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June 5, 2018

TO: City Council

FROM: City Manager

SUBJECT: **2018-20 BUDGET MESSAGE**

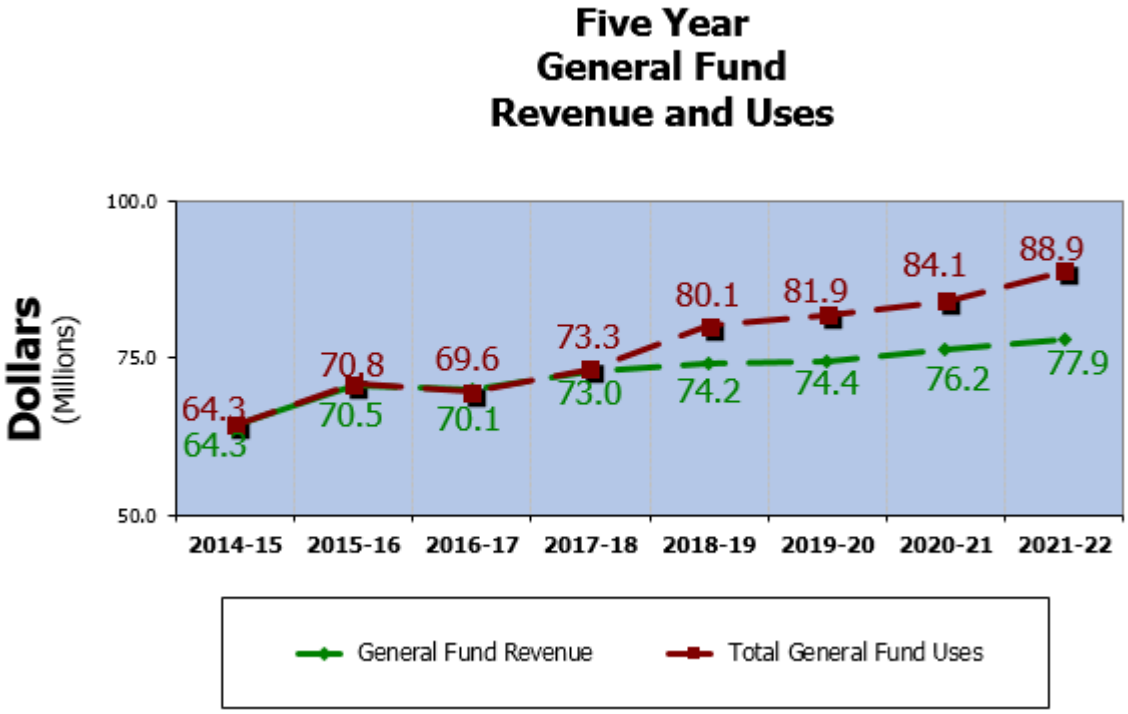
RECOMMENDATION:
It is recommended that the City Council receive the 2018-20 Proposed Budget document for the period July 1, 2018 through June 30, 2020; direct staff to distribute the document; and set the time for a public hearing on the proposed budget for June 19, 2018.

INTRODUCTION:
Looking ahead, the City is rolling up its sleeves to become ever more intently efficient, innovative, and resilient as it faces very significant financial challenges to its ability to maintain services. This 2018-20 balanced budget focuses resources on City Council goals and core front-line City services that reflect the priorities of the community. This document is the result of a thorough development process involving participation from all departments and adherence to budget policies. Continued fiscal stewardship of limited resources and the fortitude to collaboratively develop strategic paths forward is compulsory to maintain municipal programs and quality of life services and consistent with the City Council's principle of maintaining financial health, a balanced budget, strong reserves, and address rising pension costs.

A central component of this budget is to develop a balanced spending plan that factors in salary and benefit expenses, identifying essential service needs, growing technological demands, changing legislation and regulations, infrastructure maintenance issues, and the actions required to build and sustain a dedicated, competent workforce. This two-year spending plan is a balanced budget but expenses continue to outpace revenues further depleting reserves. Despite the end of the Great Recession nearly 10 years ago, years of conservative budgets, and even with voter support in 2012 of a tax measure to support essential services, Santa Maria remains in an accumulated, multimillion-dollar structural deficit. Departments and residents are now further seeing and feeling reduced service level impacts.

The City's multi-faceted budget balancing strategy for 2018-20 uses a combination of exhausting one-time reserves, drawing for the third time in City history upon economic stabilization reserves, but for the first time outside of a recession, expenditure savings by keeping vacant positions unfilled, operating reductions in department budgets, Measure U2012 funds, and unfunding seven full-time positions and one part-time position. Even so, the City's overall employee count rises by seven full-time positions and decreases by two part-time positions in 2018-19 to a combined 592 full-time and part-time employees. It is important to make clear that (1) the position reductions are only for the next two years, (2) this budget does not address the structural deficit accumulated over previous years, and (3) all 28 positions are retained that are funded by supplemental revenue from Measure U – the voter-approved sales tax from 2012 set to expire on December 31, 2021.

Each Department Director recommended budget reductions to enable this balanced budget to be developed. The service level impacts of the budget reductions were also identified. Certain reductions in the Police Department and Fire Department were necessary to meet a balanced budget, but were delayed using one-time savings to support the service until alternative ongoing funding can be identified. The first year of the budget recommends one-time funding for six public safety positions.



The chart shows General Fund expenses are projected to outpace revenues in future fiscal years.

Like hundreds of other public agencies across California, the biggest challenge facing the General Fund is soaring pension costs, partly created by investment losses sustained by CalPERS during the Great Recession of almost 10 years ago, and more recent CalPERS policy changes being phased in over several years. Under the best case scenario, the General Fund's pension-related expenses will escalate by more than $4.8 million more in the next four years – an average of $1.2 million annually compounded. Earlier in 2018, the City and its labor groups achieved negotiated cost-sharing agreements whereby employees pay more toward their retirement. The City is addressing pension costs in three ways: (1) new and future employees are in reformed, less expensive pension tiers, (2) current employees are increasing their contributions to pension costs, and (3) the costs of past employees are costs the City is obligated to pay either through new revenue or other expenditure reductions.

The City continues to innovate to improve the community. This year Santa Maria will become a Smart City-Safe City, the first truly Gigabit City on the Central Coast. Economic development efforts are emphasizing the City-owned fiber optics infrastructure and the availability of carrier-grade high-speed Internet services. Businesses also are encouraged to use the City's state-of-the-art data center, securely housed within its modern Police headquarters building. Further, the City is undertaking positive steps to serve at-risk youth with new programs that enhance its long-standing commitments.

On February 12, 2018, 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, with an understanding of the need for a modest budget. Through this process the City Council identified priorities, and on March 5, 2018, adopted the following items as essential priorities for staff to address during 2018-20:

The City Council agreed the over-arching principle is: Maintain financial health, balanced budget, strong reserves, and address rising pension costs.

The Council agreed on three “tier 1” essential priorities:

- Pursue economic development and higher paying jobs
- Make progress in developing the downtown and implementing the Downtown Specific Plan
- Plan and develop the South Broadway Area

In addition to the previously mentioned three priorities, the City Council also agreed that the following three “tier 2” items were important for staff to address during the next two-year period:

- Reduce youth and gang violence
- Develop an annexation strategy to provide land for economic development, housing, medical facilities, and educational institutions
- Advocate for Vandenberg Air Force Base’s expansion of its commercial launch program to aid Santa Maria’s economic development

As staff compiled the 2018-20 Budget, the aforementioned priorities were taken into consideration and are reflected in this document, (as illustrated on page xx – xxi of the Introductory Section of this budget document).

The 2018-20 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. Because the City anticipates rising retirement costs that will require service level reductions throughout the next six years, departments have described the impacts of the reductions.

Departments were required to justify all requested contractual services and travel/training account appropriations. Additional personnel and pension-related expenses and decreases in some revenues are placing the City in a continuing, projected multi-million dollar deficit. Consequently, the 2018-20 budget is one of reducing operational costs to come within funding constraints. 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 2018-19 and 2019-20. The budget compares 2016-17 actual expenditures and revenues, the current 2017-18 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 2018-19 budget, with the budget summary schedules, financial tables, and graphic presentations reflecting the proposed 2018-19 budget year. The 2019-20 budget is based on proposed 2018-19 funding amounts as well as factoring-in anticipated CalPERS obligations, known operational increases and service level reductions. Additionally, should Measure U not be placed on the November 2018 ballot or fail to receive sufficient voter passage, the recommendation is to make very significant operational reductions Citywide starting in December 2018. That would result in deeper, more impactful public service level reductions.

SUMMARY:

Overview of the Proposed 2018-19 Budget for All Operating Funds:

Total revenues anticipated for all operating programs in 2018-19 are estimated to be $167 million or roughly $9 million more than in 2017-18. This represents approximately a 5.7 percent increase in total financing in 2018-19 for all operating programs when compared to 2017-18 as illustrated below.

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Taxes	$ 53,733,014	$ 57,412,832	$ 3,679,818	6.8%	34.5%
Licenses, Permits & Fines	3,095,450	3,186,930	91,480	3.0%	1.9%
Rev. from Use of Money & Property	1,074,860	1,395,570	320,710	29.8%	0.8%
Revenues from Other Agencies	8,463,120	8,540,115	76,995	0.9%	5.1%
Charges for Service	7,967,920	6,921,140	(1,046,780)	-13.1%	4.1%
Other Revenue and Transfers	8,495,910	9,096,216	600,306	7.1%	5.4%
Enterprise Fund Revenues	75,194,350	80,473,509	5,279,159	7.0%	48.2%
Total	$ 158,024,624	$ 167,026,312	$ 9,001,688	5.7%	100.0%

Tax revenues are expected to increase due to forecast increases in sales and property taxes. Charges for services are expected to decline due to the forecast reduction in Non-Hazardous Hydrocarbon Soils (NHIS) revenue by $55,000, down from a projected $465,000 in 2017-18 to $410,000 for both of the next fiscal years. This year (2018-19), the planned Local Economic Augmentation Fund (LEAF) transfers are set at $2.6 million, followed by all remaining LEAF assets of $1.08 million in 2019-20, at which point the LEAF will be exhausted. The City has been drawing from its LEAF since 2008-09; at its peak this "rainy day" fund contained $11.7 million.

The proposed appropriations for all operating funds in 2018-19 are approximately $179.8 million.

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Operating Programs	$ 115,752,331	$ 121,743,996	$ 5,991,665	5.2%	67.6%
Capital & Outside Agencies	35,323,937	46,091,467	10,767,530	30.5%	25.5%
Debt Service	5,558,550	5,558,550	-	0.0%	3.3%
Transfers	6,039,919	6,388,760	348,841	5.8%	3.6%
Total	$ 162,674,737	$ 179,782,773	$ 17,108,036	10.5%	100.0%

The budget for all operating funds in 2018-19 is approximately $179.8 million, or 10.5 percent more than in 2017-18, with the increase being primarily attributed to the increase in capital projects in the Enterprise Funds, especially the Solid Waste Disposal Fund, and CalPERS obligations.

Overview of the 2018-19 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 reductions in operating expenditures to balance the budget, and in 2018-19, the General Fund is this fiscal year facing a significant $8.46 million budget deficit.

The estimated budget deficit has grown from approximately $3.6 million in 2015-16 to $5.7 million in 2017-18 to the current $8.46 million in 2018-19 as illustrated below. This deficit amount represents about seven percent of the overall General Fund budget.

