

**ITEMS FOR CONSIDERATION
AGENDA ITEM # 1**

**CITY OF VILLA PARK
CITY COUNCIL
JUNE 12, 2007**

To: Mayor and City Council
From: Ken Domer, City Manager

SUBJECT: PROPOSED FISCAL YEAR 2007-2008 BUDGET

BACKGROUND

The City Manager and Finance staff annually present the proposed Fiscal Year budget to the City Council during a Study Session. The purpose of the Study Session is for the City Council to review the draft recommendations for expenditures and for Staff to seek City Council direction with regard to specific City Council and City budget priorities. The City Council may take non-binding straw votes on specific budgetary items as direction to the City Manager. The City Manager and Finance Staff will incorporate City Council direction into a proposed Budget document for final consideration on June 26, 2007. The City is required to adopt a balanced budget prior to the start of a new Fiscal Year on July 1, 2007.

SUMMARY

The Proposed Fiscal Year 2007-2008 Budget recommends a total fund expenditure of \$4,171,794. Of this amount, \$2,888,099 is General Fund. The Proposed Budget is built upon projected General Fund revenues of \$2,649,740 and total revenues (including General Funds) of \$3,774,861. Estimated beginning Balance Available to the General Fund is \$770,857 and total funds is \$1,699,204. Taken together, the beginning Balance Available and estimated Revenue available for expenditures and reserves is \$5,444,065.

The estimated ending Balance Available as of June 30, 2008 for the General Fund is \$532,497 and for all funds, including the General Fund, the amount is \$1,272,271.

The City of Villa Park is and will be revenue challenged. The City has and will continue to go through periods of "save" years, in which funds are held until projects are undertaken in "spend" years. The City is currently at the end of a "spend" cycle in which many major infrastructure projects have been completed. The Proposed Budget recommends a General Fund Reserve balance of \$ 530,000. The General Fund Reserve is a restricted fund balance to be used only to insulate General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, impacts from adverse litigation or environmental occurrences/disasters, or similar unforeseen action and economic uncertainty. The recommended General Fund Reserve balance is 20% of the General Fund Revenues estimated for Fiscal Year 2007-2008.

Revenue Highlights

The Proposed Budget estimates that the City will receive the following major revenues:

Source	Amount
Taxes	\$ 1,655,590
Other Agency (Vehicle License Fee*)	\$ 467,700
Licenses & Permits	\$ 421,000
Gas Tax	\$ 122,000
Capital Improvement Funds	\$ 294,000
* Includes Property Tax In-Lieu of VLF	

The Sewer Improvement Fund (Fund 11), which derives all of its revenue (with the exception of interest) from the Sewer Service User Charge, is estimated to receive \$446,000 in revenue. The COPS Fund (Fund 9) will receive \$108,000 in revenue, of which \$8,000 is interest.

Expenditure Highlights

The Proposed Budget is broken down by Departments and Divisions. The Departments and Divisions of the City are as follows:

Department	Administration	Public Safety	Public Works
Divisions	City Council	Law Enforcement	Civic Center
	City Manager	Emergency Preparedness	Public Works General
	City Clerk	Building & Safety	Street Maintenance
	Finance		Storm Drain Maintenance
	City Attorney		Sewer Maintenance Improvement
	Support Services		Sewer District 1

Department	Planning & Engineering	Capital Improvement Projects
Divisions	Planning & Engineering	Capital Projects

Administration

City Council: Proposed Expenditures - \$11,988. Decrease of \$9,771 from FY 2006-07 Budget.
 Expenditures for the City Council include staff support, operating supplies, and travel & meetings. Staff support was added in 2006-07 and has been reconfigured for the proposed part-time position, reducing the charge to the City Council division. Travel & Meetings is the largest portion of the City Council Budget and is for Council Member attendance to various meetings, trainings, and conferences. New for this Proposed Budget is to allocate an amount per Council Member allowing an individual Council Member to pick a training or conference relevant to their committee assignment or interest. In addition, if a Council Member is unable to attend the League of Cities annual conference, they could then choose another conference to attend.

