

KEY BUDGET FEATURES

BUDGET OVERVIEW

Balanced Budget. The 2002-03 budget is balanced for all of the City's funds. This means that adequate resources are available to fund the approved appropriations while assuring that operating revenues fully cover operating expenditures, and that fund balances are maintained at minimum policy levels (20% of operating expenditures).

Reflects Council Goal-Setting. All of the *Major City Goals* set by the Council early in the budget process are fully funded in the Financial Plan based on the detailed work programs approved by the Council in April 2001. At the same time, the budget adequately funds day-to-day services and basic infrastructure maintenance needs.

Budget Principles. The Financial Plan was prepared based on the following framework:

- Limiting operating cost increases.
- Developing a capital improvement plan (CIP) that adequately maintains our *existing* infrastructure and facilities.
- Considering new revenue opportunities as allowed under Proposition 218.
- Making strategic use of beginning fund balance currently above our minimum policy level.

The Financial Plan reflects all of these principles **except** for new revenues: for the first time in ten years, no new revenues are required in order to balance the budget.

FINANCIAL CONDITION SUMMARY

Weaker General Fund Revenue Picture, But Well-Positioned for the Future. While our revenue picture is not as strong as we originally projected in the 2001-03 Financial Plan, the fact is that we are well-positioned to deal with local challenges facing us at this time. With some belt-tightening—and most importantly, if there are no additional State budget takeaways to cities—we should be able to avoid major service disruptions to the community and adverse impacts on our employees.

But Doing This Requires Budget Reductions Now. Given our weaker revenue outlook and rising public safety labor costs, maintaining our fiscal strength at this time is only possible because of \$1.8 million in expenditure reductions from those originally approved in the 2001-03 Financial Plan. As summarized below, these reductions come largely from the capital improvement plan (CIP): about \$1.3 million in savings come from reduced CIP projects and \$500,000 from operating programs.

2002-03 Budget Reductions

| | |
|----------------------------------|--------------------|
| CIP Projects | |
| Pavement Maintenance | 500,000 |
| Other CIP Projects | 768,600 |
| Operating Programs | |
| Computer Replacements | 175,000 |
| Neighborhood Services Technician | 57,700 |
| Other Operating Cost Savings | 263,900 |
| Total | \$1,765,200 |

Tough Times Ahead. While we have crafted a balanced budget for 2002-03, there are major fiscal challenges ahead of us. These include adverse trends in key General Fund revenues, increasing insurance and retirement costs—and most disconcerting of all—the continuing potential for major State budget cuts to cities. Combined, these forces translate into what is likely to be the toughest fiscal situation we have faced in over ten years.

BUDGET HIGHLIGHTS FOR 2001-03

Plans and Policies. We will undertake several important studies during 2001-03 that will set our course for many years to come. These include:

- Police station site master plan.
- Radio system upgrade plan.
- Groundwater development study.
- Flood management and storm drainage plans.
- Parking management plan update.
- North area regional facility transportation center.
- Commercial zoning regulations update.
- Airport, Margarita and Orcutt area specific plans.
- Civic offices.

Major CIP Projects. While planning for the future will be a big part of our work program during the next two years, we will also undertake a number of major CIP projects during 2001-03, including:

- Building the water reuse distribution system.
- Continuing an aggressive program of pavement sealing, resurfacing and reconstruction.
- Acquiring and improving open space.
- Adding two-lighted softball fields through an innovative agreement with the County.
- Adding three lighted fields to the planned Damon-Garcia athletic fields.
- Remodeling the Recreation Center for an improved community/senior center, fully funded by a generous donation from the Ludwick family.

Limited Budget Changes. Consistent with the two-year budget framework and in light of current fiscal uncertainties, the 2002-03 budget makes very few changes from the initial adoption of the 2001-03 Financial Plan: it “stays the course” while responding to changed circumstances since then.

