

June 24, 2003

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

**SUBJECT: FY 2003/2004 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 2003/2004.

It is important for the City to remain fiscally conservative while at the same time, remaining vigilant in the maintenance of its infrastructure. FY 2002/2003 revenues were stable and ahead of projections for property taxes, charges for current services, and traffic congestion revenues. The FY 2003/2004 property tax revenue estimates remain high based on recent market studies and predictions. The FY 2003/2004 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

During the past year, the City addressed several infrastructure improvements to include Loma Street road improvements, Trail Improvements, Wanda & Collins resurfacing, beginning stages of the Aubrey Storm Drain project, and Wanda & Santiago road improvements. In addition to the above ground infrastructure, the City began the task of assessing its underground infrastructure in the form of sewers and storm drains. These large projects substantially depleted the Capital Improvement Fund and in FY 2003/2004 staff recommends that the City use the remaining funds to save toward long-term infrastructure projects.

FY 2003/2004 revenues are projected at \$2.4 million with \$2.1 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 \$300,000.

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 2003/2004, the General Fund balance is projected at \$1,293,369 with a floor of \$612,000.***

The \$2.1 million General Fund budget is balanced without an increase in taxes, fees, or service charges with revenues exceeding expenditures by \$116,269. *Overall, General Fund expenditures for FY 2003/2004 are increasing by 3.1% or \$60,316 over FY 2002/2003 Budget.* The 3.1% increase includes increases in public safety expenditures (\$23,460); an increase in Building Department expenditures to accurately reflect the projected revenues (\$61,270), an increase in Street Maintenance to account for additional street rehabilitation (\$30,327); an increase in Storm Drain Maintenance to reflect NPDES requirements (\$23,128); and a shift in the use of special revenues from personnel and internal projects to infrastructure and public safety. These increases are offset by a reduction in personnel costs, a reduction in sewer maintenance costs (completion of the monitoring program), and a reduction in overall internal maintenance costs. The total City budget for all funds, including the Capital Improvement Fund, for FY 2003/2004 is \$2.73 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 \$119,000 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 \$30,300 and \$38,000 and must be used for law enforcement purposes. The City uses these funds to augment its public safety budget. In FY 2003/2004, the City will use COPS revenues to fund 20% of the City's public safety budget to include a motorcycle officer position, special assignment patrols, and bicycle patrols.

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 the street sweeping program.

Aid to Cities revenues represent grants received by the City in support of various projects. In FY 2003/2004 the City will receive \$5,300 in revenues to the Aid to Cities

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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 supplies.

CAPITAL IMPROVEMENT FUND

Included in the budget is the updated 7-year Capital Improvement Program. Staff recommends that in FY 2003/2004 the City allocate funds to finish the Aubrey Storm Drain project and allocate the remainder to savings programs in three areas: Sewer Improvements, Storm Drain Improvements, and Street Improvements.

MAJOR FISCAL CHANGES

PERSONNEL CHANGES

The City Clerk retires at the end of June 2003. In lieu of hiring a replacement at the full-time rate, the budget reorganizes the Administration function and distributes the job duties and responsibilities to the remaining staff. As a result, the budget contains the following personnel adjustments: City Manager to City Manager/City Clerk and Administrative Secretary to Administrative Secretary/Deputy City Clerk. An hourly position is proposed at 20-25 hours per week to help fill in the gap. Adjustments in the salary and benefits plan are included as recommended by the City Council Personnel Committee. Excluding the City Manager position, this represents a salary and benefit savings of \$49,631 during FY 2003/2004.

LAW ENFORCEMENT

Based on contract cost proposals, the City-Sheriff budget is increasing by \$23,460.

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.

STREET MAINTENANCE

The Street Maintenance Program is underway in FY 2003/2004. 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 FY 2003/2004 participation in the NPDES program is estimated at \$50,000. This represents an increase of \$23,128 over the prior year.

SEWER MAINTENANCE

The Sewer Monitoring Program was completed in FY 2002/2003. This represents a reduction of \$165,698 in this function.

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 2003/2004, it is expected that the City's unrestricted General Fund balance will be approximately \$1.3 million. This proposed Budget adheres to the City Council reserve policy of \$612,000.

General Fund Balances	
Estimated General Fund Balance as of 6/30/2003	\$1,177,100
Less <i>General Fund Reserve</i> for FY 2003/2004	\$612,000
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2003	\$565,100
Plus Revenues in Excess of Expenditures FY 2003/2004	\$116,269
Less Transfer for Capital Projects	(\$0)
Estimated <i>Unreserved General Fund</i> Balance as of 6/30/2003	\$681,369
Plus <i>Reserved Balance</i> for FY 2003/2004	\$612,000
<i>Total Estimated General Fund Balance as of 6/30/2004</i>	\$1,293,369

- 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 2003/2004 General Fund revenues will exceed proposed expenditures by \$116,269.
- 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.

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- 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