Word has it that the City begins its new fiscal year with some familiar financial challenges…..and they’re right. On June 17, the Santa Maria City Council will be considering the 2014-16 proposed budget, a plan that has another structural budget deficit. As you all know, over the past six years, the City’s General Fund has faced multi-million dollar budget deficits and has had to rely on one-time reserves to have a balanced budget. Although the national, State and local economies are on the uptick, from an ongoing basis, our General Fund operating revenues are still not sufficient enough to finance our operational expenditures.

General Fund projected operating revenues are estimated to be $55.4 million while proposed appropriations are $57.1 million; accounting for a projected budget deficit of $1,640,890 for 2014-15. We are proposing to use $1.7 million in one-time Local Economic Augmentation Funds (LEAF) to help bridge this financial gap. However, the LEAF fund will be depleted at the end of this budget cycle.

On the revenue side, the Great Recession significantly reduced local discretionary revenues and the recovery continues. For example, sales tax, which accounts for 33 percent of General Fund revenues, plunged 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. 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 drop. Since then, property tax has not reached pre-recessionary levels with a forecast of $15 million for 2014-15.

Any upswing in revenues have been all but negated by the significant decrease in Non-Hazardous Hydrocarbon Impacted Soils (NHIS) revenues and interest income revenue. For example, NHIS revenue has been on the decline for the past several years since peaking at $5.5 million in 2007-08 and 2008-09. The forecast for NHIS in 2014-2015 is only $765,000 – $4.8 million less than pre-recession levels.

The General Fund’s expenditure plan for 2014-15 was based on current year allocations (2013-14) plus associated merit increases, negotiated salary increases, pension-related increases, as well as increased cost allocations and two new proposed police officer positions.

Public safety remains the City Council’s top priority. For the General Fund in 2014-15, there are 349 full-time and 39 part-time positions proposed City-wide. Of those full-time positions, the Police and Fire budgets comprise 230 positions or 66 percent. And, of the 480 full-time authorized positions City-wide from all funds, the two public safety departments comprise 48 percent of those positions. With the exception of the two new aforementioned police officers positions, all other new full-time positions in the General Fund have either been funded within target budget dollars or are revenue offset. In addition, there are no new positions recommended in any fund in the second year of the 2014-16 budget.

A noteworthy financial challenge on the horizon is the significant pension-related increase in the City’s employer rates for CalPERS.

According to CalPERS, changes in CalPERS policy

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and actuarial assumptions will result in significant pension-related expenses to the City starting in 2015-16 and escalating over the next five years.

The current projection for 2015-16, the second year of the budget, is an increase of $500,000 over 2014-15. Beyond that, the City is anticipating upwards of an additional $800,000 in pension-related expenses starting in 2016-17 with additional incremental increases through 2020-21.

This is very alarming and troubling news given the fact that the City has had five years in a row of multi-million dollar budget deficits and has had to rely on one-time funding to finance the operational costs in the General Fund - and those funding sources (i.e. LEAF financing) will be depleted by the end of this budget cycle.

It has been said before that the employees of this City are of the highest caliber and are second to none and I look forward to working together as we face these upcoming challenges.

Rick

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**BBQ Invitation**

**Join us at the City Employees’ BBQ**

One big way the City acknowledges you for all your hard work and dedication is for you and your immediate family to be guests at our 28th annual City Employees’ BBQ and Pool Party at the Abel Maldonado Community Youth Center and Paul Nelson Aquatics Center on Saturday, June 21. The games and Bingo start at 11:00 a.m. and the BBQ starts at 1:00 p.m. (see Page 3).

This year’s BBQ falls on the first day of summer. Last year was the first time we held the Employees’ BBQ in June and it was very successful. In fact, we served about 650 meals!

The City is fortunate to attract talented, hard-working employees like you who are committed to our shared vision of improving the community. We have a diverse, highly-skilled workforce. As a member of our team, you can be proud that your work impacts the lives of over 100,000 residents daily.

The BBQ is made possible by employees who volunteer their time and effort to organize, set up, and clean up. Donations come from the represented employee groups, the City, and from local businesses. If you are interested in volunteering to help, please call Councilmember Bob Orach via ext. 200.

The picnic will feature delicious Santa Maria Style chicken barbecue, salsa, beans, salad, bread and desserts, plus cold sodas and water, among other beverages.

This year’s BBQ will again be complimentary to current employees, their significant other/guest, and those minor children living at home. If you want to bring parents or a relative, guest tickets are available for purchase. Additional tickets may be purchased from Department Secretaries ($4.00 for a child ticket, $6.00 for an Adult/Guest ticket, $4.50 for retired employees).

At the BBQ, you and your immediate family will have access to the Abel Maldonado Community Youth Center, the Paul Nelson Pool, carnival games, a photo booth, face painting, a mobile recreation unit, arts and crafts, bounce house, candy and frozen treats, and cupcakes. There also will be door prizes, a water balloon toss, gunny sack races, and dodgeball.

Everyone is encouraged to attend – and stay to mingle and play. At the mid-day lunch hour, City Councilmembers, Commissioners, and Department Heads as well as other management staff serve food to the employees and help create a fun, festive event enjoyed by all. This event is another way that the City, and that includes the City Manager’s Office, the City Council and the Department Heads, can demonstrate that we value all of your contributions and hard work. When our entire organization sits down together over a good meal, it takes on a unity of purpose and highlights our similarities.