City Manager: Proposed Expenditures - \$96,785. Increase of \$35,139 from FY 2006-07 Budget.
 Expenditures for the City Manager Division include salary and benefits for the City Manager and Assistant to the City Clerk/Management Assistant, operating supplies, dues & publications, and travel & meetings. For 2007-08, it is proposed to add \$30,000 to this division for contractual services/special studies to hire a third party to conduct a fire and police services review for the City.

City Clerk: Proposed Expenditures - \$123,040. Decrease of \$10,089 from FY 2006-07 Budget.
 The City Clerk division accounts for salaries and benefits for the City Manager, Assistant to the City Clerk, and Office Assistant position. Salaries and benefits represent the largest portion of the City Clerk expenditures, totaling \$84,640. Other expenditures in the sum of \$38,400 include: operating supplies; legal notices; equipment maintenance; contractual services; dues & publications; development seminars; travel & meetings; election expense; and, equipment & furniture. For 2007-08, it is proposed that \$25,000 be allocated for election expense due to a citizen initiated recall campaign that will be, as the start of the Fiscal Year, a possible but not certain expense.

Finance: Proposed Expenditures - \$122,997. Decrease of \$11,091 from FY 2006-07 Budget.

Expenditures for the Finance Division include salaries and benefits for the City Manager, Finance Manager, Assistant to the City Clerk/Management Assistant. This is the largest cost for the division at \$94,047. Other costs include: operating supplies, miscellaneous finance charges; audit fees; payroll fees; software support for FundWare; accounting support; dues & publications; development seminars; travel & meetings; mileage; interest expense; and business license adjustments. The maintenance and operations support is \$28,950. The proposed expenditures include the hiring of a part-time Finance Manager position. The hiring of a part-time position is exempt from the competitive service requirements as defined by the Villa Park Municipal Code. It is expected that the position will be filled within the first few weeks of the new Fiscal Year. Contract services will be used up to that time and an overlap time period is budgeted.

City Attorney: Proposed Expenditures - \$54,000. Increase of \$7,400 from FY 2006-07 Budget.

The City Attorney division accounts for all costs related to the City's legal representation. The City Attorney has requested an increase of \$200 per month to the retainer. Additionally, it is recommended to increase the budget for other legal services up to \$10,000. Other potential legal service needs include the cable television franchise agreement and election costs.

Support Services: Proposed Expenditures - \$185,250. Increase of \$26,800 from FY 2006-07 Budget.

The Support Services division contains the majority of City operating expenditures. There are no salaries or benefits charged to Support Services. For Fiscal Year 2007-08, the increase in costs is due to an estimated \$24,000 increase in insurance costs for the City over the current year. The City participates in the California Joint Powers Insurance Authority for all insurance requirements. We are realizing retroactive increases due to prior year claims. In addition, all members of the CJPIA are realizing a multi-million dollar claim against another member. Other increases include an increase in website development/maintenance to \$2,500. This amount is not enough for a complete, professional redesign of the website. This is one issue that will be discussed with the Council for possible action. The redesign offers possible revenue offsets based on a business section to be added.

Public Safety

Law Enforcement: Proposed Expenditures - \$1,179,172. Increase of \$43,760 from FY 2006-07 Budget.

The Law Enforcement division consists of costs associated with the contract with the Orange County Sheriff's Department. There are no City salaries or benefits charged to this division. There are three funding sources for expenditures within the Law Enforcement division: General Fund; Traffic Safety Fund, and COPS (Supplemental Law Enforcement Services Fund). The COPS Fund is for the fifth deputy position which is currently designated as a School Resource Officer feasibility project. It is proposed to use \$201,945 of COPS fund for the SRO position.

The City is required to pay for crossing guard services. The City only has one crossing guard at Villa Park Road and Center Drive. It has been proposed that another crossing guard be added at either Center Drive and Lincoln Street or Serrano Avenue and Nichols Avenue. A crossing guard is approximately \$9,000. An alternative is to procure attachments to two stop signs at Center Drive and Lincoln Street that are solar powered, programmable flashers. The flashers will flash red to help alert drivers to the stop intersection only during hours of drop off and pick up, therefore not creating any disturbance from a 24 hour flash. The cost per unit is approximately \$2,500. The units would be considered as a pilot project to determine effectiveness.

