

## PROPOSED 2022-24 BUDGET IN BRIEF

### CITY OFFICIALS

Mayor  
Alice Patino

Mayor Pro-Tem  
Mike Cordero

Councilmembers  
Carlos Escobedo  
Gloria Soto  
Etta Waterfield

City Manager  
Jason Stilwell

### CITY PROFILE

Incorporated  
September 12, 1905

Charter City  
December 12, 2000

Form of Government  
Council-Manager  
Full-Service City

Population  
109,910

Full-Time Employees  
615 (authorized)  
601 (funded)

Sworn Police Officers  
133 Authorized

Fire Stations  
6

Firefighting Personnel  
66 Authorized

Parks  
28

## SUMMARY

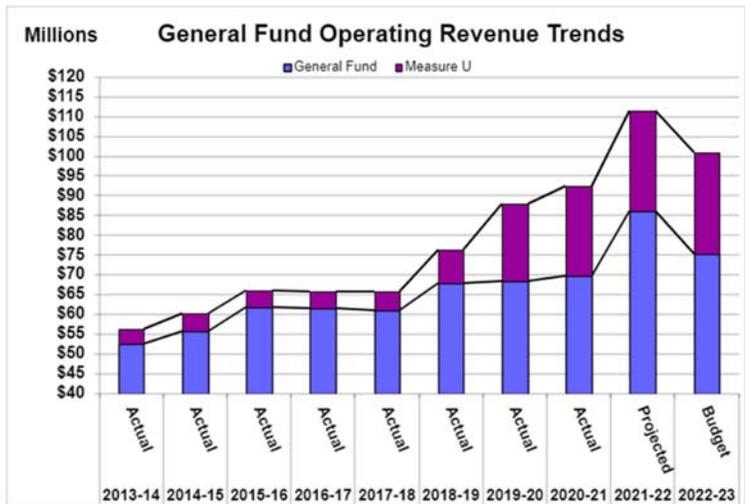
This budget continues our commitment to making Santa Maria a safer, more successful, more financially sound, and more beautiful place for our families, businesses, and visitors for generations to come. Overall, the City will not only maintain services but also will invest in enhancements.

This budget delivers on the City Council's four strategic priorities and fulfills its request for significant additional investment for enhanced road maintenance and other infrastructure. Over each of the next two years, the City will double its funding for local roads, cumulatively adding \$15 million to the effort.

This two-year spending plan is a balanced budget, with no layoffs, no cuts in service, and no program reductions. The budget proposes 36 additional full-time and five part-time positions. General Fund expenses, however, continue to outpace General Fund revenues, to the tune of \$10.83 million in 2022-23. The solution to plug this gap is to use salary savings (vacant positions), Local Economic Augmentation Fund (LEAF) reserves, and Measure U reserves.

The total projected revenues for all operating funds in 2022-23 are approximately \$235 million, or 17.9 percent more than in 2021-22. million. Tax revenues are expected to increase by 12.9 percent due to forecasted increases in sales taxes, which comprise 50.7 percent of General Fund revenues (including Measure U).

Total proposed appropriations for all operating funds in 2022-23 are



approximately \$258.4 million, or \$41.4 million more than in 2021-22.

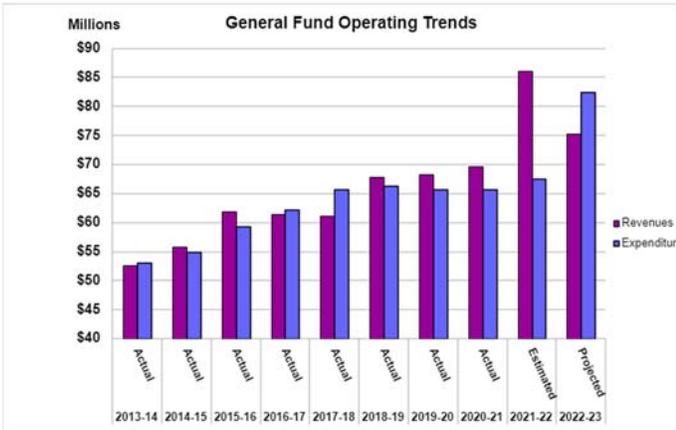
Proposed personnel recommendations bring City-wide staffing to 615 authorized full-time positions and 81 authorized part-time employees, for a total of 696 positions.