Appropriations	$ 80,084,640
Revenues	71,617,898
Projected Deficit	$ (8,466,742)

Staff is recommending that the deficit be mitigated using a four- pronged approach: 1) use LEAF reserves of $2.6 million in year one, and the entire remaining amount of $1.08 million in year two, 2) anticipated *expenditure savings* of approximately $3.0 million, 3) operating departments absorb retirement cost increases, 4) operating departments recommended reductions, and 5) Council authorize the use of the General Fund's economic reserves. Those "rainy day" emergency reserves are rarely tapped; they were used in 2004-05 and in 2009-10 (during the recession), but that was before the City formally committed these resources as the emergency reserve in 2011-12.

DISCUSSION:

Economic Outlook:

Americans are the richest they have ever been because most economic measurements are near all-time highs, according to May 2018 remarks by economist Peter Rupert, the Executive Director of the University of California, Santa Barbara Economic Forecast Project. Nine years into a sustained economic recovery that has produced a record 91 straight months of job growth, unemployment is at a record low, interest rates are up but still low by historical standards, and consumer spending and business investment are healthy. Consumer confidence is near 18-year highs. Federal tax cuts may be boosting the economy, and housing prices are rising. But there are clouds on the horizon, and recessions – some warn we are overdue for a downturn - are hard to predict. There are worries about global tensions and trade wars, and concerns that faster wage growth could lead to more inflation growth.

The U.S. economy in 2017 grew by 2.3 percent, an acceleration from the 1.5 growth rate in 2016. The economy grew at a slower-than-expected 2.2 percent rate in the first quarter of 2018 and is expected to strengthen to about 3 percent in the second quarter. Following a 3.2 percent growth pace in the third quarter, the economy slowed in the fourth quarter to 2.6 percent as the strongest pace of consumer spending in three years resulted in a surge in imports. The economy has averaged around a lackluster 2 percent annual growth since the Great Recession ended in mid-2009.

Economists expect the nation's annual growth will hit 3 percent target this year, spurred in part by a weak dollar, rising oil prices, and strengthening global economy. While the corporate income tax rate has been reduced to 21 percent from 35 percent and taxes for households have also been lowered, economists see only a modest boost to Growth Domestic Product (GDP) growth as the fiscal stimulus is coming at a time when the economy is almost at full employment.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased at a 3.8 percent rate in the fourth quarter of 2017. That was the quickest pace since the fourth quarter of 2014 and followed a 2.2 percent rate of growth in the July-September quarter. But consumer spending during the first quarter of 2018 slowed to an annual growth rate of just 1 percent, the worst showing in nearly five years.

Job growth in California was more robust than expected in 2017 as 366,000 jobs were added, and continued strongly into early 2018. California has now gained a total of 2.87 million jobs since the economic expansion began in February 2010. In January 2018, 35,500 new jobs pushed the unemployment rate to a record low of 4.4 percent, then 14,000 more jobs in February sank the rate to 4.3 percent – the lowest on record dating back to 1976 - according to the state's Employment Development Department.

The unemployment rate in Santa Barbara County was 3.5 percent in April 2018, down from a year-ago estimated 4.2 percent. As of March, Santa Maria's unemployment rate was 4.1 percent, compared to 5.7 percent in Lompoc, and 2.3 percent in Santa Barbara. Although Santa Barbara County is perceived to be well-off, wealth is not shared by all. Real GDP was negative 1.5 percent in Santa Barbara County in 2016, the lowest growth rate in 10 years, compared to 1.49 percent growth nationally.

California's minimum wage increased by 50 cents per hour on January 1st. The new rate is $11 per hour for firms with 26 or more employees, and $10.50 for firms with 25 or fewer employees.

According to a UCLA Anderson quarterly forecast, statewide job gains are likely to accelerate slightly this year, in part because of the $1.5-trillion Federal tax cut package that took effect in January. Total jobs should increase 1.9 percent in 2018, faster than the 1.8 percent increase the report projected in 2017. The forecast predicts job growth will slow to 1.7 percent in 2019 and 0.8 percent in 2020.

Overall, most Californians should see a tax cut, according to an analysis by the State Franchise Tax Board, because the new tax package doubles the standard deduction available to all taxpayers and increases a child tax credit. The state's wealthiest one percent of taxpayers pay about 48 percent of the state's personal income tax.

A slowdown is to be expected as a natural byproduct of an economy at or near full employment, many economists say. Experts are now trying to figure out whether low unemployment will finally lead to more robust wage growth, as employers increasingly fight for a dwindling share of possible employees.

At the local level, Santa Barbara County government's financial outlook is improved over last year, when the County made significant cuts of $35 million. Although its budget is balanced, the County is still looking at expenditures outpacing revenues. It predicts a shortfall of about $5.2 million in 2018-29 and again in 2019-20, and then a projected $9 million shortfall in 2020-21. Total pension costs continue to soar. The County's recommended salary and benefit costs of $612.4 million 2018-19 represent the combined impacts of 83 Full-Time Equivalent positions, negotiated salary increases, overtime costs increases, and increased retirement costs.

As of late May, the County is proposing a 2018-19 budget at $1.1 billion. The County is proceeding with its Renew '22 effort to transform government by the year 2022 with various measures such as consolidating human resources functions now spread out among departments. The County is asking voters in June 2018 to decide Measure T, the countywide cannabis tax, to generate an estimated $5 million to $25 million annually as a general tax to fund whatever programs the majority of supervisors decide. A huge issue is the backlog of infrastructure maintenance in the hundreds of millions of dollars – and it increased by more than $63 million in the current fiscal year. Further, the County has stated its need for a centralized dispatching system for all firefighting resources in the County. Santa Maria has hosted discussions with the County about potentially coming to an agreement to use the City's regional public safety dispatch system. The County is building the 376-bed Northern Branch Jail at Santa Maria's western border and projects hiring about 53 new positions, then expects the facility to open in summer 2019.

The City of Santa Barbara as a whole is in good financial condition. The City is fortunate its residents in November 2017 approved Measure C, increasing sales taxes by one percent effective April 2018, to address deteriorating infrastructure. This will be a tremendous benefit to that community, pumping about $22 million per year in perpetuity to increase funding for streets, sidewalks, public safety facilities, recreation facilities, etc. Prior to passage of Measure C, that city's annual funding shortfall for maintenance was estimated at $26 million. But, the city is also facing rising pension costs. Key strategies will include controlling labor costs and negotiating cost sharing agreements with labor groups whereby employees pay more than they now pay towards their retirement. Further, sales tax revenues have been flat over the past few years, in part due to online shopping.

To the north of Santa Maria, the City of San Luis Obispo finalized a multifaceted approach to fill its $8.9 million annual budget deficit over the next three years because of rising pension costs. The plan includes new revenue, budget reductions, and increased contributions from employees toward retirement

expenses. In April 2018, the City Council decided to wait until the 2020 election – to better communicate its message about the need for a proposed sales tax hike. Polling on the proposal found 57 percent of residents would support a 1 cent-per-dollar-tax, with 40 percent opposed. Despite the majority, the results fell within the survey's margin of error, indicating a November 2018 ballot measure could fail; especially if the threshold for approval increases to 66% as is proposed on the November 2018 ballot. The City estimates that a new 1-cent-per-dollar sales tax, could generate an estimated $14 million annually.

In the June 2018 election, the Lompoc Unified School District is asking voters to approve a $79 million bond.

For Santa Maria, the City's General Fund operating revenue consists primarily of sales and property taxes. These two revenue sources generate over 63 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 nearly 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 $23.2 million in 2018-19.

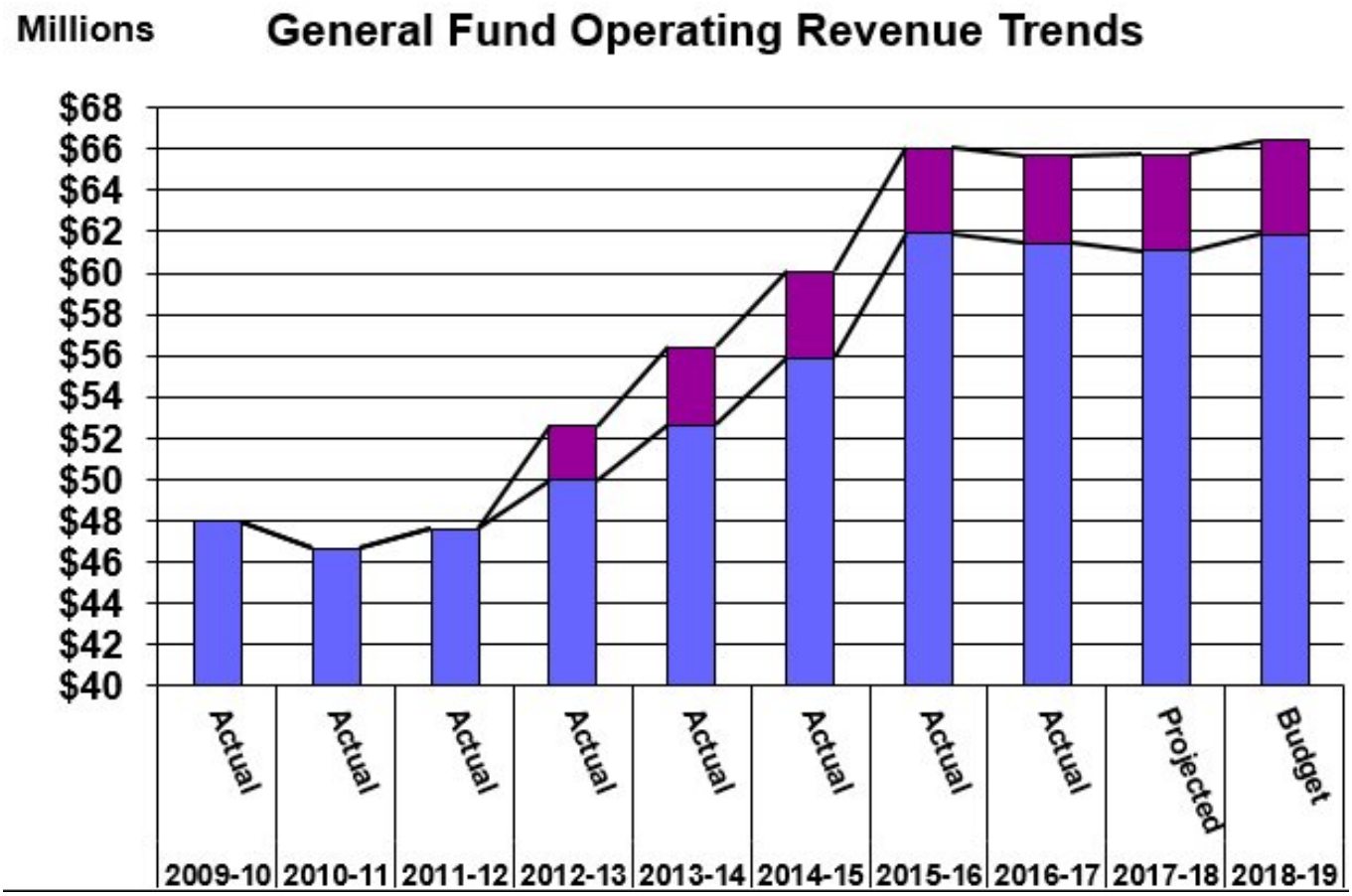
Property tax, which accounts for 29 percent of General Fund revenues, reached $15.3 million in 2007-08 and declined to $13.9 million in 2009-10, a nine percent decline. Since then, the housing market has recovered and property tax receipts are forecast at $20.1 million for 2018-19.

