

June 2014

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 begins its new fiscal year with some familiar financial challenges.....and they're right. On June 17, the Santa Maria City Council will be considering the 2014-16 proposed budget, a plan that has another structural budget deficit.

As you all know, over the past six years, the City's General Fund has faced multi-million dollar budget deficits and has had to rely on one-time reserves to have a balanced budget. Although the national, State and local economies are on the uptick, from an ongoing basis, our General Fund operating revenues are still not sufficient enough to finance our operational expenditures.

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

On the revenue side, the Great Recession significantly reduced local discretionary revenues and the recovery continues. For example, sales tax, which accounts for 33 percent of General Fund revenues, plunged from \$18.1 million in 2007-08 to \$14.1 million in 2009-10, a 21 percent decline. Since 2009-10, sales tax has been on the mend, reaching pre-recessionary levels at \$18.2 million in 2012-13. Property tax, which accounts for 26 percent of General Fund revenues, reached \$15.3 million in 2007-08 and declined to \$13.9 million in 2009-

10, a nine percent drop. Since then, property tax has not reached pre-recessionary levels with a forecast of \$15 million for 2014-15.

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

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

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

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

According to CalPERS, changes in CalPERS policy

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Word Has It...

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

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

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

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

Rick