training Officer would be assigned a 40 hour-a-week work schedule. The Department is also recommending downgrading of a vacant Deputy Fire Chief position to that of Fire Marshal. Currently, the Fire Marshall duties are assigned to a 56 hour-a-week shift Battalion Chief who is assigned duty only 10 days per month making it difficult to oversee the 40 hour-a-week Fire Prevention Program. The proposal recommends reclassifying the vacant Deputy Fire Chief position to a Fire Marshal resulting in cost savings of \$27,000.
- The Police Department is proposing to add three Police Officer positions in 2016-17: two officers for the Detective Bureau and one School Resource Officer. The School Resource Officer would be contingent on funding from the Santa Maria Bonita Elementary School District. Because of the number of current vacancies, the two additional officers for the Detective Bureau would be scheduled to be hired in January 2017. The estimated costs for these three positions, minus the amount paid for by the Santa Maria Bonita Elementary School District is anticipated to be approximately \$162,000.

In addition to the above new officers, staff is also recommending an additional Records Technician I position and a Dispatch Call Taker. The Records Technician I position would assist and address the volumes of data and reports that are back-logged in our Records Bureau due to the current antiquated records management system the department utilizes. Staff is currently researching options for a new system but until it is replaced, crime statistics, crime reports and data retrieval for mandatory reporting to the Department of Justice will continue to be problematic unless more personnel can be assigned to process the information.

Regarding the Dispatch Call Taker, this is a new position that will assist the dispatch center triage incoming calls. Currently, the department dispatches over 62,000 emergency calls per year and that number is growing. The department annually experiences a change-over in personnel in dispatch and having a Call-Taker could be used for succession planning in those instances when the department needs to fill a void in Dispatch. A Call Taker would cost approximately \$54,000 annually and it would provide adequate coverage for answering critical incidents and alleviate demand on the dispatchers. In addition, the City is currently in preliminary discussions with two neighboring law enforcement agencies regarding our abilities to transition their dispatching duties over to Santa Maria. Should that transpire, a Call Taker will be that much more important to the operations of Dispatch due to calls coming in from multiple jurisdictions.

In addition to the above personnel changes, staff is also recommending an increase in Department training appropriation of \$100,000 and Police Officer Standards Training (POST) of \$37,530. The annual training budget has not been increased in several years and since there are many young officers needing specialized training, an adjustment to the training budget is warranted. Also, the POST training increase is cost-neutral as all that training will be reimbursed and it has off-setting revenue.

It should also be noted that the proposed personnel changes in the two public safety departments (which account for the vast majority of all proposed personnel changes) are being financed by the increase in TOT proceeds. As Council is aware, historically the funding that the City provides the Chamber of Commerce for Visitors and Convention Bureau (VCB) services are prescribed in the Municipal Code. However, because of the fiscal constraints of the City, over the last several years, the Chamber has received a reduced amount. Consequently, the difference between the current Municipal Code prescribed amount and that which the VCB currently receives from the City, will be used to finance the aforementioned personnel changes in the two public safety departments.

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- The City Attorney's Office is proposing to increase appropriations in professional services by \$59,000 due to rising demand for outside legal services to be used in specialty matters involving confidential personnel investigations and related legal services. In addition, the department is requesting an increase in business expense and training of \$10,000.
- Increases in the appropriations in the City Manager's Office is primarily attributed to the transfer of the Information Technology Division (IT) from the Department, which replaced the Administrative Services Department, due to departmental restructuring. The total budget of the IT Division is \$2,293,265. Business equipment costs increased \$400,000 in the IT Division to finance the recent purchase of computer equipment such as servers, personal computers and printers. The life of technology equipment is shortening resulting in increased charges from the Business Equipment Internal Service Fund. In addition, the City Manager's Office is increasing appropriations by \$40,000 for costs attributed to the Statewide General Election in November as well as \$17,000 due to increased charges for Animal Control Services from the County of Santa Barbara.
- In the Department of Finance, the decline in appropriations is primarily the result of the transfer of the Information Technology Division to the City Manager's Office and the Special Projects Division to the Community Development Department; again, due to departmental restructuring. The restructuring resulted in a reduction in the duties for the Director of Administrative Services. Therefore, the position is being downgraded to the Director of Finance resulting in cost savings of \$46,000. Transfers are increasing by \$75,000 to the Library and \$50,000 to the Santa Maria Community Television Fund to help offset rising costs.
- The Community Development Department is proposing increasing consultant services by \$55,000 for added plan check costs and express check services associated with the increase in residential and commercial building activity. Also, the department is absorbing the Special Projects Division from the Finance Department due to departmental restructuring. The total budget of the Special Projects Division is \$389,000.
- The Recreation and Parks Department is proposing one 32-hour Community Outreach Coordinator at \$54,000 to work with at-risk-youth and act as the Police Activities League (PAL) liaison. The intent of this position would be to develop, prepare and monitor violence reduction programs in addition to developing a high profile Outreach Program for youth. This position is discussed further in the *Policy Issues for Council's Consideration* section of this report.

Overview of 2016-17 Measure U2012

Measure U2012 was passed by the voters on June 5, 2012, and became operational on October 1, 2012 and calls for a quarter-cent transaction and use tax. The City has two full years of revenue and worked with the City's sales tax consultants, Hinderliter de Llamas and Associates (HdL) to arrive at the initial Measure U2012-related revenue projections of \$4,408,100 for 2016-17. Measure U Transaction Tax is tracking at about 21 percent of General Fund sales tax receipts.

If you'll recall, the City Council authorized that the vast majority of the aforementioned tax proceeds to be spent on public safety-related services. Accordingly, said proceeds were to finance the operational costs associated with Fire Station No. 5, along with a Battalion Chief, and an Emergency Services Specialist in the Fire Department. City Council also approved the use of said proceeds to fund seven Police Officers, five Police Sergeants, a Crime Analyst, a Dispatcher and the cost associated with capital equipment in the two public safety departments. The remaining funds were to be used toward hiring a full-time Code Compliance Officer and Senior Park Services Officer, five limited-service employees associated with increasing the hours of operation at the Main Public Library, two limited-service employees to aid in graffiti abatement and one limited-service employee to assist in the Police Activity League (PAL) program.

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As you can see from the below chart, Measure U2012-related expenses are exceeding anticipated revenues and the Measure U2012 fund balance is bridging this financial gap. Staff anticipates vacancies in some of these positions which will allow this budget to be balanced by the end of this two-year budget cycle. Having said that, there is no allowance for additional uses of Measure U2012 tax proceeds other than what has already been authorized by Council.