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. After peaking at an aberrant $5.6 million in 2017, construction activity has stabilized with a forecast for $2.5 million in revenue for 2018-19, very comparable to the year which included 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. 5. Now, the anticipated $410,000 in each of 2018-19 and 2019-20 only covers a tiny fraction 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 Transient Occupany Tax (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 has steadily increased for 10 years and it is forecast to dip slightly in 2018-19 to $3.5 million. The Municipal Code, prescribes that the City allocate a certain percentage of TOT receipts to certain uses, unless otherwise determined by the City Council. A reduced amount has been allocated in the past few years and staff recommends continuing a 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 are now at $61.8 million for 2018-19 as displayed in the following chart:

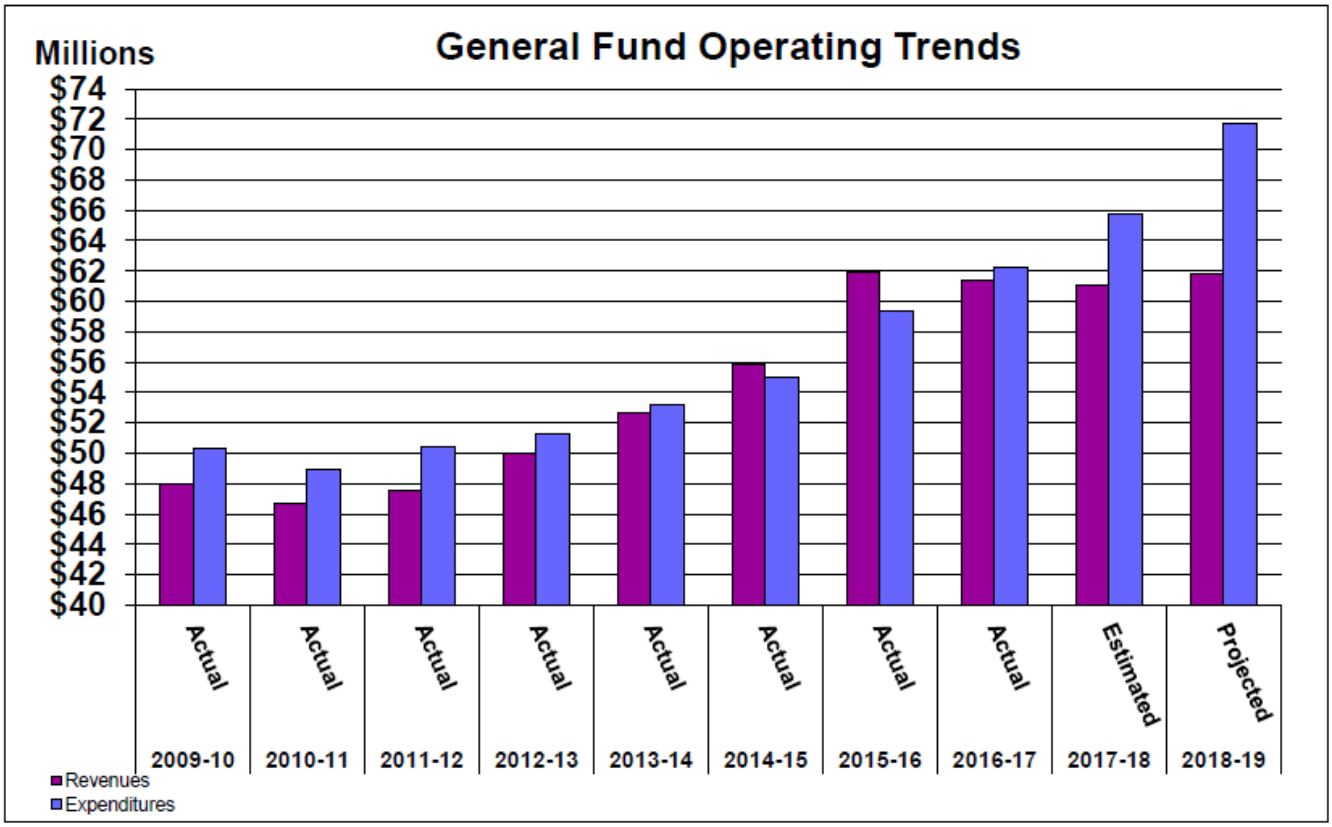


The magenta color in the above chart depicts the Measure U revenue that the City started to receive in 2012-13. This revenue source came at a time that revenues were still down and the demand for service was up. You will notice that the financial impact of the last recession crushed City revenues and 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 fully finance operational costs; thus attributing to the reason why the General Fund is facing an $8.46 million budget deficit going into 2018-19.

In 2018-20, General Fund expenditures are again outpacing General Fund revenues; thus the reason for the $8.46 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 seven of the last eight years, this has been the trend. The only exceptions were in 2014-15 and 2015-16 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 have slowed the remediation efforts by 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 steeply and there doesn't appear to be any tapering-off of these multi-million dollar annual increases anytime soon.

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



Proposed 2018-19 Budgets:

I. General Fund

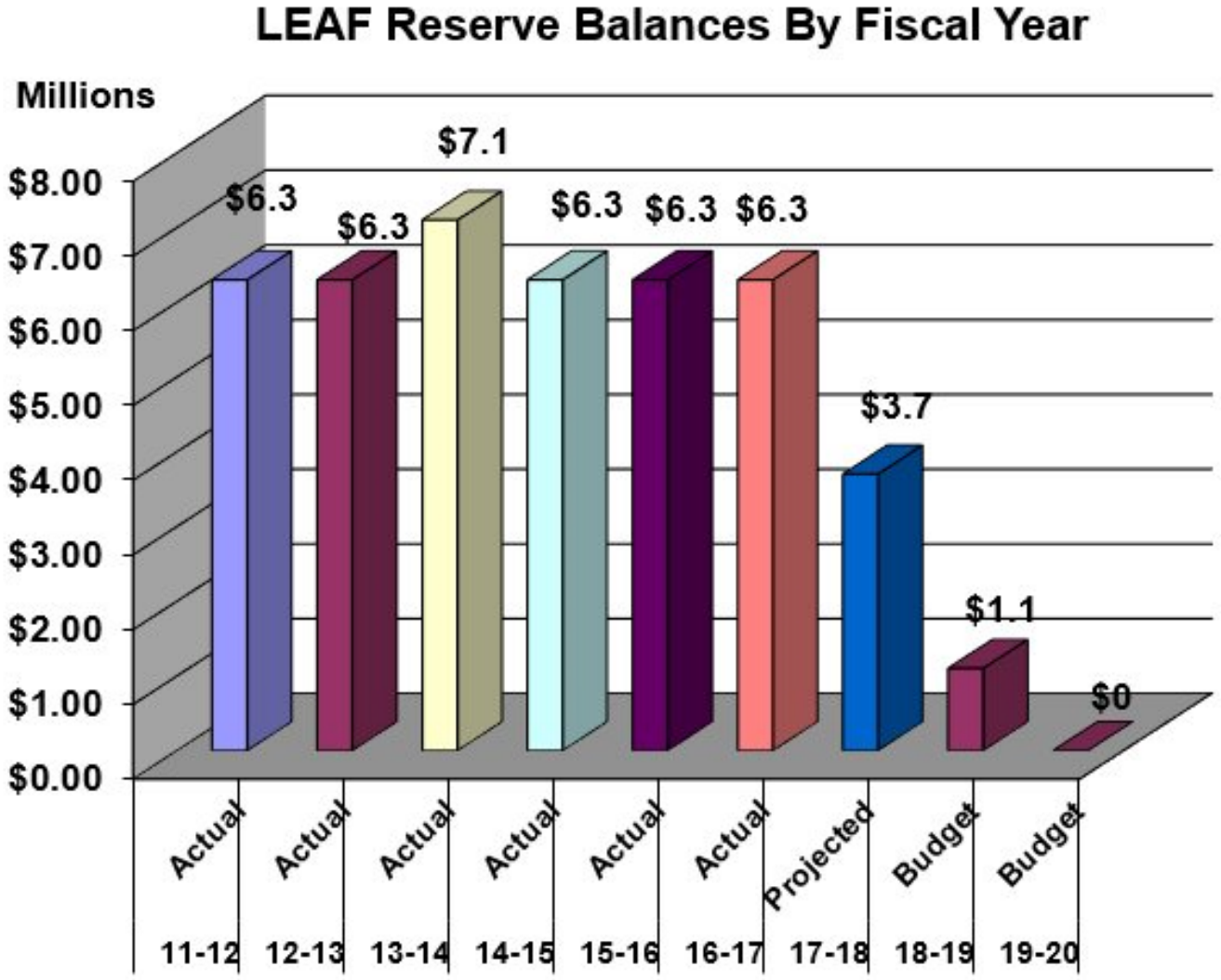
Revenues for the General Fund are estimated at $71.6 million while proposed appropriations are $80 million; thus accounting for a **projected budget deficit of $8.46 million** for 2018-19. As mentioned previously, in order to balance the 2018-19 General Fund budget, staff is proposing to use $2.6 million in one-time LEAF proceeds and to draw upon the General Fund economic reserves, in addition to expected *expenditure savings of $3 million* to help bridge this financial gap. For the first time, staff is proposing to use all of these tools 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 10 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 that there is an $8.46 million accumulating structural deficit in the General Fund and overall revenues are not sustaining the ever-increasing operational expenses.

Because staff is proposing to use $2.6 million in LEAF financing to bridge this financial gap in the General Fund in 2018-19, it is anticipated that all of the remaining LEAF assets also be needed in 2019-20. Should that be the case, then the LEAF Fund Balance will be exhausted and stand at zero heading into the next two-year budget cycle in 2020-22 as depicted in the following graph. The structural deficit continues however, and without the LEAF to use, General Fund balance ends Fiscal Year 2019-20 *negative* $3.17 million (page B-23) requiring the use of the economic reserves.



Summary of Key General Fund Revenues

General Fund revenue projections for 2018-19 were estimated using 2017-18 projected receipts as the basis and then taking into consideration anticipated changes in the local economy. Overall, General Fund revenues are anticipated to be $3.2 million more in 2018-19 when compared to the 2017-18 Budget. The chart below shows the top revenue sources, excluding Measure U2012, and including the use of $2.6 million in LEAF financing under the category *Other Revenue*.

	Budget 2017-18	Proposed 2018-19	Increase (Decrease)	Percentage Increase (Decrease)	Percentage of Total 2018-19
Sales Tax	$ 22,077,574	$ 23,281,650	$ 1,204,076	5.45%	33.62%
Property Tax	18,245,780	20,111,410	1,865,630	10.22%	29.05%
Hotel/Bed Tax	3,700,000	3,585,230	(114,770)	-3.10%	5.18%
Impacted Soils	465,000	410,000	(55,000)	-11.83%	0.59%
Construction Permits	2,570,000	2,582,000	12,000	0.47%	3.73%
Total Key Revenues	47,058,354	49,970,290	2,911,936	6.19%	72.17%
Other Revenues	18,943,490	19,271,275	327,785	1.73%	27.83%
Total General Fund	$ 66,001,844	$ 69,241,565	$ 3,239,721	4.91%	100.00%

Sales tax revenue is the General Fund's largest revenue source and is projected to increase by more than $1 million or 5.45 percent in 2018-19. New stores at Enos Ranch were major factors for increases from building materials, restaurants, and discount department stores. Recent additions helped consumer electronics/appliances and convenience stores. However, this gain was partially offset by declining sales from the new car dealers, plumbing/electrical supplies, and some categories of home furnishings, sporting goods, and shoe stores.

Property tax is the second largest General Fund revenue source. As mentioned earlier, sales and property tax combined comprise approximately 63 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.

TOT has been increasing over the past 10 years. Projected TOT receipts for 2018-19 are anticipated to decrease almost five percent from 2017-18 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, and now to an estimated $410,000 in each of 2018-19 and 2019-20. 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.

Construction in the City is brisk. 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. Development activity jumped from $37 million in valuation in 2009 to $230 million in valuation in 2017. As of May 2018, more than 575 residential units are under construction. This does not include the 318 apartments proposed at the new Enos Ranch development.

