

June 22, 2004

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

**SUBJECT: FY 2004/2005 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 2004/2005.

The Fiscal Year 2003/2004 General Fund revenues were ahead of projections for property taxes, licenses and permits, and charges for services. The aggressive projections for property tax revenue during Fiscal Year 2004/2005 are based on recent market studies and predictions. As a result, there are more available fund resources for projects in Fiscal Year 2004/2005.

Overall, the Fiscal Year 2004/2005 budget is assertive due to a transfer of \$447,000 to the Capital Projects Fund. Fiscal Year 2003/2004 was a "save" year with respect to Capital Improvement Funds – at the end of Fiscal Year 2003/2004, the General Fund balance is estimated at \$1.2 million. The transfer from the General Fund to the Capital Projects Fund addresses the continuing fund for Sewer, Street, and Storm Drains. Combined these funds represent a \$400,000 savings account.

BUDGET HIGHLIGHTS

During the past year, the City assessed its infrastructure through the completion of the Sewer Master Plan and the Pavement Management Plan. These projects provide the City with a framework to assess future infrastructure needs and to assign priorities to pending capital projects.

FY 2004/2005 revenues are projected at \$3.1 million with \$2.4 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 remainder.

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 Fiscal Year 2004/2005, the General Fund balance is projected at \$938,265 with a floor of \$630,000.***

The \$2.7 million General Fund budget is balanced without an increase in taxes, fees, or service charges with projected revenues exceeding expenditures by \$180,265. *Overall, General Fund expenditures for Fiscal Year 2004/2005 are increasing by 12% or \$234,640 over FY 2003/2004 Budget. General Fund revenues for Fiscal Year 2004/2005 are increasing by 13% or \$275,650.* Comparing the Fiscal Year 2003/2004 Budget (Summary of Expenditures) to Fiscal Year 2004/2005, there is a decrease of \$53,000 or 2%. The total City budget for all funds, including the Capital Improvement Fund, for Fiscal Year 2004/2005 is \$3.24 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 \$118,000 and \$64,600 respectively and must be used solely for transportation-related purposes. The City uses these funds for street and road maintenance projects. Revenue projections are consistent with prior year.

Traffic Safety and SLESF/COPS revenues are projected at \$30,300 and \$4,000 and must be used for law enforcement purposes. The City uses these funds to augment its public safety budget. In Fiscal Year 2004/2005, the City will use Traffic Safety and SLESF/COPS revenues to fund 17% of the City's public safety budget to include a motorcycle officer position, special assignment patrols, and bicycle patrols. Revenue projections are consistent with prior year – however, the City has not budgeted receipt of an additional SLESF/COPS grant. The City did not budget for a grant in Fiscal Year 2003/2004 and received the minimum federal allocation of \$100,000.

AQMD revenues are projected at \$7,550 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 the street sweeping program.

Aid to Cities revenues represent grants received by the City in support of various projects. In Fiscal Year 2004/2005 the City will receive \$55,500 in revenues to the Aid to Cities fund. Revenue to this fund represents a \$5,000 annual grant for litter collection which the City uses to fund a portion of the street sweeping program and collection

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supplies and a projected \$50,000 grant for the completion of the CCTV of the City's sewer system.

CAPITAL IMPROVEMENT FUND

Included in the budget is the updated 7-year Capital Improvement Program. Staff recommends that in Fiscal Year 2004/2005 the City allocate funds to finish the curb and gutter of Valley Drive between Lemon Street and Center Drive and allocate funds toward the design of Lemon Street and Taft Avenue. Completion of the design phase of these projects will help facilitate the receipt of future grant funding for the improvements. The remainder of the Budget represents savings programs in three areas: Sewer Improvements, Storm Drain Improvements, and Street Improvements.

MAJOR FISCAL CHANGES

PERSONNEL CHANGES

The Maintenance Superintendent will retire at the end of January 2005. Staff has elected to replace the position with a Maintenance I position reporting to the Maintenance Lead Person position. This results in personnel savings for the 2004/2005 Fiscal Year of \$11,362 and for the 2005/2006 Fiscal Year of \$25,064.

LAW ENFORCEMENT

Based on contract cost proposals, the City-Sheriff budget is increasing by approximately \$9,000. A portion of the contract cost, \$13,000 in recurring costs for the mobile data computers, can be funded through the City's technology grants. As a result, the Sheriff's budget is static at approximately \$768,000.

BUILDING DEPARTMENT

To accurately reflect costs to proposed revenues, the Building Department expenditure represents 80% of the project building revenues. If revenues are less, the corresponding expenditure will also reduce. Staff is estimating that costs and revenues in this department will increase based on construction activity in the community.

STREET MAINTENANCE

Implementation of the City's Pavement Management Program is well underway in Fiscal Year 2004/2005. The planned expenditures represent an increase in prior year expenditures to fully cover those areas of the City where infrastructure improvements are necessary under the Program.

STORM DRAIN MAINTENANCE

The City is required to participate and comply with all regulations promulgated through the Regional Water Quality Control Board. As a result, the Fiscal Year 2004/2005

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participation in the NPDES program is estimated at \$40,000. This represents a decrease of \$20,000 over the prior year.

SEWER MAINTENANCE

The majority of the Sewer Monitoring Program was completed in Fiscal Year 2002/2003. Fiscal Year 2003/2005 the majority of the CCTV of the City's sewers was completed. Annual monitoring programs and the completion of the CCTV (remaining 25%) of the sewer lines is anticipated in Fiscal Year 2004/2005. A grant is proposed to fund one-half of the project.

SUMMARY

Prudent management and conservative funding has placed the City in a secure financial position. Our long-term fiscal stability allows the City to respond to fiscal changes at the State level and minimize impacts on service delivery to the residents and businesses of the City of Villa Park. The true impacts of the Governor's Proposed Budget are difficult to project with any degree of exactness. However, based on recent proposals by the Governor, the impact to Villa Park will a reduction in revenue to the Vehicle License Fee, Sales Tax, and Property Tax by \$67,866 in Fiscal Year 2004/2005, an identical reduction in Fiscal Year 2005/2006, and a return of approximately \$112,000 in Fiscal Year 2006/2007. This equates to a net impact of \$24,000 spread over three years. Since the Governor's Budget is not yet completed, staff has projected VLF revenue at the anticipated levels for the entire year. Projections for property tax revenue receipts will far offset any impact on VLF losses under the Governor's proposed budget.

At the conclusion of Fiscal Year 2004/2005, it is expected that the City's unrestricted General Fund balance will be approximately \$915,000. This proposed Budget adheres to the City Council reserve policy of \$630,000.

General Fund Balances	
Estimated General Fund Balance as of 6/30/2004	\$1,225,000
Less <i>General Fund Reserve</i> for FY 2004/2005	\$630,000
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2004	\$595,000
Plus Revenues in Excess of Expenditures FY 2004/2005	\$180,265
Less Operating Transfers Out	(\$467,000)
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2004	\$308,265
Plus <i>Reserved Balance</i> for FY 2004/2005	\$630,000
Total Estimated General Fund Balance as of 6/30/2005	\$938,265

- 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.
- As presented, the FY 2004/2005 General Fund revenues will exceed proposed expenditures by \$180,265.

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- 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