## ECONOMIC OVERVIEW

Four-decade high inflation of 8.6 percent as of May 2022, and the potential for a recession in the near future, adds another layer of financial uncertainty to the City's finances. The national, state, and local economies have low unemployment. The State has a record \$300 billion budget with a record \$97.5 billion surplus.

# GENERAL FUND OVERVIEW

The General Fund is the primary operating fund of the City, supporting nearly all departments. Proposed revenues for the General Fund are estimated at \$111.3 million (including Measure U), while proposed appropriations are \$119.4 million. The largest sources of General Fund revenues are sales tax and property tax (about 59 percent; and about 67 percent when including Measure U).



Public safety remains the priority, receiving 62 cents of every General Fund dollar, and 90 cents of every Measure U dollar. Measure U will support 115 positions or 17 percent of the workforce.

The budget restores Public Library Sunday hours and expanded Bookmobile in year two, following the Library’s closure in March 2020 and limited reopening in April 2021.

Improved workplace injury prevention will be achieved by adding a Safety and Health Officer, coordinating and implementing safety protocols and best practices across departments, and two department safety coordinators in Utilities and Fire.

Like other CalPERS agencies, the City continues to experience ongoing CalPERS cost obligations. The City projects a \$5.9 million increase in its CalPERS contributions over the next eight years. The City’s annual payments are \$22.1 million for 2022-23 and \$23.3 million for 2023-24. The City’s CalPERS payment for 2011-12 was \$10.4 million and in 2012-13 it was \$9.5 million.

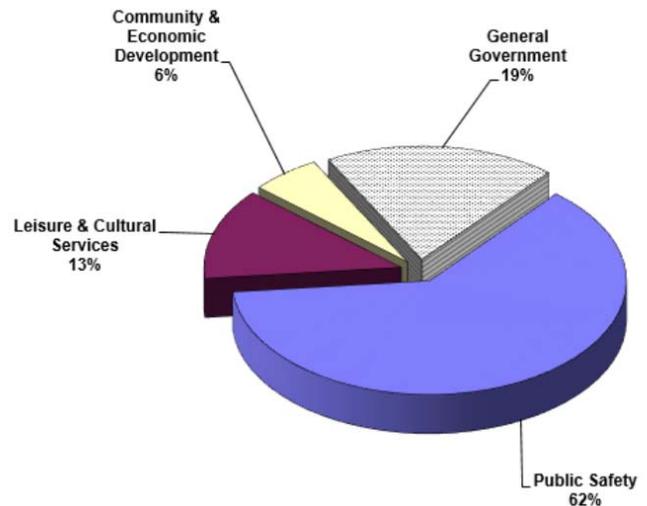
For perspective, if CalPERS obligations were a City department, it would be the second-largest General Fund department, behind the Police Department’s allocation. Every dollar paid to CalPERS is a dollar less available for wages and compensation to provide public services. Rising costs put added pressure on revenue and consume financial resources that could

be used for City programs and services, including capital.

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 costing the City is obligated to pay either through new revenue or other expenditure reductions.

As in prior years, personnel costs remain the largest component of the City’s operating expenditure budget for 2022-24, accounting for \$217.54 million, or 60.74 percent associated with salaries and benefits. The breakdown by year is \$107.14 million in 2022-23 and \$110.40 million in 2023-24.

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 expenditure savings.