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 2018-19 General Fund Proposed Appropriations

Proposed 2018-19 appropriations for the General Fund are $80 million. This represents an increase of 4.6 percent or approximately $3.2 million more than in 2017-18.

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Operating Programs	$ 68,912,965	$ 75,141,643	$ 6,228,678	7.9%	93.8%
Outside Agencies	1,026,810	934,671	(92,139)	-9.0%	1.2%
Debt Service	929,170	929,170		0.0%	1.2%
Transfers	2,867,839	3,079,156	211,317	7.4%	3.8%
Total	$ 73,736,784	$ 80,084,640	$ 5,592,757	7.6%	100.0%

The General Fund expenditure plan for 2018-19 was based on current year allocations (2017-18) 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 a modest increase in personnel. Previously authorized and negotiated salary increases were cost-neutral.

Total appropriations by department are shown on the below chart:

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)
Mayor & Council	$ 189,213	$ 212,548	$ 23,335	12.3%
City Attorney	1,435,859	1,497,800	61,941	4.3%
City Manager	5,434,300	5,805,682	371,382	6.8%
Finance	5,332,207	5,726,630	394,423	7.4%
Community Development	3,812,218	4,035,548	223,330	5.9%
Recreation & Parks	9,811,596	10,644,682	833,086	8.5%
Fire	13,241,548	14,503,908	1,262,360	9.5%
Police	31,468,959	34,431,262	2,962,303	9.4%
Public Works	2,928,381	3,143,404	215,023	7.3%
Library (Measure U2012)	82,503	83,176	673	0.8%
Total	$ 73,736,784	$ 80,084,640	$ 6,347,856	8.6%

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 with the service level impacts of these changes described in the Department budgets:

- The Fire Department identifies the reduction of two Fire Prevention Officer IIs in the first year, and the part-time Emergency Services Specialist to meet budget balancing targets. Instead of reducing these services at this time, one-time funding is allocated to keep these positions and the services they provide. These positions may be eliminated in the future if a new Measure U ballot initiative is not successful.
- The Police Department identifies the reduction of staffing to meet budget balancing targets but instead the budget includes one-time funding in the first year for two Police Officers. These positions may be eliminated in the future if a new Measure U ballot initiative is not successful. Further, the department

is proposing to unfund Reserve Officer positions and one Provisional Officer, and to unfund a Customer Service Phone Operator. The department recommends decreasing its one vacant full-time Police Records Technician in the first year of the budget, and to provide one-time funding for one remaining Police Records Technician I which may be eliminated in the future if a new Measure U ballot initiative is not successful. Also recommended is the creation of the full-time classification of Crime Lab and Evidence Supervisor, reclassifying one Senior Criminalistics Technician to Crime Lab and Evidence Supervisor, and abolishing the Senior Criminalistics Technician position.

- The Utilities Department is proposing personnel changes in Solid Waste and Water Resources to achieve salary parity, improve span of control, provide a succession pathway, ensure technical support, and implement regulatory mandates. To help offset these changes, three vacant positions will be unfunded during the budget cycle: one limited service Assistant Clerk-Office, one full-time Regulatory Compliance Supervisor and one full-time Water Systems Operator I. Changes in the Solid Waste Division include establishing two new full-time classifications, Regulatory Compliance Specialist II and Utilities Outreach Specialist. One existing Regulatory Compliance Specialist will be reclassified to the new Regulatory Compliance Specialist II classification and the part-time Utilities Outreach Coordinator classification will be abolished with the creation of the new full-time classification. In addition, the division's full-time complement will increase by one Solid Waste Equipment Operator II, one Maintenance Worker I, and one Engineer I/II. Finally, one Solid Waste Equipment Crew Leader will be added, resulting in a promotional opportunity for staff. Several interrelated changes in the Water Resources Division include establishing four new classifications with no increase in staffing levels: Water Operator, Lead Water Operator, Water Operator Trainee, and Lead Wastewater Operator. All existing incumbents will remain in the old classification as underfills - or overfills - until they promote or separate, at which time the old classifications will be abolished. To achieve this, all Water System Operator I positions will upgrade to - and one Water System Operator II and the Senior Crew Leader Maintenance will downgrade to - Water Operator. In addition, two Water System Operator II positions will upgrade to Lead Water Operator. Furthermore, the vacant Crew Leader Maintenance Specialist will upgrade to – and two Water Resources Lead Operators will downgrade to – Lead Wastewater Operators. Coinciding with these changes, the old classifications of Water Resources Operator Trainee and Water System Operator Trainee will be abolished and the new classification of Water Operator Trainee established. Finally, a parity adjustment for the Water Supervisor will make the salary equitable to the Wastewater Supervisor.

- The Department of Public Works proposes a reorganization of staffing. The budget recommends creating a Management Analyst I and downgrading the Fleet Services Supervisor which is offset by unfunding a Secretary position. Further, changes are in Fleet Services and include upgrading one part-time Laborer III to one full-time Maintenance Worker I, downgrading one full-time Field Mechanic to a full-time Equipment Mechanic II, and in the second year, upgrading one full-time Field Mechanic to a Lead Mechanic.

- The Recreation and Parks Department proposes to increase its complement by one part-time Park Services Officer for one year as it is dependent on grant funding. Also, the budget proposes unfunding one part-time Account Clerk Aide position.
- The Public Library is recommending to eliminate one full-time Library Assistant I, one part-time Clerk II, and half of a full-time-equivalent Library Page. The budget also includes a downgrade of the position of Principal Librarian to a Librarian III, adding one Management Analyst I, and upgrading a part-time Library Technical Assistant to a full-time Library Technician.
- The Community Development Department is proposing to unfund one vacant Senior Planner position.
- The City Attorney's Office proposes to unfund one vacant Code Compliance Officer I/II, and to eliminate that position in the second year.

- The City Manager's Office proposes to unfund the Assistant City Manager position, and reduce the full-time PEG Station Manager position to a part-time PEG Production Manager.

Overview of 2018-19 Measure U2012

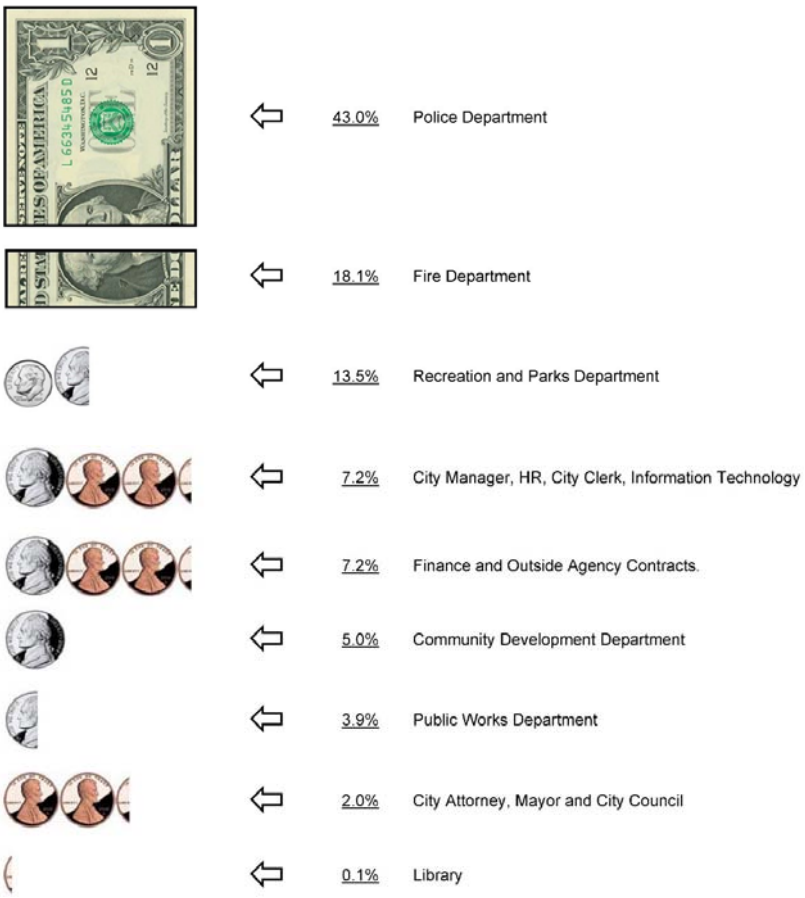
Measure U2012 was passed by the voters on June 5, 2012, and became operational on October 1, 2012, for a quarter-cent transaction and use tax. The City has five full years of revenue and worked with the City's sales tax consultants, Hinderliter de Llamas and Associates (HdL) to arrive at the initial Measure U2012-related revenue projections of $4,779,000 for 2018-19. Measure U Transaction Tax is tracking at about 21 percent of General Fund sales tax receipts.

The City Council authorized that the vast majority of the aforementioned tax proceeds to be spent on public safety-related services. Accordingly, Measure U proceeds were used 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, one Police Commander, a Crime Analyst, a Dispatcher and the cost associated with capital equipment in the two public safety departments. The remaining funds were 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.

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. Measure U is illustrative of the fiscal challenges facing the City as a whole – expenditure cost increases are exceeding the growth of revenue General Fund reserves are allocated in this budget to maintain the Measure U levels of service. There is no allowance for additional uses of Measure U2012 tax proceeds other than what has already been authorized by Council.

	Actual 2016-17	Year-End Estimated 2017-18	Proposed Budget 2018-19
Beginning Fund Balance	$ 419,005	$ 317,490	$ 319,328
Projected Revenue	$ 4,259,597	$ 4,621,000	$ 4,976,333
Projected Expenditures			
Police	$ 2,257,885	$ 2,393,179	$ 2,997,083
Fire	1,698,216	1,787,859	1,790,850
Recreation & Parks	156,020	167,661	225,538
Library	64,926	81,226	83,176
City Attorney	75,836	80,807	90,284
Finance	108,229	108,430	108,730
Total Expenditures	$ 4,361,112	$ 4,619,162	$ 5,295,661
Ending Fund Balance	$ 317,490	$ 319,328	$

While total appropriations in the General Fund are approximately $80 million, and are about $74.2 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 61 percent of all General Fund expenses. As you can see (from the illustration on the right), the Police Department alone accounts for 43 cents of every dollar spent in the General Fund; the Fire Department accounts for more than 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 includes 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.



II. Enterprise Funds

Water Resources Budget

Overall, total appropriations in the Water Resources Budget are increasing by $6.5 million in 2018-19. The primary reason appropriations are increasing can be attributed to increased 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 2018-19:

WATER RESOURCES BUDGET

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Operating Programs	$ 12,430,166	$ 12,842,840	$ 412,674	3.3%	26.6%
State Water & CCWA	20,869,060	21,120,184	251,124	1.2%	43.6%
Capital	3,432,800	9,174,915	5,742,115	167.3%	18.8%
Debt Service	4,629,380	4,629,380		0.0%	9.5%
Transfers	590,870	721,060	130,190	22.0%	1.5%
Total	$ 41,952,276	$ 48,488,379	$ 6,536,103	15.6%	100.0%

Solid Waste Budget

The following summarizes the Solid Waste Budget for 2018-19:

SOLID WASTE BUDGETS

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Operating Programs	$ 20,760,724	$ 19,210,384	$ (1,550,340)	-7.5%	70.0%
Capital	1,670,680	7,648,500	5,977,820	357.8%	27.8%
Debt Service					
Transfers	595,080	612,450	17,370	2.9%	2.2%
Total	$ 23,026,484	$ 27,471,334	$ 4,444,850	19.3%	100.0%

The existing disposal site at the Santa Maria Regional Landfill is nearing capacity. To continue to provide disposal services for the community, development is underway for the future Integrated Waste Management Facility at Los Flores. The first project to improve access from Highway 101 is under construction. Over the next several years, capital projects will continue, leading up to the opening of the new facility to provide continuous disposal services once the existing landfill reaches capacity. Some of the budgeted capital projects include design and construction of access to the new site and the first disposal cell and supporting facilities, including water wells, buildings, and other infrastructure, totaling more than $25-million over the next two years. Once operational, the new Integrated Waste Management Facility is anticipated to last about 100 years.