MAJOR CITY GOALS

The 2001-03 Financial Plan sets major City goals for the next two years and links them with the programs, projects and resources necessary to achieve them. Detailed work programs have been prepared for each of these goals, including the challenges we will face in achieving the goal, action plans and resource requirements. These detailed work programs are available from the Department of Finance upon request.

PUBLIC UTILITIES

- **Water Supply.** Continue efforts to develop long-term water supplies, including: preserving present water rights and pursuing all options with the exception of State Water; using and protecting groundwater; pursuing acquisition of property for water supply development; completing the water reuse project; seeking water supply opportunities as part of any annexations; and confirming a Council water subcommittee to build relationship with the North County.

TRANSPORTATION

- **Street and Sidewalk Maintenance.** Continue implementing street paving and repair programs; and augment funding for sidewalk installations and repair, new street sign installations on arterials and tree plantings in all available tree wells.
- **Los Osos Valley Road Improvements.** Widen Los Osos Valley Road from Madonna Road to Highway 101; and prepare plans for widening the freeway overpass and fixing difficulties between freeway exits/entrances and Calle Joaquin, improving flood structures and providing bicycle and pedestrian lanes over the freeway.
- **Flood Protection.** Improve flood protection for residents and businesses, including alleviating impediments to carrying-off flood water and preserving flood plains.
- **Railroad Recreational Trail.** Continue planning and purchasing property to complete the Railroad Recreational Trail to Cal Poly; extend planning to the south connecting the Edna-Islay area into the master plan; establish the Morro Street "SLO Street" from the Railroad District to Downtown; and pursue grant funding options to complete these projects.

- **Downtown Transportation Center: North Area Regional Facility.** Work with other agencies to acquire land for a multi-modal transportation center and parking structure, northeast of Santa Rosa Street between Monterey and Higuera Streets.
- **Parking and Access Advisory Body.** Establish a Citywide parking and access advisory body.

LEISURE, CULTURAL & SOCIAL SERVICES

- **Athletic Fields.** Explore possibilities for additional athletic fields, including plans for two lighted softball fields.
- **Recreation Center Remodel: Community-Senior Center.** Complete remodel of the Recreation Center for community and senior uses.
- **Cultural Services.** Continue funding for arts and culture; and identify long-range funding sources to secure the future of the Performing Arts Center.

COMMUNITY DEVELOPMENT

- **Housing.** Continue implementing programs to achieve the City's housing goals.
- **Open Space Preservation.** Continue funding for open space and agriculture preservation, including management programs for open space lands and staffing for implementation of those plans.

GENERAL GOVERNMENT

- **Civic Offices.** Complete development and environmental review, conduct construction oversight and management, and when completed, purchase the Palm-Morro Parking/Civic Offices building pursuant to the terms of the Guaranteed Maximum Price contract with Court Street Partners (the Copelands).
- **Maintenance of Basic Services.** Preserve current service levels and adequately maintain existing facilities and infrastructure.

BUDGET FACTS

Total Expenditures (In Millions)

| | 2002-03 | % of Total |
|--------------------------|---------------|-------------|
| Operating Programs | \$45.9 | 60% |
| Capital Improvement Plan | 24.8 | 32% |
| Debt Service | 6.4 | 8% |
| TOTAL | \$77.1 | 100% |

Operating Programs By Function: All Funds

| | 2002-03 | % of Total |
|-------------------------------------|---------------|-------------|
| Public Safety | \$14.9 | 32% |
| Public Utilities | 8.5 | 19% |
| Transportation | 5.1 | 11% |
| Leisure, Cultural & Social Services | 5.5 | 12% |
| Community Development | 4.4 | 10% |
| General Government | 7.5 | 16% |
| TOTAL | \$45.9 | 100% |

Operating Programs By Type: All Funds

| | 2002-03 | % of Total |
|-------------------|---------------|-------------|
| Staffing | 30.5 | 66% |
| Contract Services | 8.1 | 18% |
| Supplies | 7.1 | 15% |
| Minor Capital | 0.2 | 1% |
| TOTAL | \$45.9 | 100% |

