When I speak to community groups and attend functions, I am constantly approached and asked about the City’s health, its direction, and what’s next. We have a lot to be thankful for as the economy revives… but we’re not out of the woods.

Departments are putting together their budget proposals between now and mid-March, and I expect to present the 2014-2016 Budget in June to the City Council.

To summarize, we will stay the course, maintaining operational expenses within the prior year budget amounts. Departments are asked to prepare status quo budgets using the mid-cycle 2013-14 budget amounts. Consequently, very few, if any new positions and/or programs with the exception of minor adjustments or revenue-offset proposals will be considered.

The City is experiencing positive trends in some economic areas, led by consumer spending. Sales tax revenues are increasing. Thanks to voter support of Measure U, we have supplemental revenues for ongoing public safety funding and other vital services.

As lean and efficient as we are, the City continues to struggle with a gap between operating revenues and expenses. Overall revenues are not rising as quickly as necessary to eliminate this deficit. Some revenues are actually decreasing. One example is Non-hazardous Hydrocarbon Impacted Soil (NHIS) revenue, which is projected to generate only $1 million this year and $700,000 in 2014-15, far below the $5 million peak several years ago.

You may recall the City adopted the 2013-14 General Fund budget anticipating a multi-million dollar budget deficit, so for the sixth year in a row we deferred cost allocations and unfortunately had to rely on one-time financing to fund on-going operational expenses (which is not a good thing). As it stands now, staff calculates the financial gap in the General Fund in 2014-15 to be more than $2.5 million.

The future no doubt presents financial challenges, not the least of which will be the escalating CalPERS pension costs that will strain many municipalities throughout the State, including Santa Maria.

Retirement costs are projected to increase significantly beginning in 2015-16 through 2021-22. The combined changes in CalPERS policy and assumption calculations will result in over $1.5 million in increased CalPERS pension-related expenses to the General Fund in 2016-17, with additional incremental increases scheduled for each of the next five consecutive years.

As a City, we will be put to the test to continue to maintain City services in light of these financial challenges, but we’ve done so in the past, and I’m sure we’ll do so in the future.