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 2018-19, the City proposes $8 million in appropriations, approximately $1.2 million less than in 2017-18. The following chart summarizes the proposed Transit budget:

TRANSIT BUDGETS

	Adopted 2017-18	Proposed 2018-19	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2018-19
Operating Programs	$ 5,905,256	$ 6,530,613	$ 625,357	10.6%	81.4%
Capital	3,177,000	1,400,000	(1,777,000)	-55.9%	17.5%
Debt Service					
Transfers	155,490	91,317	(64,173)	-41.3%	1.1%
Total	$ 9,237,746	$ 8,021,930	$ (1,215,816)	-13.2%	100.0%

III. Measure A, SB-1, 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.

California's cities, counties, and transportation agencies face a statewide backlog of more than $130 billion in needed funds to make transportation infrastructure improvements. The "Road Repair and

Accountability Act" (SB 1 – Beall) passed by the State Legislature and signed by the Governor in 2017, will raise $5 billion annually in long-term, dedicated transportation funding to make road safety improvements, fill potholes, and repair local streets, highways, bridges and overpasses, with the revenues split equally between State and local government projects.

SB 1 is to dedicate $29.7 million in the next decade, through annual payments, to the City of Santa Maria. In 2018, Public Works staff will put the initial payment of $726,957 to use with a 1.25-inch-thick hot mix asphalt overlay on five different City streets. In 2018-19, SB 1 will provide $1.88 million to the City. This figure will continue to increase annually, reaching $3 million in 2020-21 and nearly $3.5 million in 2026-27. As required by SB 1, staff will continue to develop an SB 1 project list to bring before the City Council for approval annually. It should be noted that as of May 2018 there are efforts to bring before voters in the November 2018 election a ballot measure to repeal these new transportation measures. The Council in March 2018 voted to oppose that move.

IV. Library

Library funding is remaining steady and, like all other personnel centric functions, expenditures are increasing faster than revenues. An additional risk for Library funding is the unsettled nature of County funding for countywide library services. Total appropriations are expected to increase from $3,328,921 in 2017-18 to $3,555,984 in 2019-20.

V. Capital Funds

In all, the proposed Capital Projects Budget for 2018-20 consists of 109 capital projects representing approximately $81.1 million in appropriations. There were 118 total projects requested by operating departments, totaling just over $84.4 million; however, 9 projects (representing approximately $2.9 million) were not funded due to lack of available financing. The 2018-20 Budget reflects $39 million in projects in the first year and $42 million in the second year. For comparison purposes, the 2016-18 Budget consisted of 78 capital projects totaling $42.8 million in appropriations.

The vast majority of capital projects proposed for 2018-20 - about 97 percent - are financed from non-General Fund sources. The Capital Projects General Fund has $2.9 million in capital expenditures for 2018-20, about $510,000 less than in 2016-18.

The primary capital projects are the development of the future Los Flores Integrated Management Facility, totaling more than $25 million over the next two years. This includes $8.1 million to develop the new landfill, plus $14.25 million to build the first landfill cell and supporting facilities. Additionally, $3.5 million will be invested in engineering the design and in construction services of a solid waste transfer station at the Santa Maria Regional Landfill. The existing landfill will be full in about five years. The plan is to open the new landfill within two years. The new landfill is projected to last about 100 years.

Another major project includes operational improvements, based on increased vehicle and truck traffic, at both the Betteravia/Highway 101 Interchange and the Broadway/Highway 101 Interchange. The City plans to spend $500,000 over two years to improve the Betteravia interchange's southbound off-ramp and the northbound on-ramps. More funding for this project is needed in 2021-22. A longer-term project is the Broadway/Highway 101 Interchange is in need of replacement to provide access to the east side of Highway 101, and to improve the capacity and operations of the interchange. The City will spend $1.1 million in 2018-20 on this project, with a blend of funding from Growth Mitigation, Gas Tax, and Developer Funds. A Project Study Report has been completed for this interchange. Staff will now start a Project Approval and Environmental Document from Caltrans and then proceed into the Plans, Specification, and Estimate for construction of the Highway 101 and Betteravia Interchange Project.

An important and high-profile project that the public is following, is the establishment of a new park within the Enos Ranch development. This seven-acre park will be within the 113-acre development best known for new retail stores including Costco, Lowe's, Dick's Sporting Goods, and future automotive dealerships. City will use $600,000 of Quimby Funds and Park Acquisition and Development fees to prepare the new park, which will feature the old Smith-Enos house.

VI. Contributions to Outside Agencies

The following is the proposed allocations to outside agencies the City has historically funded with recommended appropriations for the next two-year period:

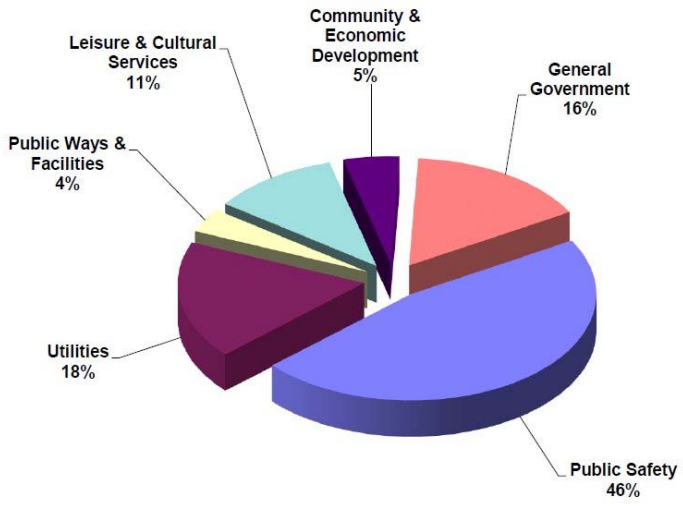
	Adopted 2017-18	Proposed 2018-19	Proposed 2019-20	Percent of Total 2018-19
Chamber of Commerce	$ 566,250	$ 568,145	$ 579,508	72.2%
Economic Development Contract	145,000	160,246	$ 163,451	20.4%
Historical Society	15,000	17,500	20,000	2.2%
Museum of Flight	15,000	17,500	20,000	2.2%
Home for Good	24,000	24,000	24,000	3.0%
Total Allocation	765,250	787,391	806,959	100.0%

Summary of Proposed Overall Staffing Recommendations:

This section summarizes the personnel changes being proposed in the 2018-20 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 2018-19, proposed personnel recommendations bring City-wide staffing totals to 517 authorized full-time positions and 75 part-time employees, for a total of 592 authorized positions. The proposed authorized staffing recommendations in 2018-19 bring the full-time employee-to population ratio for the City to 4.75 employees per thousand residents – still far below the average 8.77 per thousand of other Central Coast cities.

For the General Fund, in 2018-19, there are 517 full-time positions and 75 part-time positions proposed for a total of 592 positions. Of the full-time General Fund positions, the Police and Fire budgets comprise 241 full-time positions or 67 percent. And of the 517 full-time authorized positions City-wide, the two public safety departments comprise 47 percent of all full-time positions as depicted in the following chart.



By comparison, in 2008-09 there were 216 full-time public safety related positions. Since that time, the full-time complement in the public safety departments has increased approximately 11.5 percent, while the population of the City during this same time has increased 17.2 percent. However, it should be noted that one out of every four full-time employees in the entire City is a sworn police officer.

The City-wide impact of the proposed City-wide staffing changes is seven new full-time positions and a decrease of two 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 2017-18 allocations and the proposed personnel changes for 2018-19.

Future Issues:

CalPERS Rate Increases

The 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 (2018-19), the General Fund is expected to spend $11.7 million on retirement costs versus $10.8 million in 2017-18. Seven years ago, in 2012-13, total General Fund retirement costs were $7.3 million. This reflects a 61 percent cumulative increase from 2012-13 to 2018-19. Accordingly, the total increase in pension-related expenses for next fiscal year (2018-19) in the General Fund is expected to be slightly more than $1.1 million dollars – the equivalent of 10 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 nine percent [for safety members] of their salary). However, roughly half of City employees (approximately 50 percent) are still in the Tier I benefit category. Tier I rates are expected to increase over the next three years as follows:

	Misc.	Police	Fire
2018-19	34.22%	58.24%	52.91%
2019-20	37.51%	64.56%	58.51%
2020-21	40.39%	70.31%	63.51%
2021-22	42.68%	75.05%	67.40%

Given the fact that the City is facing an $8.46 million deficit in the upcoming fiscal year, the above percentages are alarming and troubling from a sustainability perspective. In all, projected pension-related expenses in the second year of the two-year budget (2019-20) are anticipated to increase by another $1.3 million.

Policy Issues Regarding Council Action:

Seeking options for animal control services

Because of Santa Maria's overall financial challenges and the fact the City continues to be faced with significant expenses for animal control services, the Council's direction is requested for staff to explore cost-effective options. Animal services is the largest single contract in the General Fund and now is approaching $800,000 per year, up 432 percent in 20 years.

Staff has, on many previous occasions, conveyed concern to the County about the rapid increase in the animal control services contract. The County has been receptive to hearing those concerns and sought ways of addressing the concerns, but cost increases continue to rise. Although the increases for the next two years are modest, Santa Maria is not in a financial position to continually absorb significant cost increases. The cost reached $250,000 15 years ago, surpassed the $500,000 benchmark in 2010-11, and now expenses are approaching $800,000. Staff is recommending the Council, at its June 5, 2018 meeting, adopt a two-year amendment to the contract and given the window of modest cost increases now is the time to more deeply explore all options

The County provides comprehensive programs which enable the City to protect and maintain the public health, safety, and welfare of its residents. This includes vehicles, equipment, staff, veterinarians, ongoing training and certifications required for staff, and more, to provide field and shelter services, emergency animal-related services, animal bite investigations, quarantines, rabies management, licensing, and boarding services out of the County shelter on Foster Road.

Direction to Use economic stabilization reserves for Ongoing Operations

Staff is seeking Council direction to begin appropriating - for the first time outside of a recession - the General Fund economic stabilization reserves (presently $19.8 million) to help balance the budget and cover public safety operational needs for one year, 2018-19. This action would be a spending bandage for one year, but would not alleviate the City's longstanding multimillion-dollar structural deficit that has persisted since 2008-09. The City's position is urgent, therefore staff is coming to Council with this request to add another tool to

its multifaceted strategy of using all remaining one-time LEAF reserves, expenditure savings by keeping vacant positions unfilled, operating reductions in department budgets, rate reductions in the internal service funds, suspension of capital projects and equipment purchases, employee concessions, and workforce reductions. Additionally, the community needs Measure U revenues to continue or be enhanced.

The General Fund economic stabilization reserves are set aside for economic downturns and to help recover from a disaster. Council will recall that at its February 12, 2018 study session about City priorities, the consultant stated these reserves should not be touched unless for emergencies or in a recession. She stated this was the case for the City of Santa Rosa following the devastating Tubbs Fire of 2017 that destroyed 3,000 homes, causing an estimated $1 billion property loss just within the city limits, and necessitated an outpouring of public dollars to fund the disaster response. Closer to home, the County of Santa Barbara is responsible for an estimated $12.3 million in disaster recovery costs following the Thomas Fire of 2017 (biggest wildfire in California history) and the deadly January 2018 debris flows in Montecito. Also, at the Santa Maria City Council meeting of February 20, 2018 the Finance Director explained to the Council that staff believes these funds will be needed to plan for economic downturns and other risks in operating revenues. For example, if NHIS revenues completely stop coming in, or when Measure U expires, the funds will need to be made up.