	Actual 2014-15	Estimated Budget 2015-16	Proposed Budget 2016-17
Beginning Fund Balance	\$ 754,720	\$ 714,000	\$ 441,850
Projected Revenue	\$ 4,232,050	\$ 4,235,000	\$ 4,408,100
Projected Expenditures			
Police	\$ 1,861,010	\$ 2,165,640	\$ 2,164,834
Fire	2,006,210	1,897,040	1,937,643
Recreation & Parks	149,640	163,370	175,427
Library	71,500	73,260	79,963
City Attorney	75,780	99,110	76,041
Finance (Levee Loan)	108,630	108,730	108,730
Total Expenditures	\$ 4,272,770	\$ 4,507,150	\$ 4,542,638
Ending Fund Balance	\$ 714,000	\$ 441,850	\$ 307,312

While total appropriations in the General Fund are approximately \$67 million, and are about \$71.5 million when Measure U2012 is included, the vast majority of General Fund expenses are spent on the two public safety departments. Combined, these two departments account for about 60 percent of all General Fund expenses. As you can see (from the illustration on the right), the Police Department alone accounts for 42.8 cents of every dollar spent in the General Fund; the Fire Department accounts for almost 18 cents of total appropriations. Operational costs in the Recreation and Parks Department account for the third highest departmental expense in the General Fund, followed by the City Manager's Office that will include the Information Technology Division, followed by the Department of Finance (which includes the City's financial contributions to outside agencies). The remaining General Fund departments account for pennies on the dollar for each General Fund dollar spent.



42.8%

Police Department



17.7%

Fire Department



13.5%

Recreation and Parks Department



7.6%

City Manager, HR, City Clerk, Information Technology



7.0%

Finance and Outside Agency Contracts



5.1%

Community Development Department



3.9%

Public Works Department



2.2%

City Attorney, Mayor and City Council



0.1%

Library

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II. Enterprise Funds

Water Resources Budget

Overall, total appropriations in the Water Resources Budget are decreasing by \$5.8 million in 2016-17. The primary reason appropriations are decreasing can be attributed to reduced capital expenditures. A complete analysis of the Water Resources Fund as well as an analysis of the State Water cost obligations can be found in Section C of this budget document on Page C-27.

The following chart summarizes the proposed Water Resources budget for 2016-17:

	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Operating Programs	\$ 11,520,950	\$ 12,338,388	\$ 817,438	7.1%	29.4%
State Water & CCWA	19,476,330	20,720,880	1,244,550	6.4%	49.3%
Capital	11,635,850	3,578,590	(8,057,260)	-69.2%	8.4%
Debt Service	4,629,380	4,629,380	-	0.0%	11.0%
Transfers	569,220	791,090	221,870	39.0%	1.9%
Total	\$ 47,831,730	\$ 42,058,328	\$ (5,773,402)	-12.1%	100.0%

Operating costs are increasing primarily due to a forecast \$443,700 increase in electrical costs resulting from the need to increase operation of groundwater production wells because of the drought and reduced allocations of State Water. Staff analyzed electrical usage and made changes to reduce electrical consumption such as pumping during off-peak hours, but increased electrical costs are still expected. The remainder is primarily due to increased salary and benefit expenses as well as retirement cost increases.

The largest expenditure in Water Resources-related expenses is associated with the importation of State Water at over \$20 million, which includes cost the Central Coast Water Authority (CCWA) expenses of \$4.0 million. The City is projecting an increase of \$1.2 million in State Water costs for 2016-17, primarily due to increased Department of Water Resources fixed and variable costs projections.

Transfers increased by approximately \$152,000, due to Water Resource's share of the increased cost of the radio tower project that is associated with the Project 25 700 megahertz radio communication system. The costs are allocated based on the percentage of radios used per department, which is consistent with the cost allocation methodology of this project. The remainder is due to increased cost allocation transfers.

Capital projects are declining by \$8 million primarily due to less wastewater projects. The Department is budgeting total capital appropriations of \$1.4 million in both 2016-17 and 2017-18 in the Wastewater Fund. The large capital item in 2015-16 was the percolation pond rehabilitation and expansion project for \$4.7 million. In 2016-17, percolation pond maintenance is budgeted at \$300,000, storm water improvements for \$340,000 and sewer line repairs for \$210,000. By comparison, sewer main improvements were forecast at \$5.2 million last fiscal year. Other noteworthy water-related capital expenditures consist primarily of well maintenance at \$932,000, water main replacements for \$300,000 as well as water line repairs for \$208,000.

Solid Waste Budget

The following summarizes the Solid Waste Budget for 2016-17:

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	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Operating Programs	\$ 19,826,430	\$ 20,824,557	\$ 998,127	5.0%	89.2%
Capital	1,882,670	1,728,170	(154,500)	-8.2%	7.4%
Transfers	534,470	801,240	266,770	49.9%	3.4%
Total	\$ 22,243,570	\$ 23,353,967	\$ 1,110,397	5.0%	100.0%

The only personnel change in the Solid Waste operation is the addition of a Landfill Heavy Equipment Operator II position. This position will be assigned to monitor the complex daily operations and maintenance of landfill gas collections/control systems, leachate collection systems, and NHIS collection systems at the landfill. As regulatory requirements increase, this position will be assigned to deal with these activities as well as provide for succession planning opportunities in the landfill operations. Some of the other noteworthy changes in 2016-17 is a \$165,000 increase in Mobile Equipment – Fleet Replacement charges, and an additional \$125,000 each year to fund purchase of commercial dumpsters for organic recycling, which is the result of passage of AB 1826 and requires businesses to recycle their organic waste. Appropriations of \$837,500 are also being proposed to replace existing worn, fatigued, and broken residential and commercial containers and to accommodate new customer demands and future needs. A one-time appropriation of \$130,000 is requested to evaluate and fund a pilot program for global positioning system (GPS) equipment and cameras for mounting on the solid waste collection fleet. The GPS would enable staff to analyze collection service areas and make improvements to customer service response. The other major capital expenditures consist of Landfill and Rolling Closure and Post Closure Maintenance for \$561,000 and River Mining Expenses for \$250,000.

As with the Water Resources Fund, transfers in the Solid Waste fund is also increased by \$267,000 for the Solid Waste Division's share of the increased costs of the radio tower Project 25 700 megahertz radio communication system.