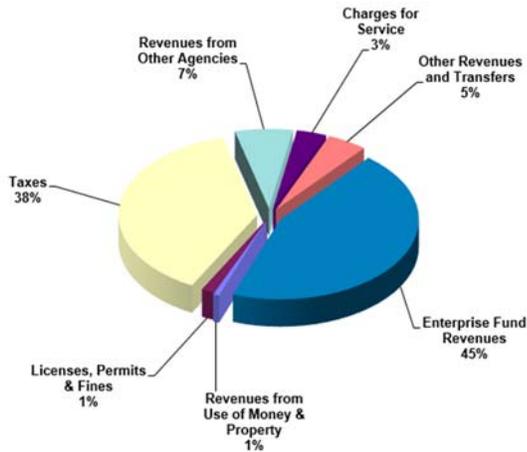


General Fund Allocations

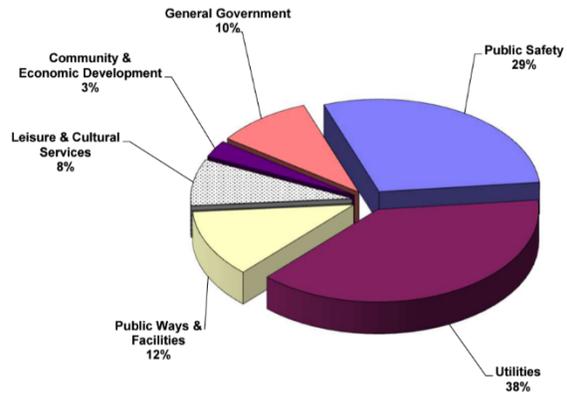
# ALL OPERATING FUNDS OVERVIEW

Total revenues anticipated for all operating programs in 2022-23 are estimated to be \$235 million, or roughly \$35.6 million more than in 2020-22. This represents an approximately 17.9 percent increase in total financing. The proposed appropriations for all operating funds in 2022-23 are approximately \$258.4 million.

**Sources of Revenue - All Operating Funds**



**Program Expenses - All Operating Funds**



Tax revenues are expected to increase by 12.9 percent, to \$89.9 million in 2022-23 from \$79.6 million in 2021-22, due to forecast increases in sales taxes. Sales taxes comprise about 50.7 percent of General Fund revenues, including Measure U.

## OVERVIEW OF CAPITAL PROJECTS

In all, the proposed Capital Projects Budget for 2022-24 consists of capital projects representing approximately \$140.7 million in appropriations. The vast majority of capital projects in both years – about 86 percent – are financed from non-General Fund sources. The Capital Projects General Fund has \$8.9 million in capital expenditures for 2022-23 and \$10.4 million in 2023-24. The Capital Projects section of the full budget document also looks forward to two additional fiscal years, 2024-2026.

The proposed Capital Projects Budget for 2022-23 consists of 151 capital projects representing approximately \$140.7 million in appropriations. In all, 208 total projects were requested by operating departments, totaling \$158.2 million; however, 57 projects (representing approximately \$13.9 million) were not funded. The 2022-24 Budget reflects \$70.6 million in projects in the first year and \$70.1 million in the second year.

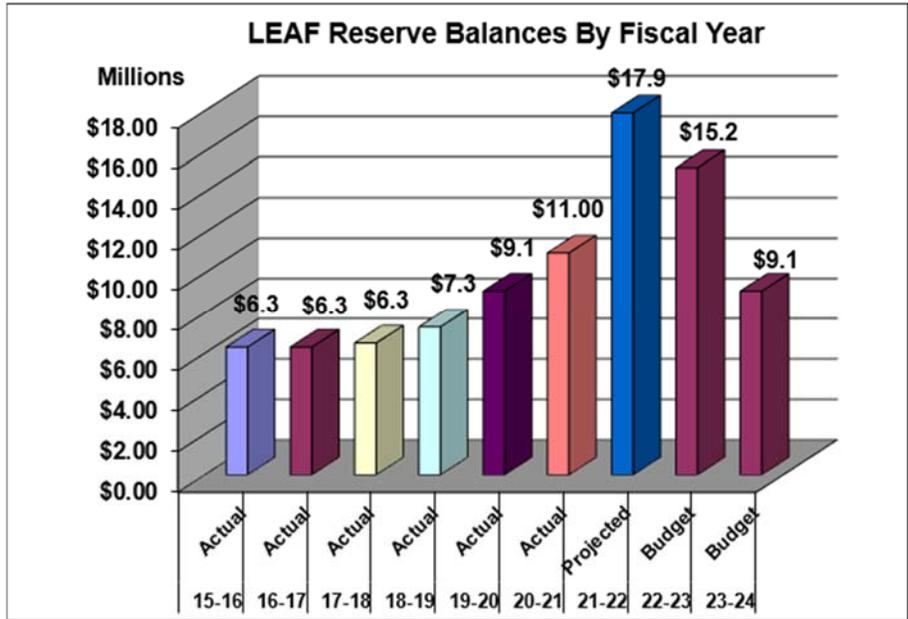
For comparison purposes, the 2021-22 Budget consisted of 112 capital projects totaling \$81.1 million in appropriations.