The City's financial policies state that the General Fund will endeavor to maintain a minimum unassigned fund balance of at least 25 percent of operating appropriations. These reserves are needed to insulate the General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in State or Federal legislation, and other unforeseen circumstances. In 2010-11, the City adopted a General Fund Prudent Reserve under Governmental Accounting Standards Board (GASB) Statement Number 54. The prudent reserve amount is $19.8 million. Appropriations from the reserve can only be made by formal City Council action and are limited to emergency situations such as:

- An unplanned, major event such as a catastrophic disaster requiring expenditures over five percent of the adopted General Fund Budget.
- Budgeted revenue taken over by another entity.
- A drop in projected/actual revenue of more than five percent of the adopted General Fund revenue budget.

Should the prudent reserve commitment be used, and its level falls below the minimum amount as described herein, the goal is to replenish the fund within three fiscal years. At this juncture, given the City's unfortunate fiscal condition, there exists no reliable strategy to replenish the fund.

Consider local funding options

Because of the overall distressing financial situation, an ongoing source of supplemental and significant local funding is essential to maintain City services. Existing Measure U funding has been critical to maintaining current levels of public safety services, and protecting the City's long-term financial stability. Council is asked to consider local funding options as they are presented to Council that will enable the City to maintain levels of service to the public. There will be opportunities throughout the year where Council may consider such revenue raising opportunities such as new development, fee increases, innovative solutions, or other local funding solutions for voter consideration.

Years of state takeaways have also negatively impacted the City's ability to provide services, with upwards of $55.2 million lost to state takeaways over the last 25 years. Some fees established by the City Council have not been updated in years resulting in significant subsidies for the services by general

revenues or costs for the services significantly exceeding the fees paid for the service. Also, a recent community survey was conducted from January 30th to February 11th and found that 74 percent of respondents support extended local funding, and there is a clear sense that the public supports maintaining existing local funding for public safety and quality of life services. Respondents strongly prioritize key public safety services, particularly public safety (police patrols, firefighter staffing, maintaining 9-1-1 emergency medical response times) and at-risk youth/anti-gang services. Residents were also willing to support a local funding option that enhances existing local funding, providing nearly $18 million annually. Over the last few months, Staff has contacted thousands of residents about their local service priorities. This input shows that residents are clearly interested in protecting and maintaining existing levels of services. State takeaways and Measure U's impending expiration will threaten the City's ability to provide the current level of services over the long term.

Conclusion:

The 2018-20 Recommended Budget is balanced pending implementation by the City Council, and reflects the needs of the community by continuing key public services. The City still faces serious financial challenges which restrict what we are able to do. These challenges require us to be diligent and creative in making strategic decisions with limited public resources. The City must demonstrate caution in allocating future resources to focus on one-time needs rather than a broader expansion of City programs and services that may not be financially sustainable with an economic downturn. Even so, this financial blueprint includes new initiatives, reflecting the can-do attitude and positive work ethic that defines the City of Santa Maria, to help our community flourish.

The budget development process this year was time consuming and intense. It provided the staff and the City Council and the community we all serve with the opportunity to reflect upon and rethink what the City should and should not do, and how to continue providing essential services for the quality of life we all desire. Creation of the budget requires the hard work of evaluating the merits of every proposal, and filtering out those which cannot be supported due to financial constraints or other reasons. Once again, staff rose to the occasion, and tirelessly worked through obstacles to put together another award winning comprehensive budget document.

We should all take great pride in the fact that our employees are some of the most productive and most efficient group of municipal employees. If not for the dedication to public service and teamwork that our employees embrace, we could not offer the professional and responsive services to the community that we do.

Finally, because the preparation of the budget is a substantial and extra work effort on behalf of the entire organization, I would like to thank all of the dedicated budget team members from the Finance Department and from within my office, as well as those in the operating departments that provided professional and timely preparation, for the important roles they served in developing this budget document. To all of the above, my sincerest appreciation is extended.

JASON STILWELL
City Manager

Attachments:
A - Summary of Proposed Budget and Staffing Levels
B - Position Allocation by Department
C - Funding Request – Home For Good
D - Funding Request – Santa Maria Museum of Flight
E - Funding Request – Santa Maria Valley Chamber of Commerce
F – Funding Request - Santa Maria Valley Historical Society

ATTACHMENT A

SUMMARY OF PROPOSED BUDGET & STAFFING LEVELS

	2017-18 Authorized Resources		2018-19 Proposed Resources		Increase (Decrease)	
	Budget	Full-Time Staffing	Budget	Full-Time Staffing	Budget	Staffing
GENERAL FUND						
Mayor & Council	$ 189,213		$ 212,548		$ 23,335	
City Attorney	1,354,449	10	1,407,516	10	53,067	
City Manager	5,434,300	21	5,805,682	21	371,382	
Finance	5,223,477	17	5,617,900	17	394,423	
Community Development	3,812,218	25	4,035,548	25	223,330	
Recreation & Parks	9,625,385	34	10,419,144	34	793,759	
Fire	11,488,463	51	12,713,058	51	1,224,595	
Police	29,140,336	165	31,434,179	165	2,293,843	
Public Works	2,928,381	22	3,143,404	23	215,023	1
Sub-Total General Fund	69,196,222	345	74,788,979	346	5,592,757	1
Measure U2012:						
Police	2,328,623	15	2,997,083	15	668,460	
Fire	1,753,085	10	1,790,850	10	37,765	
Recreation & Parks	186,211	1	225,538	1	39,327	
Library	82,503		83,176		673	
City Attorney	81,410	1	90,284	1	8,874	
Finance	108,730		108,730		0	
Sub-Total Measure U2012	4,540,562	27	5,295,661	27	755,099	0
TOTAL GENERAL FUND	73,736,784	372	80,084,640	373	6,347,856	1
ENTERPRISE FUNDS						
Water Resources	41,952,276	43	48,488,379	43	6,536,103	
Solid Waste	23,026,484	45	27,471,334	49	4,444,850	4
Public Transit	9,237,746	2	8,021,930	2	(1,215,816)	
Radio/Technology	828,200		827,741		(459)	
SPECIAL REVENUE FUNDS						
Library	3,328,921	14	3,490,790	15	161,869	1
Park Acq. & Development	0		975,000		975,000	
Res. Development Tax	0		0		0	
Business Attraction Loan	130,000		130,000		0	
County Measure A	8,441,788	17	8,113,264	17	(328,524)	
CDBG - Block Grant	1,337,810		1,564,818		227,008	
Public Access Television	329,478	1	289,627	0	(39,851)	(1)
Traffic Safety	325,250		325,250			
TOTAL OPERATING FUNDS	**162,674,737**	**494**	**179,782,773**	**499**	**17,108,036**	**5**
LANDSCAPE SERVICES & MITIGATION FUNDS						
Growth Mitigation	3,823,850		4,798,075		974,225	
Landscape Maint. Services	5,521,947	7	5,535,999	7	14,052	
Stowell Parking & Lighting	50,622		50,797		175	

ATTACHMENT A

SUMMARY OF PROPOSED BUDGET & STAFFING LEVELS

	2017-18 Authorized Resources		2018-19 Proposed Resources		Increase (Decrease)	
	Budget	Full-Time Staffing	Budget	Full-Time Staffing	Budget	Staffing
CAPITAL PROJECT FUNDS						
General Capital Proj.	1,445,030		1,926,924		481,894	
Gas Tax and Local Trans.	4,130,450		5,904,520		1,774,070	
Developer/Grant Street Proj.	1,445,680		1,337,560		(108,120)	
INTERNAL SERVICE FUNDS						
Fleet Services	8,894,351	8	8,538,759	10	(355,592)	2
Bus., Comm. & Tel. Equip.	1,957,622		2,442,992		485,370	
Local Economic Aug. Fund	2,600,000		2,600,000		-	
Insurance & Wrks. Comp.	5,633,902	1	7,256,641	1	1,622,739	
GRAND TOTAL	**$ 198,178,191**	**510**	**$ 220,175,040**	**517**	**$ 21,996,849**	**7**

ATTACHMENT B
Position Allocation by Department for 2018-19

DEPARTMENT	STATUS	PREVIOUSLY AUTHORIZED	PROPOSED 2018-19	INCREASE/ (DECREASE)
Police	FT	180	180	0
	PT	2	2	0
		182	182	0
Unfund one (1) FT Senior Police Records Technician I/II; use one time funding for one (1) FT Police Records Technician I/II and two (2) Police Officers in 2018-19				
Fire	FT	61	61	0
	PT	1	1	0
		62	62	0
Use one time funding for two (2) FT Fire Prevention Officers in 2018-19				
Utilities	FT	88	92	4
	PT	3	2	(1)
		91	94	3
Upgrade one (1) PT Utilities Outreach Coordinator to FT Utilities Outreach Specialist; add one (1) FT Solid Waste Equipment Operator II, one (1) FT Solid Waste Equipment Crew Leader, one (1) FT Maintenance Worker I/II, and one (1) FT Engineer I/II; unfund one (1) FT Regulatory Compliance Supervisor and one (1) FT Water System Operator I				
Public Works	FT	49	52	3
	PT	9	8	(1)
		58	60	2
Add one (1) FT Management Analyst I and one (1) FT Equipment Mechanic I/II; upgrade one PT Laborer III to FT Maintenance Worker I/II; unfund one (1) FT Secretary				
Recreation & Parks	FT	42	42	0
	PT	46	47	1
		88	89	1
Add one (1) PT Park Services Officer for one year and unfund one (1) PT Account Clerk Aide				
Library	FT	14	15	1
	PT	13	11	(2)
		27	26	(1)
Add one (1) FT Management Analyst I; eliminate one (1) PT Library Technical Assistant and one (1) PT Clerk II				
Community Development	FT	25	25	0
	PT	1	1	0
		26	26	0
Unfund one (1) FT Senior Planner				
Attorney	FT	11	11	0
Unfund one (1) FT Code Compliance Officer I/II				
City Manager	FT	23	22	(1)
	PT	2	3	1
		25	25	0
Downgrade one (1) FT PEG Station Manager to PT PEG Production Manager; unfund one (1) Assistant City Manager				
Finance	FT	17	17	0
TOTAL FULL-TIME (FT)		**510**	**517**	**7**
TOTAL PART-TIME (PT)		**77**	**75**	**(2)**
GRAND TOTAL		**587**	**592**	**5**

United Way
Northern Santa Barbara County

LIVE UNITED

May 25, 2018

The Honorable Mayor Alice Patino
Members of the City Council
City of Santa Maria
110 East Cook St
Santa Maria, CA 93454

Dear Mayor Patino and Councilmembers:

Northern Santa Barbara County United Way is leading the effort to establish Home for Good SBC (formerly funded as C3H) to address the negative impacts of homelessness on our communities and organize around proven strategies to combat homelessness. The effort encompasses four strategic focus areas in every community in Santa Barbara County, including:

- Coordinated Outreach
  - The AmeriCorps Partnership For Veterans and People Experiencing Homelessness
  - The former Central Coast Collaborative on Homelessness (C3H)
- Coordinated Entry
  - United Way serves as the lead agency for the HUD mandated process in Santa Barbara County in partnership with Santa Barbara County Housing and Community Development and the Santa Barbara County Continuum of Care
- The Funders Collaborative, Business Leaders Task Force and Faith Collaborative
  - Funders Collaborative consists of the former C3H Policy Council working along with community investors, foundations, county departments, hospitals and developers. The first meeting was held in April and the next meeting is scheduled in June.
  - Business Leaders Task Force and Faith Collaborative are in the initial development stages in two sections of the county.
- Social Impact Fund
  - Home for Good SBC is working with a local developer and other partners to establish the social impact fund to invest in the development of small to midsized affordable housing communities with set-asides for special populations (homeless veterans, chronically homeless, elderly homeless, etc.)