The proposed amount of the contract with the Orange County Sheriff's Department is not reflective of a potential union contract increase. Estimated increases for a contract is approximately 4%.

Emergency Preparedness: Proposed Expenditures - \$3,500. New Division in FY 2007-08.

It is proposed to create a new division titled Emergency Preparedness to maintain and track the City's emergency preparedness programs, including costs associated with non-Structural Fire Fund Community Emergency Response Team (CERT) programs or events. No salaries or benefits are proposed to be associated with this Division.

Building & Code Enforcement: Proposed Expenditures - \$200,023. Reduction of \$7,040 from FY 2006-07 Budget.

Expenditures under Building & Code Enforcement include salary and benefits for the City Manager, Office Assistant, and Associate Planner. Additional expenditures include: operating supplies; contract services for building plan check and inspection; contract services for code enforcement; dues & publications; development seminars; and travel & meetings. Cost increases result from the Associate Planner now charged to this division. The contract services for building inspection and plan check is reduced to mirror a decline in building activity and contract code enforcement is reduced by over \$22,000 to reflect the Associate Planner performing the majority of this program.

Planning & Engineering

Proposed Expenditures - \$225,134. Increase of \$53,356 from FY 2006-07 Budget.

Expenditures under Planning & Engineering division include salary and benefits for the City Manager, Office Assistant, and Associate Planner. The Associate Planner is the largest share of the salary and benefit budget. Additional expenditures include: operating supplies; retainer for City Engineer services; encroachment permits; traffic engineering; plan/map check services; grading inspection; special studies and reports to include Measure M eligibility review; grant opportunities, and state/federal engineering mandated reports; geographic information systems, and contract services/special studies for General Plan revision. An approximate \$23,000 increase results from Associate Planner costs; \$40,000 allocated for potential studies and consulting costs related to the General Plan update; and, a \$5,000 increase in City Engineer retainer costs. Reductions result from reduced traffic engineering costs due to the Traffic & Engineering Study completed in 2006-07.

Public Works

Civic Center: Proposed Expenditures - \$79,286. Increase of \$11,218 from FY 2006-07 Budget.

The Civic Center division is allocated \$27,536 in salaries and benefits for the Office Assistant, Maintenance Supervisor, and Maintenance I positions. Additional costs include: operating supplies; building maintenance; chamber maintenance; custodial services; and, telephone, electric, gas and water utilities. Increases result from a \$4,500 increase in building maintenance to address the floor area in the bathroom and general maintenance of the Civic Center. A \$1,000 increase is proposed for Chamber maintenance to include the painting of the rear wall behind the dais.

Public Works General: Proposed Expenditures - \$378,230. Decrease of \$275,221 from FY 2006-07 Budget.

The Public Works General division supports \$98,230 in salary and benefits for the City Manager, Office Assistant, Maintenance Supervisor, and Maintenance I positions. \$5,000 of the salaries is covered by a Department of Conservation grant for litter control while the remainder is General Fund. The Public Works General division is responsible for general maintenance items to include vehicle operation and maintenance, general building maintenance, traffic signal maintenance, recreation trail maintenance, street sweeping, tree trimming, landscape maintenance and utilities for electricity and water use on public right of way throughout the City. Major decreases result primarily from a reduction in trail improvements, though minor reductions occur from traffic striping and tree trimming.

Street Maintenance: Proposed Expenditures - \$315,976. Decrease of \$431,000 from FY 2006-07 Budget.