It should be noted that 17 General Fund projects were not funded due to funding limitations. This is \$3.6 million in the first two years of this budget.

The proposed Mobile Equipment and Replacement budget for 2022-24 calls for 79 pieces of equipment to be replaced reflecting \$10.3 million in appropriations. Additionally, 21 new pieces of equipment are to be purchased from other funding sources totaling \$4.8 million over the two-year budget period.

## USE OF RESERVES

Staff is proposing to use \$8.8 million in LEAF financing over the next two fiscal years to bridge this financial gap in the General Fund and General Capital Projects Fund. This will include \$2.7 million in 2022-23, and the remaining \$6.1 million will be used in 2023-24. At that point, the LEAF Fund Balance will stand at a projected \$9.1 million as depicted in the chart.



## MEASURE U OVERVIEW

Measure U is a one-cent local transaction and use tax. City voters initially approved Measure U in the June 2012 election (63.95 percent support), enacting a one-quarter-cent tax. More recently, voters in the November 2018 election (with a 74.18 percent majority) extended and enhanced Measure U at the one-cent rate. The City Council authorized that 90 percent majority of the aforementioned tax proceeds be spent on public safety-related services, then five percent on youth services, and five percent on programs for quality of life.

As you can see from the chart, Measure U-related revenues are growing and exceeded expenditures in 2020-21 and 2021-22, resulting in an expanded fund balance, enabling this budget to allocate funding to capital needs. The bulk of the increase is from salary savings. Because Measure U only has one revenue source that is impacted by the health of the economy and is allocated primarily to fund ongoing staffing, it is imperative to maintain a healthy reserve in the event of an economic downturn. There is no allowance for additional uses of Measure U tax proceeds other than what has already been authorized by the City Council.

| MEASURE U FUND ANALYSIS | Actual<br>2020-21 | Year-End<br>Estimated<br>2021-22 | Proposed<br>2022-23 |
|-------------------------|-------------------|----------------------------------|---------------------|
| Beginning Fund Balance  | \$ 6,950,610      | \$ 11,238,540                    | \$16,024,591        |
| Projected Revenue       | \$ 22,751,964     | \$ 25,356,519                    | \$25,787,354        |
| Police                  | \$ 8,626,919      | \$ 9,221,515                     | \$12,399,217        |
| Fire                    | 7,140,520         | 8,356,257                        | 14,206,088          |
| Recreation & Parks      | 1,774,476         | 1,916,469                        | 3,290,699           |
| Library                 | 471,290           | 526,604                          | 1,065,960           |
| Community Development   | 314,509           | 421,608                          | 856,724             |
| City Attorney           |                   |                                  |                     |
| City Manager            | 27,601            | 19,285                           | 22,500              |
| Finance                 | 108,719           | 108,730                          | 2,600               |
| Total                   | \$ 18,464,034     | \$ 20,570,468                    | \$31,843,788        |
| Ending Fund Balance     | \$ 11,238,540     | \$ 16,024,591                    | 9,968,157           |