Northern Santa Barbara County United Way
P. O. Box 947 Santa Maria, CA 93456
Phone 805 922-0329 www.LiveUnitedSBC.org

United Way
Northern Santa Barbara County

LIVE UNITED

As the CEO of the United Way I write to you with gratitude for the ongoing support from the City of Santa Maria to address this very important and very visible issue in the community. It will become increasingly important to engage the elected officials as we identify the best opportunities related to the 51 approved strategies to combat homelessness - in other words "determining what we do well and how we can do more of it".

We are also asking that the City of Santa Maria continue to provide the same level of funding that has been afforded in prior years to C3H, so we can continue to build on the successes of the prior effort, but more importantly to rise to a much higher level of effectiveness through the strategies outlined above.

Recent Accomplishments and Updates:

- Two new AmeriCorps Members started serving in Santa Maria. Other AmeriCorps Members have been joining in outreach to earn additional hours and two summer members are planned.
- We've been busy organizing the Santa Maria Business Leaders Task Force and identified a specific neighborhood region the business community wants to focus outreach efforts in to decrease/eliminate the negative impacts on businesses in the area.
- Five of the highest utilizers of services (hospital/ law enforcement) have been housed in a pilot project partnership with Dignity Health, Public Health, Behavioral Wellness, Telecare, Salvation Army and our developer partnership. These individuals are now stable and making progress on the self-sustainability metric.
- We will continue mapping out Santa Maria so that we can ensure full geographic coverage and repeat contact at all locations.
- Several people have been placed in Permanent Supportive Housing through the Coordinated Entry System.
- Vulnerability surveys are being completed for all homeless residents to be entered into the new "open" Homeless Management Information System (HMIS), along with the new Release of Information.
- All entries into the new system are being prioritized for housing in accordance with established protocols.
- The next Point in Time (PIT) Count is scheduled for January 2019

Funding Request --

Northern Santa Barbara County United Way
P. O. Box 947 Santa Maria, CA 93456
Phone 805 922-0329 www.LiveUnitedSBC.org

United Way

LIVE UNITED

Northern Santa Barbara County

We ask that the City of Goleta provide $24,000. $2,400 of the contribution will be earmarked for the coordinated outreach team to provide emergency assistance to homeless residents in Santa Maria.

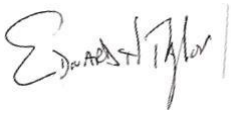
Additionally, the City of Santa Maria could partner in the AmeriCorps program to provide the designated member to work in the city under the supervision of the United Way Home for Good management team (in partnership with and directed by local police department).

Cost for a full-time AmeriCorps member to serve for one year - $9,900
cost for a half-time AmeriCorps member to serve for one year - $5,800

Your support will enable gaps to be filled and maintain a unique collaboration among all stakeholders to find solutions that will end the negative impacts homelessness has on our local businesses, communities and our homeless neighbors.

Thank you for your consideration of this request.

Sincerely,



Eddie Taylor
CEO

cc: Jason Stillwell, City Manager

Northern Santa Barbara County United Way
P. O. Box 947 Santa Maria, CA 93456
Phone 805 922-0329 www.LiveUnitedSBC.org

Project Title: Home For Good SBC - Coordinated Entry/Outreach
Northern Santa Barbara County United Way

Revenue

Source	Total Program Budget	% of Budget
2017 State ESG State Portion	$ 38,951	5.5%
Continuum of Care (CoC)Program	$ 130,675	18.4%
AmeriCorps Partner Payments	$ 81,950	11.6%
City of Santa Maria - Transitional Housing Grant	$ 83,500	11.8%
County and City Funding to Home for Good		0.0%
SB County	$ 90,000	12.7%
City of Santa Barbara	$ 91,000	12.8%
City of Santa Maria	$ 24,000	3.4%
City of Lompoc	$ 16,000	2.3%
City of Goleta	$ 5,550	0.8%
City of Carpinteria	$ 2,500	0.4%
City of Buellton	$ 500	0.1%
Other Federal Funds		
	$ -	
Other State Funds		
	$ -	
Other Local Funds *(specify program below)*		
Private Trusts and Foundation Funds	$ 54,425	7.7%
Fundraising Events (HomeWalks and ERQ)	$ 50,000	7.1%
Donations	$ 25,000	3.5%
Client Fees	$ -	
Other *(specify source below)*		
United Way Campaign	$ 15,000	2.1%
Total Revenue	**$ 709,051**	

Expenses

Expense	Total Program Budget	% of Budget
Salaries, Benefits, and Payroll Taxes		
Executive Director @33%	$ 31,350	4.4%
Program Director@ 100%	$ 69,450	9.8%
Outreach Director @ 100%	$ 62,000	8.7%
Program Manager @ 50%	$ 27,787	3.9%
Team Leader (North) 1FTE @100%	$ 41,601	5.9%
Team Leader (Mid) 1FTE @ 100%	$ 41,601	5.9%
Team Leader (South) 1FTE @ 100 %	$ 41,601	5.9%
Clinical Support (Countywide)	$ 25,000	3.5%
UW AmeriCorps Members 5 FTE	$ 120,000	16.9%
Employee Benefits and Payroll Taxes	$ 100,661	14.2%
Operations		
Consultants and Contracts: MSW Intern Supervision	$ 10,000	1.4%
Facility, Utilities, and Maintenance	$ 40,000	5.6%
Telephone, Fax, and Internet	$ 6,000	0.8%
Supplies	$ 10,000	1.4%
Postage and Shipping	$ 2,500	0.4%
Marketing	$ 10,000	1.4%
Travel, Mileage, and Training	$ 24,000	3.4%
Equipment Rental and Maintenance	$ 1,000	0.1%
Insurance	$ 8,500	1.2%
Ameri-Corps Required Training	$ 1,000	0.1%
Other *(specify below)*		0.0%
Household Items / Emergency Funds	$ 10,000	1.4%
Re-unification Program Expenses	$ 25,000	3.5%
	$ 709,051	

Home for Good Santa Barbara County
PO Box 947
Santa Maria, CA 93456
(805) 925-0219 x 114

ENTRY POINTS FOR EVERYONE IN SANTA BARBARA COUNTY

Regional Entry Points are the primary entry point for Coordinated Entry. These entry points are resource centers where individuals and families experiencing homelessness can get help finding housing and other resources. Regional Entry Points have limited walk-in hours available. Walk-in appointments are first come first served.

REGIONAL ENTRY POINT LOCATIONS

ISLA VISTA

- Isla Vista Community Service District, 970 Embarcadero Del Mar, Isla Vista, CA 93117
    - Wednesday and Friday from 12:30-2:30pm

LOMPOC

- Bridgehouse, 2025 Sweeney Rd, Lompoc, CA 93436
    - Monday, Wednesday and Thursday from 10:00am-12:00pm

SANTA BARBARA

- PATH Santa Barbara, 816 Cacique Street, Santa Barbara, CA 93103
    - Monday, Tuesday, Wednesday and Thursday from 8:30-10:30am
- The Salvation Army, Hospitality House, 423 Chapala St, Santa Barbara, CA 9310
    - Wednesday from 1:00-2:00pm

SANTA MARIA

- Good Samaritan Shelter, 401 W Morrison Ave C, Santa Maria, CA 93458
    - Monday, Wednesday and Friday from 3:00-5:00pm

Call the Santa Barbara County Resource Connect Hotline 805-450-3558 for more information about additional outreach days/times in **Carpinteria, Goleta, Isla Vista, Lompoc, Santa Barbara** and **Santa Maria**.

Home for Good Santa Barbara County
PO Box 947
Santa Maria, CA 93456
(805) 925-0219 x 114

ADDITIONAL VETERAN FOCUSED SITES
Are you a veteran in need of assistance?
LOMPOC

- Veterans Services Office, 401 E. Cypress Suite 101., Lompoc, CA 93436
    - Fridays from 11:30-1:00 pm

SANTA BARBARA

- Veterans' Memorial Building, 112 W Cabrillo Blvd., Santa Barbara, CA 93101
    - Wednesdays from 9:00-11:00am

SANTA MARIA

- American Legion Veterans Memorial Building, 313 W. Tunnell St., Santa Maria, CA 93458
    - Tuesdays from 1:00-3:00 pm

Santa Barbara County 2-1-1 Get Connected. Get Answers.

Dial 2-1-1 or Text your zip code to 898-211 for additional Health and Human Resources such as food, counseling, substance abuse resources and much more... 2-1-1 is free, confidential, 24/7 and available in multiple languages.

If you are in crisis, call 9-1-1

LIVE UNITED United Way Northern Santa Barbara County

Home for Good Santa Barbara County
PO Box 947
Santa Maria, CA 93456
(805) 925-0219 x 114

Regional Entry Point and Street Outreach

Regional Entry Points are the primary entry point for Coordinated Entry. These entry points are resource centers where individuals and families experiencing homelessness can get help finding housing and other resources. There are additional outreach days/times in Carpinteria, Goleta, Isla Vista, Lompoc, Santa Barbara and Santa Maria and Santa Ynez as Needed. We are in the process of finalizing the Regional Entry Point Day/Time with Santa Ynez People Helping People.

REGIONAL ENTRY POINT LOCATIONS (www.HomeForGoodSBC.org for updates)

ISLA VISTA

- Isla Vista Community Service District, 970 Embarcadero Del Mar, Isla Vista, CA 93117
  - Wednesday and Friday from 12:30-2:30pm

LOMPOC

- Bridgehouse, 2025 Sweeney Rd, Lompoc, CA 93436
  - Monday, Wednesday and Thursday from 10:00am-12:00pm

SANTA BARBARA

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SANTA MARIA

- American Legion Veterans Memorial Building, 313 W. Tunnell St., Santa Maria, CA 93458
  - Tuesdays from 1:00-2:00 pm

FIXED STREET OUTREACH*

SOUTH

Carpinteria

- Carpinteria Veterans Memorial Building: 941 Walnut Ave |Day/Time: Wed 12:00pm-2:00pm

Goleta

- Athanasius Orthodox Church: 300 Sumida Gardens Ln, Goleta | Day/Time: Thurs 11:00am-1:00pm
- Goleta Beach Area A | Day/Time: Tues 11:30am-1:00pm

Isla Vista

- St. Michael's University Church: 6586 Picasso Rd | Day/Time: Mon 3:00-6:00pm

Santa Barbara

- Alameda Park: 1400 Santa Barbara St | Day/Time: Thurs 3:30pm - 6:30pm
- Downtown: Santa Barbara Roasting Company, 321 Motor Way, Santa Barbara | Day/Time: Mon 7:30am - 9:30am
- Milpas: McDonalds 29 N. Milpas St | Day/Time: Fri 6:30am - 8:30am
- Pershing Park: 299 Castillo St | Day/Time: Wed 4:30pm - 6:30pm

MID

- Lompoc, Cypress Parking Lot 401 E Cypress Parking Lot | Day/Time: Mon 10:00-12:00pm

NORTH

- Salvation Army: 200 W Cook | Day/Time: Wed 11:00am-12:00pm
- Santa Maria North: 809 N Broadway | Day/Time: Tues 8:00am-12:00pm
- Santa Maria South: 2320 S Broadway | Day/Time: Mon 8:00am-11:00am

* Additional Street Outreach happens 7 days a week in the City of Santa Barbara and 5 days a week in all other parts of the County. Individuals may Call the Santa Barbara County Resource Connect Hotline 805-450-3558 for more information about additional outreach days/times in Carpinteria, Goleta, Isla Vista, Lompoc, Santa Barbara, Santa Ynez and Santa Maria.

