June 2016
Birthstone: Pearl, Alexandrite, or Moonstone
Flower: Rose or Honeysuckle

Pathfinder

City of Santa Maria Employee Newsletter

Word has it ...

From your City Manager

Rick Haydon

Word has it that the City is beginning its new fiscal year with some familiar financial challenges, and while that appears to be the case, I just want to let everyone know that we are positioned to face those challenges head-on with a viable action plan.

On June 21st the Santa Maria City Council will be considering the 2016-18 proposed budget, a spending plan that has another structural budget deficit due to increasing operational costs. Overall, the proposed 2016-18 budget can be categorized as largely a status quo budget.

As you're well aware, over the past eight years, the City's General Fund has faced multi-million dollar budget deficits and has had to rely on one-time reserves to present a balanced budget. And while the national, state and local economies are all growing (albeit at a rather slow pace), from an operational perspective, our operating revenues are still not sufficient enough to finance our expenditures.

With increased development and anticipated new retail establishments on the near horizon, anticipated General Fund revenues are estimated to be $2.4 million more when compared to the 2015-16 Budget. However, General Fund appropriations are $3.2 million more than last year – and therein lies the problem.

General Fund revenues in 2016-17 are estimated to be $62.5 million while proposed appropriations are $66.9 million; accounting for a **projected budget deficit of $4.4 million**. The deficit will get bigger due to additional expenses in liability insurance premiums, based on our recent claims history. Having said that, previously negotiated salary increases account for $1.6 million of the increase in appropriations with retirement and other benefits accounting for a $1.9 million increase.

A significant challenge is the increasing costs of financing pension-related retirement benefits through the CalPERS retirement system. Three years ago, total General Fund retirement costs were $7.3 million. The forecasted payments in 2016-17 are $10.9 million. Given the fact that the City is facing a $4.4 million deficit, these pension cost increases are alarming and troubling from a sustainability perspective.

Consequently, to help bridge this financial gap, staff is proposing to use $2.6 million in one-time Local Economic Augmentation Funds (LEAF) and for the first time, anticipated expenditure savings of about $1.8 million.

Because public safety remains the City Council's top priority, staff is proposing to add a couple more police and fire personnel to our full-time personnel complement financed by way of a decrease in the City's contributions to outside agencies – making these new positions cost-neutral.

In summary, the 2016-18 Budget can best be described as a relatively status-quo budget with new commercial development revenues providing the financing mechanism to help partially off-set anticipated operational increases.

Rick