Street Maintenance contains all street and sidewalk maintenance costs. \$14,976 in salaries and benefits are assigned to this division for the Maintenance Supervisor and Maintenance I positions. Major reductions are in the General Fund portion of the 2007-08 street maintenance program. General Fund contributions are recommended at \$30,000 while Gas Tax Fund and Local Sales Tax (Measure M) contributions are \$147,000 and \$99,000 respectively. It is recommended that the 2007-08 Street Maintenance program, as identified by the Pavement Management Plan, be scheduled over two fiscal years to combine funds. Further, it is proposed that when a reimbursement from FEMA is received that the General Fund portion of the Street Maintenance program be reviewed for higher funding. The City is expecting funds from Proposition 1B during the 2007-08 Fiscal Year. The Governor's proposed budget allocates \$120,000 in Fiscal Year 2007-08 and \$30,000 thereafter until a final allocation of \$10,000 brings the City's total allocation to \$400,000 over ten years. This funding source is not reflected in the budget due to uncertainty in the State budget process. Finally, the County of Orange will have an item for consideration at its July 31st meeting regarding re-allocating additional funds to Orange County cities from the County's portion of OCTA funds and Proposition 1B funds. It is unknown at this time how much Villa Park may gain from this item or if the funding will be per capita or competitive.

Storm Drain Maintenance: Proposed Expenditures - \$98,664. Decrease of \$18,612 from FY 2006-07 Budget.

Salaries and benefits for the Associate Planner, Maintenance Supervisor and Maintenance I positions are allocated to Storm Drain Maintenance. Decrease from prior year's budget is a result of the Associate Planner conducting many of the National Pollutant Discharge Elimination System (NPDES) in-house versus contracting for those services. It is proposed to spend \$30,000 for replacement of certain storm drain pipes that are corrugated metal and were identified during the current Fiscal Year as needing replacement.

Sewer Maintenance/Improvements: Proposed Expenditures - \$434,250.

This division is solely funded by the Sewer Improvement Fund, Fund 11. Revenues are derived from the Sewer Service User Charge. Salary and benefits for the City Manager, Associate Planner, and Maintenance Supervisor and Maintenance I positions are accounted for in this division for \$14,750. \$335,000 in sewer improvements are recommended. It is also recommended

that the City bank \$30,000 each year in order to conduct a full closed circuit tv monitoring in year six or seven to re-assess the system. \$30,000 is allocated for sewer cleaning.

Sewer Maintenance District No. 1: Proposed Expenditures - \$13,500.

This division represents a sewer pumping station assessment district for two tracts located on Sycamore Circle. Costs are representative of actual costs to maintain and conduct future improvements to the system.

Capital Improvements

Capital Projects: Proposed Expenditures - \$650,000.

The Villa Park Road Rehabilitation project is recommended to be fully funded during 2007-08 using \$230,000 in General Fund revenues. An additional \$290,000 in grant funds will be used. Additionally, in order to bring future projects closer to shelf ready, \$75,000 is recommended for Lemon Street, \$25,000 for Taft Improvements, and \$5,000 for the Mesa Drive Guardrail project. Finally, it is recommended that the City authorize the use of \$25,000 in Structural Fire Funds for a fire sprinkler retrofit of City Hall. Overall, \$335,000 in General Funds and \$315,000 in Capital Improvement Funds are proposed to be used.

DISCUSSION

The City Council has the discretion to re-allocate funds, however, the recommended funding is consistent with conducting City operations in an effective and efficient manner. A general discussion on a reserve level is healthy. As recommended, the General Fund Reserve is proposed to be \$530,000 – 20% of the General Fund revenue. The Council may want to discuss the recommended amount and determine if other projects or programs should be funded. For example, the recommended budget does not set aside funds specifically for improvement projects to the Towne Centre or beautification efforts in general (other than standard operating measure through Public Works that help keep the City clean and beautiful). There is no money set aside for replacing landscaping, redoing traffic medians, or a website redesign. Additionally, there is no money recommended for renewal of the Townsend Public Affairs contract which could reach \$60,000.

FISCAL IMPACT

The Proposed Fiscal Year 2007-2008 Budget is balanced and within applicable spending limits. The Proposed Budget sets aside a General Fund balance 20% of the estimated General Fund Revenue for a total of \$530,000. The Proposed Budget does not take into consideration the outstanding U.S. Federal Emergency Management Agency reimbursement request for the Cannon Wall project, potential grant funding contained in the Governor's 2007-08 Proposed Budget, or the re-direction of County of Orange street improvement funds.

RECOMMENDED ACTION

That the City Council conduct a Study Session, discuss and consider the proposed Fiscal Year 2007-2008 Budget, make appropriate decisions, and provide staff direction.