LIVE UNITED
United Way
Northern Santa Barbara County

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PO Box 947
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AmeriCorps and Coordinated Entry System MOUS

Santa Barbara County AmeriCorps Partnership For Veterans And People Experiencing Homelessness: The Santa Barbara County AmeriCorps Partnership is a program of the United Way NSBC and is administered by CaliforniaVolunteers and sponsored by the Corporation for National and Community Service. AmeriCorps members serve with the United Way and in agencies that help veterans and people experiencing homelessness obtain housing, employment, provide assistance to the formerly homeless and connect them to other mainstream services to increase self-sufficiency.

AmeriCorps MOUS

Common Ground Santa Barbara County (program of the United Way)

Good Samaritan Shelter

Home For Good Santa Barbara County (program of the United Way)

City of Santa Barbara

Mental Wellness Center

Mission United Santa Barbara County (program of the United Way)

New Beginnings

PATH – Santa Barbara

Santa Barbara County Behavioral Wellness

Santa Barbara County Sheriffs Department

Santa Barbara County Probation

Sanctuary Psychiatric Centers

Coordinated Entry System: Home For Good Santa Barbara County is the Lead Agency for the Coordinated Entry System, a no-wrong door, countywide system that engages and connects individuals and families experiencing homelessness to the optimal resources for their needs. We believe that everyone deserves a safe place to call home for good.

MOUs For The Coordinated Entry System Between United Way and Partner Agencies

Good Samaritan Shelter

Isla Vista Community Service District

PATH - Santa Barbara

Salvation Army, Hospitality House

Santa Ynez Valley People Helping People

MOUs For The Coordinated Entry System Between Santa Barbara County and Partner Agencies

Good Samaritan

Housing Authority County of Santa Barbara

Housing Authority of City of Santa Barbara

Mental Wellness Center

New Beginnings

PATH –Santa Barbara

PathPoint

People Helping People

Salvation Army

Sanctuary Psychiatric Centers

Santa Barbara Community Housing Corporation

Santa Barbara County Behavioral Wellness

Santa Ynez Valley People Helping People

Sarah House

The Salvation Army, Hospitality House

United Way

Willbridge

LIVE UNITED
United Way
Northern Santa Barbara County

Santa Maria Museum of Flight

3015 Airpark Drive • Santa Maria, CA 93455-1821
Phone 805-922-8758 • FAX 805-922-8958

2 April 2018

Mr. Jason Stilwell
City Manager
City of Santa Maria
110 East Cook St., Room 3
Santa Maria, CA 93454-5190

Dear Mr. Stilwell

Enclosed please find the Annual Budget for the fiscal year 2018 – 2019 as it relates to the Operating Agreement between the City and the Museum, as approved by the Board of Directors. Please advise if there is any additional information you require at this time. We are, of course, very grateful for the continuing funding by the City.

Our operating costs are increasing to the point where we do not have sufficient funds to conduct the necessary repairs to our wooden hangar, It has lasted fairly well considering it was constructed as a movie set, but needs major repairs to the roof and siding. We also need funds for advertising, since it appears there are still too many residents who do not know we are here.

We would appreciate the opportunity to meet with you or your staff to discuss a possible increase in the amount of funding from the City.

Sincerely,

Brian Hall

Brian Hall
Treasurer

Cc: Michael Geddry, CEO

Santa Maria Museum of Flight

3015 Airpark Drive • Santa Maria, CA 93455-1821
Phone 805-922-8758 • FAX 805-922-8958

PROPOSED BUDGET - FY 7/1/2018 - 6/30/2019

INCOME

ADMISSIONS	$5,000
MEMBERSHIP/DONATIONS	$3,575
GIFT SHOP SALES	$4,600
GRANTS - CITY OF SANTA MARIA	$15,000
GRANTS - SM PUBLIC AIRPORT DISTRICT	$0
CATERING/USE OF FACILITY	$5,000
GROSS INCOME	$33,175
COST OF GOODS SOLD	$2,500
NET INCOME	$30,675

EXPENSES

ADVERTISING	$0 *
BUILDING REPAIRS/MAINTENANCE	$0 *
COPY MACHINE LEASE	$3,400
CRESCENT PROCESSING(CREDIT CARDS)	$750
DUES/SUBSCRIPTIONS	$200
EQUIPMENT	$500
CATERING	$1,500
INSURANCE	$3,850 *
POSTAGE & SUPPLIES	$1,100
PRINTING	$600
PROFESSIONAL FEES	$615
RENT	$8,850 *
TAXES - PROPERTY & SALES	$670 *
UTILITIES	$8,640 *
GROSS EXPENSES	$30,675
NET PROFIT (LOSS)	$0
* items for which City Funds are used	$20,670

SANTA MARIA VALLEY Chamber

MEMORANDUM

TO: Jason Stillwell, City Manager

FR: Glenn Morris

DT: 30 April 2018

RE: CONTRACTS FOR SERVICE: VISITOR BUREAU AND ECONOMIC DEVELOPMENT

The purpose of this memo is to propose a framework for extending the contracts for service that the City and Chamber currently have in place for work we lead on tourism and economic development. As you know, the current agreements run through the end of the current fiscal year, e.g. June 30, 2018. This extension would extend the agreements for an additional two (2) years, running from July 1, 2018 through June 30, 2020.

Historically, the funding allocation for these agreements has been linked to the total Tourism Occupancy Tax (TOT) collected by the City. While the formula used to calculate the funding available to the Chamber are fairly complicated, the net result was that 35% of the TOT collected by the City would flow to the Chamber to fund the two contracted services.

During the recession in 2008, etc., the Chamber agreed to reduce the amounts it received from the City to appropriately recognize the overall budget and economic realities facing the community. As a result of that agreement to step away from the original formula, the proportion of TOT that the Chamber received has fluctuated, ranging between 20% to 23%, or approximately three-fifths of the total forecast by the formulas. The 2016-17 and 2017-2018 budget allocations were on the low end of that range, at 20%.

The Chamber recognizes that the current budget environment does not allow for a return to the original formula driven levels of funding, which would total $1,227,321. At the same time, we know you will appreciate that the costs of the tools we used to provide services, stretching our ability to generate increasing results in the tourism and economic development arenas.

For the next iteration of this contract, we propose a different, but related, benchmark to establish funding levels — specifically growth in the city's TOT receipts. While the growth in this funding stream has leveled off some recently, it continues to come in at record levels. Our records show a growth history of TOT as follows:

- 2017 vs 2016 2.11%
- 2016 vs 2015 2.71%
- 2 year average: 2.41%
- 3 year average: 6.17%
- 5 year average: 7.59%
- 10 year average: 4.39%

While early still, 2018 year-over-year numbers are running 3.78% ahead of last year.

Using the two-year average (term of the last agreement) as a guide, we recommend increasing funding for the 2018-19 fiscal year from a total of $711,250 for both programs to $728,391. Instead of a fixed amount for 2019-20 and beyond, we recommend that we apply a three-year average TOT growth rate to determine the budget amount after the final calendar year numbers are recorded.

Finally, the contracts have historically split the funding between the Visitor Bureau and EDC approximately 80/20 with the lions share going to the tourism effort. While the addition of the TMD funds don't directly reduce demand for the Visitor Bureau efforts since they're really targeting different parts of the effort, we believe it would be appropriate to apply a greater share of the budget to economic development activities. This doesn't have to be a dramatic shift; even moving a few percentage points makes a difference. Using the $728,391 target, we request the budget split between the two contracts be as follows:

	FY2018	Traditional	Proposed (2% shift)
Visitor Bureau	$566,250	$582,713	$568,145
Economic Development	$145,000	$145,678	$160,246

We recognize you're in the middle of budget preparation/approval and can't give us a definite number at this point, but if you could share your recommendation, that will help with our budgeting process as well.

I'm available anytime to discuss any questions, strategies, or ideas you have related to how we advance the economic vitality of the community through this relationship.

May 29, 2018

Mr. City Manager Stilwell,

Please see attached budget from the SMV Historical Society.

The SMVHS is requesting an increase in funding in the upcoming budget. We are seeking an increase from $15,000 to $30,000 annually.

Prior to 2008 we were receiving nearly $25,000 per year. Neither the current Curator nor myself were involved with the museum at that time, however, we can tell you that not only does the museum offer more to the community now it is further ahead in the processing of our valley's history than ever before. Besides the abundant traffic that we get, we serve youth and adults from Kindergarten through College on field trips throughout the year.

The Museum is open Tuesday through Saturday all year long. Due to the location, sharing the building with the Chamber of Commerce, we are often times the stand in Chamber for Santa Maria. The Chamber is not open on Saturdays as they are required to staff 2 people to be open. This is a very lofty cost for them. We are open for business on Saturday and we welcome in the visitors that seek the chambers information and often are referring people to our local businesses, eateries and entertainment.

This year we sought out and secured the CDBG funding for the remodel of our museum. We needed a new roof, lighting and flooring. This was a big win-win for both the city and the museum. The roof was the biggest expense that was slated to come out of the general fund at some point. We were extremely thankful for the council to approve this project.

The museum is FREE to visit. As part of our agreement with the City we do not charge to come and view anything in the museum or to have a guided tour by a docent. As you can imagine, we forgo a fair amount of potential revenue by being free to the public. Additionally we do any research and provide pictures for the city by request at no charge.

We do not solely survive by the funding from the city; however, we could not provide the services we do without it. The early city council had the vision and desire to have a museum to preserve and share our valley's history. It is vital that we keep the museum open and thriving for our community. It is one of the very last pieces of history left in our great city.

Thank you for your consideration of our request.

Brooke Bradley

Board President, SMV Historical Society

SMV Historical Society
2018 Budget

Expenses	2018	Explain Change
Postage	$ 156	300 letters @ .49 = about $150
Printing	$ 1,152	10% increase over actuals + membership drive
Office Supplies	$ 2,004	5% increase over actuals
Events		See below
Annual Dinner	$ 1,500	re-open event
Book Signing	$ 100	WAG
Gathering (Activities)	$ 250	Gathering only; expect to recover
Haunted Tour	$ 500	New event
VIP Tour	$ -	New event (WAG)
Valley Speaks	$ 765	$255/month
Other Events	$ 200	New item
Recognition	$ 400	Volunteer Award/Pot Luck
Sundries	$ 600	New item
Exhibits and Archives	$ 600	New item
Other	$ 300	
Insurance	$ 2,148	5% increase
Gas & Electric	$ 3,000	10% increase
Janitor	$ 1,320	10% increase
Maintenance	$ 156	50% budget increase (WAG)
Security	$ 400	10% increase
Accounting	$ 2,400	No change
Salary Exp	$ 33,048	No change
Taxes	$ 4,400	No change, $1100/qtr
Cost of Goods Sold	$ 4,596	% of CoG for sales other than HPN books
Telephone Related	$ 1,980	10% increase projection
Travel	$ -	Trips by director
Misc (Bank, Cash Short, etc)	$ 252	Expected bank service charges; web site
Depreciation	$ 720	No change
Expense Total	$ 62,947	Actual decrease

Income	2018 Budget	Explain Change
Grant: Santa Maria-City	$ 15,000	
Grant: SB Foundation	$ 4,000	grant rec'd
Investment Income	$ 276	market improvement projection
Dues	$ 5,020	Actual dues expected on the books
New Memberships	$ 1,068	Increase new enrollments by 10%
Giftshop Sales	$ 3,800	$300/mo
Royalities	$ 500	
Donations	$ 9,600	projection
Sponsorships	$ 2,000	No change
Memorials	$ 200	
Donation Box	$ 864	10% increase
Misc Income	$ -	
Annual Dinner	$ -	
Gathering/Activities	$ 250	50 guests @$5
Income Totals	$ 42,578	

Excess Income	**$ (20,369)**	**Excess Income**