

June 25, 2002

Mayor and City Council
City of Villa Park
17855 Santiago Boulevard
Villa Park, California 92861

**SUBJECT: FY 2002/2003 OPERATING AND
CAPITAL IMPROVEMENT BUDGET**

Dear Mayor and Members of the City Council:

Staff is pleased to present the proposed Operating and Capital Improvement Budgets for the City of Villa Park for FY 2002/2003.

As economic indicators point toward a slowed economy, it is important for the City to remain fiscally conservative while at the same time, remaining vigilant in the maintenance of its infrastructure. FY 2001/2002 revenues were stable and on target with projections. FY 2002/2003 property taxes revenue estimates remain high based on recent market studies and predictions. The FY 2002/2003 budget reflects a conservative spending plan for general operations, while maintaining the high level of service delivery and infrastructure maintenance the residents have come to expect.

BUDGET HIGHLIGHTS

In recent annual budgets, the City has been addressing capital and infrastructure needs such as Cannon Street widening, repaving of Taft Avenue, and storm drain projects. These projects substantially depleted the Capital Improvement Fund and in FY 2001/2002 the City Council restored the Fund by appropriating \$506,000 from the City's unrestricted General Fund for capital projects in FY 2001/2002. Capital Projects again dominate the FY 2002/2003 Budget. Of the \$807,200 in proposed Capital Project expenditures, \$302,000 represents carryover projects from the prior FY. The Loma Street Reconstruction Project and Wanda/Collins Improvement Project, originally budgeted in FY 2001/2002, were moved into FY 2002/2003 due to timeline extensions. In addition to these projects, staff has budgeted \$200,000 in the Capital Improvement Fund for Sewer Improvements. This budgeted number is an aggressive estimate dependent upon the results of the City's Sewer Condition Monitoring and Inspection Project. If the Inspection Project reveals limited improvements, this project estimate can be reduced.

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FY 2002/2003 revenues are projected at \$2.6 million with \$2.0 million coming directly to the General Fund. Special revenues such as Gas Tax, local agency grants, Measure M, and Supplemental Law Enforcement Funds, account for the remaining \$600,000.

GENERAL FUND

The General Fund is the general operating fund of the City. It represents unrestricted general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund. The balance of the General Fund is the barometer of the City's health. In 1995, the City Council established a minimum, unrestricted General Fund Balance of \$500,000 to be adjusted annually based on the CPI. At the conclusion of FY 2002/2003, the General Fund balance is projected at \$935,450 with a floor of \$594,000.

The \$2.0 million General Fund budget is balanced without an increase in taxes, fees, or service charges with revenues exceeding expenditures by \$149,235. Overall, General Fund expenditures for FY 2002/2003 are increasing by 4.2% or \$78,444 over FY 2001/2002 Budget. In addition, staff proposes a transfer of \$125,000 to the Capital Improvement Fund and \$4,400 to the Assessment District to complete essential repairs. This will be returned to the General Fund as the Assessment District Fund builds up reserves. The 4.2% increase includes increases in public safety expenditures (\$84,000 + the motorcycle officer); a full year of Code Enforcement (additional \$16,000); and an increase in the City's required costs to participate in the regional National Pollution Discharge and Elimination Systems Program (NPDES) (\$18,000). The total City budget for all funds, including the Capital Improvement Fund, for FY 2002/2003 is \$3.26 million.

SPECIAL REVENUE FUNDS

Special Revenue funds represent restricted revenues allocated by law to specific expenditure types. The City has seven Special Revenue funds that include Gas Tax, Aid to Cities, Traffic Safety, Measure M, Sewer Maintenance District, AQMD, and COPS.

Gas Tax and Measure M revenues are projected at \$130,000 and \$63,000 respectively and must be used solely for transportation-related purposes. The City uses these funds for street and road maintenance projects.

Traffic Safety and COPS revenues are projected at \$20,300 and \$134,000 and must be used for law enforcement purposes. The City uses these funds to augment its public safety budget. In FY 2002/2003, the City will use COPS revenues to fund 50% of a motorcycle officer position.

AQMD revenues are projected at \$7,200 and must be used for programs and policies to improve air quality and vehicle movement. The City uses these funds in support of its fleet of CNG vehicles and transportation improvement projects.

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Aid to Cities revenues represent grants received by the City in support of various projects. In FY 2002/2003 the City will receive \$144,300 in revenues to the Aid to Cities fund. These include funds for a state grant for trail improvements and a grant from the Orange County Sanitation District for sewer monitoring projects.