Transit Budget

The Santa Maria Area Transit (SMAT) system provides local and regional public transportation services, as mandated under State and Federal regulations, for the transit needs of the Santa Maria urban area. For 2016-17, the City proposes \$8.6 million in appropriations, approximately \$514,000 less than in 2015-16. The following chart summarizes the proposed Transit budget:

	Adopted 2015-16	Proposed 2016-17	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016-17
Operating Programs	\$ 5,897,410	\$ 5,768,293	\$ (129,117)	-2.2%	67.4%
Capital	3,063,130	2,243,330	(819,800)	-26.8%	26.2%
Transfers	117,010	551,860	434,850	371.6%	6.4%
Total	\$ 9,077,550	\$ 8,563,483	\$ (514,067)	-5.7%	100.0%

The proposed decrease in appropriations of approximately \$514,000 is primarily due to a decrease in anticipated capital acquisitions. For 2016-17, forecast capital expenditures are \$2.2 million versus \$3.1 in 2015-16. During the next two-year period, two buses and eight vans are proposed to be purchased, for SMAT, to replace vehicles that are past their useful life. In addition, Transfers are increasing by approximately \$435,000 which is primarily due to the increase of the capital transfer to fund the increased costs of the radio tower project.

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Operating costs are projected to decline primarily due to the projected decrease in fuel costs as it is expected that fuel prices will remain low. The fuels and lubricants budget last year was \$1,242,000 whereas the budget for 2016-17 is forecast at \$767,000, a decrease of \$475,000.

In 2016-17, SMAT will propose a fare increase, which is the first increase in ten years. The increase is required to maintain fare box ratios as it is expected that operating costs will increase in the future.

Radio/Technology Fund

The Radio/Technology Fund was created in 2014-15 to account for, and house in one location, the costs and anticipated revenues associated with the new Project 25 700 megahertz radio communication system. Staff is proposing appropriations of \$663,850, which includes an increase of \$153,850 for costs associated with the six month maintenance agreement with Motorola. In 2017-18, the annual maintenance agreement cost will be \$310,600 to cover the "core" equipment and software of the radio system.

Revenues are generated from radio use charges to individual departments and outside agencies. For 2016-17, the fund will charge \$472,000 to City departments and is forecasting \$341,000 revenue from outside agencies.

III. Measure A and Gas Tax

In November 2008, voters in the County approved Measure A, the half-cent sales tax dedicated to streets maintenance and transportation system improvement projects. Measure A is the reauthorization of Measure D, which was the original half-cent sales tax measure previously approved by the voters in 1989.

The City anticipates receiving approximately \$5.1 million for 2016-17. However, because Measure A distributes funds to a wide variety of transportation-related programs that were not included in Measure D, the City will be receiving approximately \$1 million less per year than under the Measure D formula. Measure A also requires a new methodology to determine the City's Maintenance of Effort (MOE) requirement. Under the new Measure A MOE, the City is required to maintain historic expenditure levels for street maintenance which are higher than the previous Measure D. The MOE is adjusted each year by the increase or decrease in Measure A revenues. For 2015-16, the MOE was \$2,794,513 which is double the MOE amount under Measure D. Under Measure D, the MOE was \$1,384,000.

While Measure A reduces the local share that the City receives for street maintenance purposes, it does provide funding for alternative transportation-related programs that were previously not funded through Measure D. In 2016-17, the budget for alternative transportation programs is projected to be \$755,000.

During the next two-year period, over \$15 million in street-related capital projects are being proposed, of which, \$6 million is Measure A financed and \$6.7 million is gas tax financed. In 2016-17, the largest project that Measure A and Gas Tax Funds are projected to finance is the Enhanced Roadway Maintenance Project for \$5.3 million. This project will employ appropriate asphalt maintenance repairs such as asphalt overlays, micro-surfacing, and cape seals, which will extend the useful life of asphalt street surface and reduce the need for more invasive and costly reconstruction of the roadway. The budget for this project includes \$2.5 million from Gas Tax and \$2.5 million from Measure A Funds. The Street Grant Fund is budgeting \$332,000. Another major project is the \$1 million annual chip seal on various streets in the City. Gas Tax Funds are forecast to spend \$500,000 and Street Grant Funds will contribute the other \$500,000.

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IV. Library

In the previous budget cycle, the Library Fund was forecast to have a deficit fund balance of \$190,740 at June 30, 2016. This is primarily due to declining revenues and increasing costs. In 2012, the State eliminated their Public Library Fund program which reduced revenues by \$50,000 per year. In addition, because of the recent recession, the City reduced General Fund contributions to the Library from a high of \$1,787,000 to \$1,438,000 in 2013-14 (a \$349,000 annual reduction). For the current budget cycle, staff is proposing increasing the General fund contribution by \$75,000 from the current \$1,663,660 to \$1,738,660. This amount is still approximately \$50,000 less than the peak contribution in 2008-09. A bright spot in the revenue picture was the increase of County contributions. In 2015-16, the County increased its contribution from \$6.87 to \$7.80 per capita, an increase of approximately \$156,000 per year. The current projected fund balance as of June 30, 2016 is approximately \$353,000, which has resulted from a reduction in expenditures and an increase in County funding.

On the appropriations side, the Library is incurring an increase in operating costs similar to other operating funds due to an increase in labor and pension costs. In addition, costs for the Black Gold Cooperative Library system fee is projected to increase \$17,190 in 2016-17 and \$29,190 in 2017-18. The City also recently established a library branch in Los Alamos, which is projected to cost \$16,000 in on-going operating activities, albeit the funding for this operation will come 100 percent out of County funding, it is an increase in appropriations. The department is proposing to convert a vacant Clerk II position to that of full-time Library Assistant I, which will increase appropriations by \$36,000. This Library Assistant I position will supervise the personnel assigned to the branch libraries by being on-site at the branches three to five days per week. Oversight of this Library Assistant I position will come from the Librarian III.

Total appropriations are expected to increase from \$3,004,080 in 2015-16 to \$3,193,689 in 2016-17. However, with a projected fund balance of \$353,000 at June 30, 2016, and the fact that revenues are not sustaining operational expenses, the anticipated fund balance at June 30, 2017 is approximately \$189,600. Because of the financial status of the Library and the decrease in its fund balance, the Library Fund will be reviewed and reassessed during the mid-cycle budget process next year.

V. Capital Funds

As with the previous two-year budget, this budget document contains a four-year Capital Improvement Plan. The first two years of this plan identifies and provides for the appropriation authority by project, with the last two years providing an indication as to the planned capital improvement projects for 2016-18.

In all, the proposed Capital Projects Budget for 2016-18 consists of 78 capital projects representing approximately \$42.8 million in appropriations. There were 99 total projects requested by operating departments, totaling just over \$60.9 million; however, 21 projects (representing approximately \$18 million) were not funded due to lack of available financing. The 2016-18 Budget reflects \$21.2 million in projects in the first year and \$21.6 million in the second year. For comparison purposes, the 2014-16 Budget consisted of 88 capital projects totaling \$48.6 million in appropriations.