Major Capital Projects: All Funds

| | 2001-02 | 2002-03 |
|---------------------------------|---------|---------|
| Radio System Improvements | \$0.1 | \$0.2 |
| Fire Engine Replacement | | 0.4 |
| Water Reuse | 11.8 | |
| Other Water System Improvements | 1.9 | 2.0 |
| Wastewater System Improvements | 1.1 | 1.1 |
| Pavement Sealing & Resurfacing | 2.2 | 1.8 |
| Foothill Blvd Culvert Repair | 1.0 | |
| Orcutt Road Improvements | 0.2 | 0.9 |
| Bikeway and Pedestrian Imprv | 0.6 | 0.7 |
| Downtown Transportation Center: | | |
| North Area Regional Facility | 0.2 | 1.1 |
| Cooperative Use: Two-Lighted | | |
| Softball Fields | 0.5 | |
| Damon-Garcia Field Lighting | 0.4 | |
| Recreation Center Remodel: | | |
| Community-Senior Center | 0.6 | |
| Park Improvements | 0.5 | 0.7 |
| Open Space Preservation | 0.3 | 0.2 |

Regular Positions By Function: All Funds

| | 2002-03 | % of Total |
|-------------------------------------|--------------|-------------|
| Public Safety | 144.5 | 42% |
| Public Utilities | 57.8 | 16% |
| Transportation | 26.5 | 7% |
| Leisure, Cultural & Social Services | 30.0 | 8% |
| Community Development | 39.6 | 11% |
| General Government | 55.4 | 16% |
| TOTAL | 353.8 | 100% |

Funding Sources (In Millions)

| | 2002-03 | % of Total |
|--------------------------|---------------|-------------|
| General Fund | \$35.9 | 46% |
| Other Governmental Funds | 8.3 | 11% |
| Enterprise Funds | 32.9 | 43% |
| TOTAL | \$77.1 | 100% |

Operating Programs By Function: General Fund

| | 2002-03 | % of Total |
|-------------------------------------|---------------|-------------|
| Public Safety | \$14.9 | 49% |
| Public Utilities | -- | -- |
| Transportation | 2.1 | 7% |
| Leisure, Cultural & Social Services | 4.9 | 16% |
| Community Development | 4.1 | 13% |
| General Government | 4.4 | 15% |
| TOTAL | \$30.4 | 100% |

Operating Programs By Type: General Fund

| | 2002-03 | % of Total |
|--------------------------|---------------|-------------|
| Staffing | \$25.3 | 76% |
| Contract Services | 3.6 | 11% |
| Supplies & Minor Capital | 4.6 | 13% |
| Reimbursed Expenditures | (3.1) | -- |
| TOTAL | \$30.4 | 100% |

Top Ten General Fund Revenues

| | 2002-03 | % of Total |
|-----------------------------|---------|------------|
| Sales Tax | \$10.4 | 31% |
| Property Tax | 5.4 | 16% |
| Transient Occupancy Tax | 4.0 | 12% |
| Utility Users Tax | 3.6 | 11% |
| Motor Vehicle In-Lieu (VLF) | 2.5 | 7% |
| Business Tax | 1.4 | 4% |
| Franchise Fees | 1.4 | 4% |
| Development Review Fees | 1.7 | 5% |
| Recreation Fees | 1.0 | 3% |
| Other Service Charges | 0.8 | 2% |

These top ten revenues account for 95% of total General Fund revenues. Other General Fund revenues include interest earnings, grants, fines and sale of surplus property.

Regular Positions By Function: General Fund

| | 2002-03 | % of Total |
|-------------------------------------|--------------|-------------|
| Public Safety | 144.5 | 53% |
| Public Utilities | -- | -- |
| Transportation | 15.0 | 6% |
| Leisure, Cultural & Social Services | 27.0 | 10% |
| Community Development | 39.6 | 15% |
| General Government | 42.1 | 16% |
| TOTAL | 268.2 | 100% |