CAPITAL IMPROVEMENT FUND

Enclosed is the updated 7-year Capital Improvement Program. Staff proposes a transfer of \$125,000 from the unrestricted General Fund balance to the Capital Improvement Fund. The Capital Improvement Program includes a Trail Improvement Project using grant funds; the continued Loma Street project; the continued Wanda/Collins project; the Wanda/Santiago joint project with the City of Orange; the Aubrey Circle Storm Drain Improvement Project; and the allocation for potential sewer improvements.

MAJOR FISCAL CHANGES

Format of the Budget

The FY 2002/2003 Budget format has been enhanced to improve the readability of the budget. Sections include a Community Profile, Philosophy, and a User's Guide. The Budget represents the City Council's vision for FY 2002/2003 and should be the foundation for the year of projects.

To facilitate proper cost accounting, staff has distributed personnel across different budget departments to reflect actual work priorities. The FY 2002/2003 Budget also includes an Employee Benefit Fund to stabilize fluctuating benefit costs. Each department pays into the Fund on a percentage basis for benefits.

Law Enforcement Services

The FY 2002/2003 Budget includes the addition of 50% of a motorcycle officer (\$75,000) and Special Assignments (\$20,000). These positions are funded by Supplemental Law Enforcement Services Funds and do not represent a general fund cost to the City. The primary focus of this position is to improve traffic conditions around local schools and enforce traffic laws on the City's major thoroughways. The Budget for law enforcement services has increased by \$191,000 over FY 2001/2002 estimated costs. This increase includes \$11,000 in City administrative cost allocations (personnel), \$75,000 for the motorcycle officer, \$20,000 in special assignment (overtime), and \$60,000 in actual sheriff contract cost increases.

Code Enforcement

In January 2002 the City began a successful Code Enforcement Program using the firm of Norris-Repke. The Code Enforcement Officer works 10 hours per week on Code Enforcement activities. However, because the City's Building Inspector doubles as the Code Enforcement Officer, the City actually receives more time in the field. The FY

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2002/2003 Budget includes a full year of the successful Code Enforcement Program at \$31,200.

City Newsletter

The cost for printing and distributing the new City Newsletter is included in the FY 2002/2003 Budget at \$5,800. Four editions of the 4-page newsletter are planned in FY 2002/2003.

Street Sweeping

The FY 2002/2003 Budget includes a contract for sweeping the City streets 26 times per year at \$30,600. With the concentration on pollution, litter, and storm water runoff, street sweeping has become an important measure in maintaining the City's compliance under the Clean Water Act and NPDES Storm Water Permits. The City applies for and receives a grant of \$5,000 per year from the Department of Conservation to assist in cleaning the City's streets.

SUMMARY

It is anticipated that through prudent management and conservative spending, the City will be in a position to respond to any changes to the economy or budget impacts by the State. Through our long-term fiscal stability, the City is better able to have contingency plans in place that minimize impacts on service delivery to the residents and businesses of the City of Villa Park.

At the conclusion of FY 2002/2003, it is expected that the City's unrestricted General Fund balance will be approximately \$935,450. The FY 2002/2003 Budget includes a transfer of \$125,000 from the unrestricted General Fund balance to assist the City's Capital Improvement Fund and the \$4,400 transfer to the Sewer Assessment District. This proposed Budget adheres to the City Council reserve policy of \$594,000.

General Fund Balances	
Estimated General Fund Balance as of 6/30/2002	\$926,215
Less <i>General Fund Reserve</i> for FY 2002/2003	<u>\$594,000</u>
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2002	\$332,215
Plus Revenues in Excess of Expenditures FY 2002/2003	\$149,235
Less Transfer for Capital Projects	<u>(\$129,400)</u>
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2002	\$352,050
Plus <i>Reserved Balance</i> for FY 2002/2003	<u>\$594,000</u>
<i>Total Estimated General Fund Balance as of 6/30/2003</i>	<u>\$946,050</u>

- The proposed budget does not include an increase in any taxes, fees, or service charges
- The proposed budget continues all operating services at their present levels and increases public safety services.

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- As presented, the FY 2002/2003 General Fund revenues will exceed proposed expenditures by \$149,235.
- The proposed budget includes a major appropriation for street sealing and pavement rehabilitation as part of the City's infrastructure maintenance programs.
- The City's unrestricted General Fund balance will be maintained safely above the minimum established by the City Council.
- Proposition 4, adopted in 1979, limits the amount of "tax proceeds" a city may receive and expend in a single year. Based on the data available, the receipt and expenditure of tax proceeds will be adequately below the limitation imposed by Article XIII of the California Constitution.

Respectfully submitted,

George J. Rodericks
City Manager