The vast majority of capital projects proposed for 2016-18 are financed from non-General Fund sources. The General Capital Projects Fund has \$6.1 million in capital expenditures, about \$1.3 million less than last budget cycle. The primary project is the construction of the Radio Towers for \$2.8 million. The cost will be paid by capital transfers from various funds, the majority of which is from the Growth Mitigation and Fleet Fund. The 160 foot radio tower at the Los Flores Ranch will be in addition to the new 100 foot radio tower at the new police facility on Betteravia Road. The intent of these towers is to not only provide

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better radio coverage in the Santa Maria Valley, but it will also provide the City with leasing options in order to generate additional revenue to off-set operational costs.

Another major project is the renovation of Buena Vista Park for a total projected cost of \$1.6 million, of which almost \$770,000 is from Community Development Block Grant Fund (CDBG) capital funds. The Recreation and Parks Department has submitted a grant application to cover the remaining amount and should the grant application not be successful, then the remaining funding will be financed through the General Capital Projects Fund. The project consists of preparing the final design, demolition, fence installation, monument signage, irrigation system, purchasing plant materials, concrete flat work, installation of pre-manufactured restrooms, and purchase and installation of playgrounds.

The primary project in the Water Fund is the Well Maintenance project for \$932,000. The purpose of the project is to ensure the quality of water from City wells, especially during dry well years, as well as the City's annual water flushing program. The project is required to maintain and repair existing equipment related to production of water wells. Well pumps and motors need to be removed for inspection to ensure efficient operations and to make necessary repairs.

The Wastewater Fund is scheduled to decrease capital expenditures significantly from over \$17 million last budget cycle to the current \$2.9 million over the next two-year period. Last budget cycle, major projects included sewer main improvements for \$7 million and installation of percolation ponds for \$4.6 million. The main capital projects proposed this budget cycle includes percolation pond maintenance for \$600,000 and storm water improvements for \$685,000. Improvements and repairs to the storm water system include the storm drains along Miller and various cross gutters throughout the City. Percolation pond maintenance includes contracting specialized work to perform deep ripping (a form of deep plowing) to improve percolation ability within the percolation ponds.

The proposed Mobile Equipment and Replacement budget of \$7.2 million for 2016-18 calls for 44 pieces of equipment to be replaced in the first year and 24 items the following year. In the first year, there are also three new items totaling \$70,000. For 2016-17, \$3.3 million is proposed for vehicle replacement, comparable to the \$3.4 million appropriated 2015-16. A noteworthy equipment purchase for 2016-17 is the purchase of a Spartan Fire Pumper for \$600,000 replacing the prior Fire Truck purchased in 2001.

VI. Contributions to Outside Agencies

Contributions to the Chamber of Commerce, the Historical Society and economic development services have historically been prescribed by the Santa Maria Municipal Code. Funding for the Museum of Flight is provided directly from General Fund revenues and is not tied to bed tax receipts or the Municipal Code as are the contributions to the above identified organizations. The City Council made a decision to fund the Museum of Flight in May 1991, and in 1997, the City Council directed that annual funding provided to the Museum of Flight be consistent with the City contribution made to the Historical Society. However, because of significant budget deficits over the last several years, since 2010-11, the City Council has reduced contributions to all outside agencies in an effort to help balance the General Fund budget. Since then, TOT revenues have been increasing consistently over the last five years.

For the 2015 calendar year, TOT revenue increased by 13 percent when compared to the prior calendar year, and while economy-driven revenues are up in the General Fund, expenditures are rising at a faster pace than revenues, resulting in the forecasted deficit of \$4.4 million next fiscal year (2016-17). Accordingly, staff is proposing to incrementally increase the allocations to outside agencies by \$19,360 for a total of \$724,770. However, with this increase in allocations, the total contribution to outside agencies is still \$424,290 less than the Municipal Code prescribed amount. For 2017-18, staff recommends increasing the contributions to the Chamber (for VCB services) by three percent but keeping all other allocations essentially status quo.

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The following is the proposed allocations to outside agencies the City has historically funded:

	Adopted 2015-16	Proposed 2016-17	Proposed 2017-18	Percent of Total 2016-17
Chamber 8% Bed Tax	\$ 293,220	\$ 293,220	\$ 302,000	62.6%
Economic Development Contract	124,620	145,000	145,000	31.0%
Historical Society	15,510	15,000	15,000	3.2%
Museum of Flight	15,510	15,000	15,000	3.2%
Total Allocation	448,860	468,220	477,000	100.0%
Chamber 2% Bed Tax	256,550	256,550	264,250	100.0%
Total	\$ 705,410	\$ 724,770	\$ 741,250	100.0%

Going forward, the Chamber of Commerce has agreed to provide economic development services to the City on the amount shown above for the duration of the next two-year budget cycle. As a result of their continued commitment, the economic development services agreement, as well as the agreements with other outside agencies, will be presented to the City Council for consideration and adoption on July 19, 2016.

In addition to the above agencies, staff is also recommending to increase the allocation to the Central Coast Collaborative on Homelessness (C3H), from \$12,000 to \$24,000 (pending Council approval). In 2015-16, the City Council directed staff to allocate \$12,000 in General Fund revenues to C3H as well as \$63,000 in CDBG Tenant Based Rental Assistance funding. Recently, the C3H Executive Director sent a letter to the City requesting a \$50,000 donation in 2016-17; however, because of the anticipated budget deficit in the General Fund next year, staff is not recommending such a large increase in funding. This issue is being brought forward for Council's consideration by way of a *Policy Issue Requiring Council Action* and will be discussed later in this report.

In addition to the request from C3H, the City also received a request from 3rd District Supervisor of Santa Barbara County, Doreen Farr to help support the 211 Help-Line. The request was for the City to contribute \$22,785 toward costs associated with the operation of the 211 Help-Line. At the time of preparing this document, this funding allocation was not included in the 2016-18 budget; however, this issue will be discussed later in this report under the *Policy Issue Requiring Council Action* Section.

Summary of Proposed Overall Staffing Recommendations:

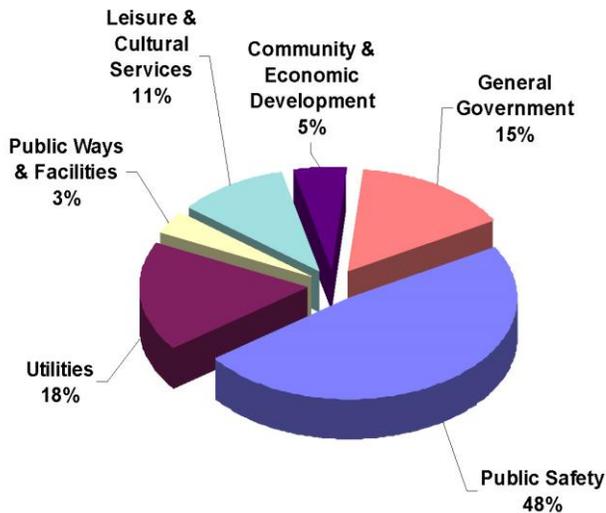
This section summarizes the personnel changes being proposed in the 2016-18 Budget for full-time, part-time and limited-services positions. Full-time employees work 40 hours-per-week; part-time employees work 32 hours-per-week; and, limited-service employees can work up to a maximum of 19 hours-per-week.

For 2016-17, proposed personnel recommendations bring City-wide staffing totals to 498 authorized full-time positions and 84 part-time employees, for a total of 559 authorized positions. With the proposed addition of two more police officers in the second year of the budget, the City-wide staffing totals will be 500 authorized full-time positions in 2017-18.

The proposed authorized staffing recommendations in 2016-17 bring the full-time employee-to population ratio for the City to 4.77 employees per thousand residents – still far below the average 8.55 per thousand of other Central Coast cities.

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For the General Fund, in 2016-17, there are 364 full-time positions and 45 part-time positions proposed for a total of 409 positions. Of the full-time General Fund positions, the Police and Fire budgets comprise 240 full-time positions or 68 percent. And of the 498 full-time authorized positions City-wide, the two public safety departments comprise 48 percent of all full-time positions as depicted in the following chart.



By comparison, in 2006-07 there were 210 full-time public safety related positions. Since that time, the full-time complement in the public safety departments has increased approximately 14 percent, while the population of the City during this same time has increased 16 percent. However, it should be noted that one out of every four full-time employee in the entire City is a sworn police officer.

The City-wide impact of the proposed City-wide staffing changes is eight new full-time positions and three new part-time positions. Full-time and part-time positions by department are summarized on Attachment B of this Budget Message. Attachment B also shows the 2015-16 allocations and the proposed personnel changes for 2016-17.

The following provides a more in-depth summary, by department, of some of the more noteworthy personnel changes for 2016-17:

Public Safety

As the City's population continues to grow, the need to continue hiring additional Police Officers is critical as public safety is the City's Number one priority. In that regard, the top priority for the City to address over the next two-year period that the City Council identified is a reduction in gang violence; consequently, the need for additional officers is paramount. Of the three new proposed Police Officer positions in the upcoming fiscal year, staff recommends hiring one School Resource Officer and assigning it to the Santa Maria Bonita School District which will be revenue offset. Staff also recommends assigning two additional Police Officers to the Detective Bureau and backfilling those officers with two new patrol officers. The workload of the Detective Bureau has increased significantly over the last few years, with detectives maintaining a workload between 40-50 cases each. Of the two Police Officers recommended in the second year of the budget, one will be assigned to the Traffic unit to provide increased enforcement and assist in the expansion of traffic safety education and one to the front desk to provide an armed presence at the front counter of the Police Department to generate police reports and scan sex, arson and narcotic registrants and relieve officers from coming in to the station to take reports.

In the Records Bureau, staff requests an additional Police Records Technician I and the upgrade of two limited-service 19 hour-per-week Police Work Aides to two part-time Police Records Clerks to keep up with mandatory reporting to the Department of Justice and the District Attorney's Office. Also, in the Communications Bureau, staff recommends upgrading the vacant Dispatch Supervisor to that of a Police Sergeant and create the position of Dispatch Call Taker which would answer all incoming 9-1-1 emergency calls and alleviate the demand on Dispatchers, who would then dispatch all calls appropriately. This would also allow for succession planning opportunities in Dispatch as well as reduce the length of training a new Dispatcher would need to be proficient in his or her position. Finally, staff recommends upgrading the Secretary and Account Clerk I positions to that of Administrative Assistant and Account Clerk II, respectively. The duties of both positions have evolved and are more in-line with

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the recommended titles as they provide administrative and clerical oversight to the largest department in the City with full-time staffing of approximately 180 employees.

In October 2015 the City Manager commissioned an outside consulting firm, Management Partners, to conduct an assessment and audit of the Fire Department and develop best practice recommendations. After a review of the 28 best practice recommendations as well as further analysis by the Interim Fire Chief, staff proposes downgrading the vacant Deputy Fire Chief to that of Fire Marshal to oversee arson investigations and fire prevention-related programs in the Fire Department. Additionally, as recommended by Management Partners, staff has reviewed the department training program and recommends an additional Fire Battalion Chief to oversee the department training. Both of these Chief Officer roles will be filled with a 40 hour-per-week (non-shift) position to allow for improved program oversight.

In addition, Management Partners also recommended a workload study of office administrative staff to determine if additional personnel resources were needed. As such, staff analyzed the operations and recommends reclassifying the Secretary to that of a Management Analyst I and upgrade the Office Assistant II position to that of a Secretary as a result of the increased complex professional duties within Fire Administration including budget development and monitoring, grant management, billing and contract management under the department's agreement with the U.S. Forest Service, as well as other professional-level and complex duties. While both recommendations are a result of increased duties, the reclassification of the Secretary to Management Analyst I is warranted as the incumbent has been performing these duties out of class for a period of time.

Last year, changes were made to the California Fire Assistance Agreement which provided for mutual aid wildland fire response. As a result of their changes, staff concluded that the department could no longer send Reserve Command Chiefs to wildland incidents. As such, their limited-service positions have not been used since the spring of 2015, so they are being recommended for elimination. Finally, staff recommends adding one limited-service Consultant I to assist with mentoring, succession planning and labor/management related activities in the Fire Department. The latter position is cost-neutral as it can be funded through the elimination of the Reserve Command Chief positions.

Public Utilities

In 2014 the Landfill Heavy Equipment Operator II classification was eliminated as part of the Utilities Department re-organization. Since that time the landfill gas system has expanded significantly and now requires a dedicated position to ensure the complex daily operations and maintenance as well as maintaining the leachate collection systems and NHIS collection systems are in conformance with regulatory and other legal requirements. Staff is also requesting an equity adjustment for the Solid Waste Landfill Supervisor based on the classification's increasing responsibilities at the existing landfill site and involvement in the development of the new landfill at Los Flores and bring that position in-line with that of the Solid Waste Collection Supervisor.

In July 2015 Council approved the creation of a Wastewater Operator classification to be used to under-fill vacant Water Resources Operator positions. After further review staff recommends creating a Wastewater Operator Trainee position and, similar to the existing structure for Water System Operators, allow opportunity for the Operators to grow within the agency and obtain higher level certifications (as required by the State Water Resources Control Board). Additionally, staff recommends retitling the Waste Water Supervisor to Wastewater Supervisor for consistency in the series resulting in a title change only.

To provide ongoing engineering and technical support in the water and wastewater operations, staff recommends adding a Senior Civil Engineer position in the Water Resources Division. This additional position will not only provide technical assistance to a highly regulated operation, but will also provide an

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avenue to aid in succession planning for the Department. A portion of the cost of this position will be financed through salary savings by way of eliminating a vacant Crew Leader/Maintenance Specialist position. For increased flexibility and enhanced customer service, staff recommends converting a vacant Maintenance Worker II assigned to the Water Resources Division to that of Water System Operator I. This personnel request is cost-neutral requiring no additional appropriations. And finally, to assist with increased reporting and compliance requirements, staff recommends the creation of a limited-service Regulatory Compliance Clerk to assist in clerical support for the Regulatory Compliance staff.

Public Works

There is only one Word Processor position in the City. This is an older classification that was used years ago, but with technological changes, the position in its current form is no longer viable. The Department of Public Works currently has a vacant Word Processor position and staff recommends downgrading the position to that of an Office Assistant I. Additionally, staff recommends adding one limited-service Intern – Profession position. This would give college students exposure to working for a Public Works program and provide the City a connection to local universities to hire entry level engineering staff.

Leisure, Cultural & Social Services

As part of the City's budget reduction measures in years past, the Recreation and Parks Department eliminated its Secretary position, and over the years there has become a growing need to advanced clerical support in the Department. Consequently, staff recommends re-establishing this position to provide full-time staff assistance to the Recreation and Parks management team and assist in the coordination of the Recreation and Parks Commission.

In keeping with one of the City Council's priorities to reduce gang violence, staff recommends the addition of a part-time Community Outreach Coordinator to work with at-risk youth and the Police Activities League. This new position would help coordinate community outreach and engagement events (i.e. working in collaboration with the One Community Action Coalition, the probation department, local schools, etc.) in an effort to decrease youth violence, gang activity and juvenile delinquency. This position will be discussed more in detail in the *Policy Issue Requiring Council Action* section of this report.

Staff also recommends adding a part-time Staff Assistant position to provide customer service at the Abel Maldonado Community Youth Center. The addition of this position will allow staff at the Youth Center to provide the same level of service (such as class registration, facility reservations, etc.) that are offered at the Recreation and Parks Administrative Office. To fund this additional position, staff recommends decreasing the limited-service complement by three (1.5 full-time equivalent) Swim Pool Clerk positions making this position cost-neutral.

Like the Recreation and Parks Department, during the budget reduction a few years ago, the Library eliminated some positions. Because of these eliminations, all branch libraries are currently being supervised by the City Librarian; consequently, staff recommends upgrading one vacant part-time Clerk II to a full-time Library Assistant I to function as the new branch supervisor. The additional cost of this upgrade would be paid for by the increased funding received from County of Santa Barbara for branch services. At the Guadalupe Branch Library, staff recommends eliminating a vacant Clerk II and codifying the existing practice of having two limited-service Assistant Clerk – Office staff the branch which provides better coverage. In other recommended personnel change, staff proposes to add one limited-service Assistant Clerk – Office to provide additional coverage at the Orcutt Branch Library as well as perform inter-branch deliveries (again, paid for by the County of Santa Barbara). And finally, at the Main Library, staff recommends hiring one limited-service Assistant Library Technician to oversee the Homework Help Center, which is currently staffed solely by volunteers.

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General Government

With the upcoming retirement of the current Director of Administrative Services, an opportunity has been created allowing staff to reassess the management oversight of the divisions within the Department of Administrative Services; namely, Finance, Utility Billings, Information Technology and Special Projects. Due to anticipated vacancies within the department this next year and the significant learning curve and on-the-job training that incumbents will need, coupled with the possible financial challenges facing the City over the next couple of years (should another recession materialize in the near future), staff recommends restructuring the Department to focus primarily on the Finance and Utility Billing programs and shifting the Information Technology and Special Projects Divisions to other departments.

Staff recommends reassigning the Special Projects Division from the Department of Administrative Services to the Department of Community Development. Special Projects was once housed in the Community Development Department and this will allow staff to refocus on economic development, affordable housing and neighborhood revitalization efforts. In recognition of direct oversight of this additional division, staff recommends providing a two percent salary increase to the Director of Community Development.

The Special Projects Division consists of two full-time positions, the Community Programs Manager and a Grants Specialist, in addition to one part-time Account Clerk Aide. Creation of a Grants Specialist I/II series is being recommended for the vacant Grant Specialist position in order to provide for career growth and succession planning opportunities within the division.

Staff also recommends temporarily reassigning the Information Technology Division to the City Manager's Office and assigning management oversight to the Deputy City Manager. With regard to Information Technology personnel, staff also proposes to reclassify the five incumbent Systems Analyst I's to Systems Analyst II's in recognition of the high-level of technical responsibilities and duties they are performing.

As a result of the aforementioned personnel changes, staff recommends transitioning the Department of Administrative Services to a Department of Finance and rightsizing the soon-to-be vacant Director of Administrative Services to that of Director of Finance.

In the City Manager's Office, staff proposes to add one part-time Clerk II position to be shared by both the Administrative and Human Resources Divisions. This individual will assist with the processing of City Council related items as well as the increased clerical duties associated with the transfer of the Information Technology Division, and will augment the clerical function in the Human Resources Division which is needed due to the increasing Citywide workforce.

And finally, the last personnel change being proposed is to codify the existing practice of having two Assistant City Attorney positions rather than one Senior Assistant City Attorney and one Assistant City Attorney.

Future Issues:

CalPERS Rate Increases

A major issue facing not only the City of Santa Maria, but all local governments is the increasing costs of financing pension-related retirement benefits through the CalPERS Retirement System. This fiscal year (2015-16), the General Fund is expected to spend \$9.9 million on retirement costs versus \$8.7 million in 2014-15. Three years ago, in 2012-13, total General Fund retirement costs were \$7.3 million. This reflects a 36 percent cumulative increase from 2012-13 to 2015-16. Forecasted General Fund payments in 2016-17 are \$10.9 million, which includes the \$653,000 payment on the Fire-Side Fund. The final payment of \$653,000 will occur in October, 2022 bringing slight relief to increasing costs, but until then,

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financing these increased operational costs will be challenging. Accordingly, the total increase in pension-related expenses for next fiscal year (2016-17) in the General Fund is expected to slightly more than one million dollars – the equivalent of ten police officers.

Back in 2011, the City engaged in some pension reform measures with its employee groups requiring all new employees (referred to as Tier II employees) to pay the employees' share of pension expenses (which represents either seven percent [for miscellaneous members] or eight percent [for safety members] of their salary). However, the majority of City employees (approximately 80 percent) are still in the Tier I benefit category. Tier I rates are expected to increase over the next three years as follows:

	<u>Misc.</u>	<u>Police</u>	<u>Fire</u>
2015-16	31.96%	43.03%	43.49%
2016-17	33.64%	47.75%	45.69%
2017-18	35.53%	51.64%	48.66%

The rates above include the employee's portion, which is currently paid by the City. The percentage for Tier I is 8 percent for miscellaneous employees and 9 percent for safety employee.

Given the fact that the City is facing a \$4.4 million deficit in the upcoming fiscal year, the above percentages are alarming and troubling from a sustainability perspective. To put the above pension-related increases in perspective, a one percent increase in the miscellaneous rates equates to approximately \$199,110 increase in operational expenses. Likewise, a one percent increase in the police and fire rates equates to \$137,280 and \$56,165 increase in expenses, respectively. In all, projected pension-related expenses in the second year of the two-year budget (2017-18) are anticipated to increase by another million dollars.

Civic Center Complex: One-Stop Development Center

One of the priorities of the City Council was addressing the need to retrofit the old library into new City offices. This project has been mothballed since 2008 in lieu of financing the new Police Facility on Betteravia Road. The proposed project consists of demolishing the old vacant library building and constructing a new two-story Civic Center Complex. The new complex would house all City personnel currently residing in the Ruffoni Building on South Pine Street (Community Development and Public Works staff) including staff from the Finance Division, Utility Billing and possibly Recreation & Parks staff as well as some Fire personnel. Once staff is relocated from the Ruffoni Building, that facility will be sold and the sale proceeds deposited in the General Capital Projects Fund. However, the major issue of concern regarding this project deals with the project's financing.

It is expected that the General Capital Projects Fund will have less than one million dollars at the end of 2017-18. The fund had approximately \$14 million in cash back in 2010-11. However, with the construction of the Betteravia police facility and other capital projects, there will not be enough funds available to pay for the entire design and construction of the facility. The current proposed budget is for an allocation of \$150,000 for initial design costs for 2016-17 and construction design costs of \$1 million dollars in 2017-18. At this point, staff is projecting construction costs of approximately \$12.5 million in 2018-19. The financing of the \$12.5 million will likely come from a 30-year bond issue with the majority of the debt service to be paid by the General Fund. The anticipated debt service could be as high as \$750,000 annually for 30-years. Because of this significant debt service payment and the ever-increasing CalPERS pension-related payments, staff will be re-assessing the financial condition of the General Capital Projects Fund at the mid-cycle review to determine if added debt service payments can be managed without being impacted by future deficits.

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General Liability

The City of Santa Maria is a member of the Exclusive Risk Management Authority of California (ERMAC) for insurance coverage, specifically for the purpose of risk-sharing and risk-transfer for municipal liability protection. The general liability insurance coverage renewal process is proving to be somewhat challenging for 2016-17. As such, the City is anticipating significant premium increases for coverage in the excess insurance coverage in the \$1 million to \$50 million layer. The excess insurance coverage is provided by the California State Association of Counties (CSAC) General Liability 2 (GL2) program (that cities are eligible to participate in).

The CSAC GL2 program conducted an actuarial study of the last ten years of losses and the study indicated a significant increase in losses shortly after the beginning of the Great Recession. The Authority's loss ratio stands at 348 percent over a ten-year period. This means that the GL2 program has paid out \$348 for every \$1 dollar ERMAC paid into the group for liability coverage. The major reason for this significant loss ratio relates to not only our claims experience, but also another member agency settling an \$18.5 million claim. Claims by other member cities also exceeded the \$1 million self-insurance retention (SIR) for excess coverage, this combined with the large loss of \$18.5 million has contributed to the severity of this claim renewal.

In 2015-16, the City's total liability insurance premium was \$476,150. The CSAC GL2 program premium for ERMAC was \$1,044,505. This excess premium will increase to at least \$1.3 million and possibly to \$1.5 million. The premium for CSAC GL2 program is still undetermined at this time as the Authority is still working with the insurance broker to obtain quotes from carriers interested in underwriting this program. Bottom line, additional expenses in liability premiums are anticipated in 2016-17; however the amount of those increases are undetermined at this time. When staff receives the renewal quote, this quote will be brought before the City Council along with a request for funds to cover the renewal expense. Consequently, the \$4.4 million deficit for 2016-17 will only get bigger.

Policy Issues Regarding Council Action:

The 211 Helpline Service

Since November of 2014, the Community Action Commission (CAC) has operated the countywide 211 Helpline Service via a contract with the County of Santa Barbara. The 211 Helpline Service provides an easily accessible phone number (211) and a website where anyone can obtain free confidential information and referral to health and human services-related programs and assistance 24-hours a day, 7-days a week.

For 2016-17, the Santa Barbara County staff is proposing that the County fund 71 percent (or \$147,640) of the total program costs associated with the 211 Helpline Service, leaving approximately \$61,400 to be funded by cities throughout the county on a proportionate basis based on the number of service calls received within the city limits of each agency. For Santa Maria, the proportionate share would be \$22,785 in 2016-17. It should be noted that current contributions to such agencies, through the CDBG application process, are limited to \$20,000.

Previously, the City has not funded this service based on the fact that typically health and human services-related program are County programs operated and financed with County funds. This year, the County of Santa Barbara has requested a contribution from all of the cities in Santa Barbara County to help fund this program (Attachment C). At the time this document was finalized, only the cities of Carpinteria and Solvang had indicated that they will be allocating funding to the 211 Helpline at \$1,547 and \$474 respectively.

The first policy issue before the City Council is whether or not to fund the 211 Helpline Service and should Council decide to fund it, at what level. Representatives of the County of Santa Barbara and the

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Community Action Commission have been invited to attend the Council meeting to provide a presentation on the 211 Helpline Service and answer any questions Council may have.

Central Coast Collaborative on Homelessness Funding Request

The second policy issue requiring Council direction is on the funding level for the Central Coast Collaborative on Homelessness (C3H). As the City Council is aware, the City's chronic homeless population is on the rise. As part of your March 10, 2016 City Council Goal-Setting Workshop, addressing homelessness was one of three items that received some interest from two Councilmembers but not a consensus from the majority of the City Council. To that end, Councilmembers, Department Heads and City staff have been working closely with C3H for a while now to address issues regarding homelessness. C3H was originally formed as a quasi-governmental entity to coordinate all of the stakeholders in the County, such as Good Samaritan Shelter, County Mental Health, Public Health, etc. C3H in Northern Santa Barbara County is expanding its role from merely a facilitator/coordinator to that of a service provider. C3H has committed, with the City's support, to develop a best-practice approach of creating a by-name list of the City's most significant service users, using the "housing first" model. The process is time intensive, but has shown proven results in other communities.

The "housing first" process involves street outreach, identification of needs and wants for this vulnerable population, casework to procure appropriate services for the selected individuals, and to stabilize the selected individual(s) in housing as their case(s) continue to be worked. The goal is to reduce impacts on our hospital's emergency rooms, public facilities, and calls for service to law enforcement for a sector of the homeless population that is not open to the "housing ready" model that has proven successful with Good Samaritan's efforts.

Law enforcement continues to play a significant role in addressing the impacts of homelessness on our community, and joint meetings between the Police Departments Community Policing staff, City Rangers and Code Compliance have increased outreach and education to local business owners. However, to match the efforts of other cities within our region and State, the City needs to look toward a more diverse approach, and C3H has indicated that they could play an integral part of that effort. Recently, the Mayor and the City Council received a letter from C3H Executive Director Chuck Flacks requesting a \$50,000 donation to C3H to fund a full-time team leader for Santa Maria in an effort to help address chronic homeless population issues (Attachment D). Currently, the City of Santa Maria provides C3H \$12,000 annually in General Fund contributions and \$63,000 in CDBG Tenant Based Rental Assistance. By way of this proposed budget and pending Council approval, staff has set-aside an additional \$12,000 in General Fund proceeds for a total contribution of \$24,000 to C3H in each year of the 2016-18 budget.

Accordingly, the policy issue before the City Council is whether or not to continue funding C3H with General Fund proceeds at its current level (\$12,000), reduce contributions, increase contribution to \$24,000 annually (as proposed herein) or by consensus increase contributions to an agreed-upon amount. Also, as indicated in the previous policy issue, current contributions to such agencies, through the CDBG application process, is limited to \$20,000.

Outreach Coordinator Funding

With the rise in gang and youth violence in the City over the last year, concerned residents, businesses and service agencies have come together to address this issue, identify obstacles impeding positive reform in youth violence as well as discuss current resources available to help mitigate youth violence in the community. Through these meetings, the One Community Action Coalition was formed to attempt to put together a comprehensive action plan centered on inclusiveness, cultural sensitivity and responsiveness to the current issues of youth violence happening in the City. The Coalition's goal is to support and protect area youth with a theme of "por vida" or "for life." Going forward, their action plan focuses on three areas: community building, education, and resources.

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The Coalition is a broad cross-section of the community including parents, students, residents, educators, nonprofits, law enforcement officials, faith-based leaders, and various government representatives. The group has met multiple times and appears to be expanding and adding new ideas to its mission at each meeting; for example, discussions regarding the possible expansion of the Los Compadres Program and the desire to implement Restorative Practices in local schools.

Recently, the City has become aware that the Community Action Commission (CAC) has been administering a South Coast Task Force on Youth Safety and Fifth District County Supervisor Steve Lavagnino is trying to help fund a similar task force in Northern Santa Barbara County. Specifically, Supervisor Lavagnino is requesting a \$75,000 donation from the County Board of Supervisors to set-up a similar task force up here in North County.

By way of background, the South Coast Task Force on Youth Safety is a regional partnership that includes, as funding partners, the County of Santa Barbara, and the cities of Goleta, Santa Barbara, and Carpinteria. The Task Force consists of elected officials, local government agencies and executives, law enforcement, education, the faith based community, philanthropic and community-based organizations, youth and parents. The Task Force meets four times a year and the stakeholders address issues on youth safety and violence prevention on the south coast.

As part of the 2016-18 Budget, City staff is proposing to hire a part-time Community Outreach Coordinator to work with at-risk youth and the Police Activities League. This new position would help coordinate community outreach and engagement events (i.e. working in collaboration with the One Community Action Coalition, the probation department, local schools and even the proposed North County Task Force on Youth Safety) in an effort to decrease youth violence, gang activity and juvenile delinquency. The intent of this new position would be to work in collaboration with stakeholder groups to develop an awareness of the risk factors that lead to gang activities and juvenile delinquency. The City of Stockton has a similar full-time position called Outreach Worker that provides specialized services and referrals for at-risk, gang-impacted, and/or gang-involved individuals. That position's primary responsibilities include building relationships with organizations that serve individuals impacted by violence, and behavior observation and assessment, crisis intervention, and conflict resolution and mediation with individuals at risk of being the victim of a crime or perpetrating a crime. The Stockton position is somewhat equivalent (from a salary perspective) to that of a Recreation Technician in the City of Santa Maria.

Consequently, the policy issue before the City Council would be to either fund this position and at what level or to redirect this funding to an outside party (either the County or a non-profit) and designate it to go toward reducing youth violence. Currently, the proposed 2016-17 Budget recommends a new 32 hour-per-week part-time position called a Community Outreach Coordinator. The recommended funding for this position is \$48,000 annually. As an alternative, the City Council could upgrade this position to full-time (equivalent to that of a Recreation Technician in pay grade) and appoint someone in early fall. This would be a viable alternative since it would take two to three months to recruit for this position and the total cost during this next fiscal year would not exceed the aforementioned funding.

As an alternative to hiring a City employee, Council could direct staff to contribute the proposed funding (\$48,000) to either the County of Santa Barbara or to a non-profit. Should the County of Santa Barbara be successful in formulating a North County Task Force on Youth Safety, there would probably be the expectation that the City make a financial commitment to the Task Force as currently south coast cities are funding partners for the South Coast Task Force, i.e. the cities of Santa Barbara, Goleta and Carpinteria are contributing approximately \$67,000, \$23,000 and \$11,000 respectively on an annual basis to the task force.

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The final alternative would be for the City Council to direct either the current proposed funding (\$48,000) or another amount to a local non-profit agency that works directly with reducing youth violence, gang activity and juvenile delinquency.

Acknowledgements:

I would be remiss if I did not sincerely thank those City employees that were instrumental with assisting in putting together this budget document – for a number of them, it was their first time assembling and compiling the City’s biennial budget document. This year, the budget process was more challenging than in previous years because of a change-over of staff, operational challenges associated with unforeseen budget-related nuances, as well as having to contend with a number of other “high profile” competing projects and assignments. However, once again staff rose to the occasion, and tirelessly worked through all of these challenges and put together another award winning comprehensive budget document.

It has been said before that the employees of this City are of the highest caliber and are second to none and I would wholeheartedly agree with that statement. We should all take great pride in the fact that our employees, because of our low employee to population ratio, are some of the most productive and most efficient group of municipal employees on the Central Coast, and perhaps, the State. If not for the dedication to public service and teamwork that our employees embrace, we could not offer the professional and responsive services that we do.

A special thank you goes out to the staff of the Department of Administrative Services (soon to be called the Finance Department) and my office for the important roles they played in developing this budget document. To all of the above, my sincerest appreciation is extended.



RICHARD J. HAYDON
City Manager

Attachments: A - Summary of Proposed Budget and Staffing Levels
 B - Position Allocation by Department
 C - Funding Request for 211 from the County of Santa Barbara
 D - Funding Request from C3H