



City of Villa Park

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June 26, 2007

SUBJECT: Fiscal Year 2007-2008 Operating Budget and Capital Improvement Program

Honorable Mayor and Members of Council:

I am pleased to present to you the 2007-2008 Operating Budget and Capital Improvement Program. I want to thank the following staff members for their input and hard work in compiling this year's budget: Maintenance Supervisor Mike Knowles, City Engineer Warren Repke, Accounting Manager Kristi Meyers, and Assistant to the City Clerk Jarad Hildenbrand. In addition, I want to thank the Council in general and Mayor Pro Tem Brad Reese, Councilmember James Rheins, in their role as the Finance Committee for reviewing and providing input into the document and City Treasurer Dennis Kuli.

The City of Villa Park is a community that prides itself on continuous enhancement to its quality of life and increasing its civic pride. In addition, Councils from the City's inception to present day seek to ensure City operations are efficient, effective, and fiscally conservative in our approach to using tax receipts to provide City services.

The Budget is the City's annual financing and spending plan, providing the formal ability for the City to provide necessary services to its residents. However, the more important role the physical budget book plays is that it serves as a communications, accountability, management, and resource allocation tool. The Budget, as presented, is the road map for the upcoming fiscal year and an important check on the use of taxpayers' funds and special assessments. Overall, the budget book is an important educational document to assist our residents in knowing what the City is, what we are setting about to do, how we have done business in the past, and what the restraints are as we set out to provide the necessary services that make Villa Park the Hidden Jewel of Orange County.

2007-2008 Budget Summary

The 2007-2008 Budget proposes to expend \$4,014,144. This is achieved using available revenues of \$5,444,065. The General Fund, which is the primary revenue source for discretionary spending, is estimated to generate revenue of \$2,649,740 for the operating year of 2007-2008. Combined with the General Fund balance available at the start of the operating year, the General Fund will have available revenues of \$3,420,597. Expenditures allocated to the General Fund will total \$2,730,449 for the operating year, therefore leaving an estimated fund balance as of June 30, 2008 of \$690,147.

Revenue sources other than the General Fund have a balance available of \$898,347. Expenditures charged to non-General Funds are estimated to be \$1,283,695. Based on estimated revenues to non-General Funds of \$1,125,121 there is an estimate fund balance as of June 30, 2008 of \$739,774.

Overall, available funding for Fiscal Year 2007-08 exceed expenditures.

Prior Year Accomplishments

The following were accomplished during Fiscal Year 2006-07:

- The City accomplished improvements to Mesa Street, to include curb, gutter, and a rubberized asphalt roadway which increases the durability and longevity of the street surface, thereby increasing its lifespan.
- The City conducted extensive sidewalk repair and replacement, specifically near the four public schools as well as re-stripped streets for safety purposes.
- The City started a large recreational trail improvement program.
- A new street sweeping contract was competitively bid and awarded reducing street sweeping down to one day a week.
- A reorganization of staffing positions was completed, creating an Associate Planner position to handle day-to-day planning issues, water quality items, code enforcement, and the proposed General Plan revision and update process.
- Stability in the City's finance function occurred through utilizing a public sector accounting firm for temporary services prior to hiring a part-time accounting manager.
- A revision of the Strategic Financial Plan was commenced.
- A School Resource Officer pilot program was launched with the Sheriff's Department and Orange Unified School District.

Challenges and Opportunities

Based on prior year accomplishments there are many opportunities present for the City. The on-going Strategic Financial Planning process allows for identification of revenue enhancements and expenditure reductions to keep the City financially stable. The City is positioning itself to selectively make capital improvements based on available General Funds by aggressively pursuing grant opportunities. One challenge to this activity is ensuring that General Funds are available with the grant opportunities. City staff and the City Engineer will work with the Capital Improvements Committee to schedule improvements accordingly. Starting this Fiscal Year, the City will begin several years of saving resources for future years' projects. The importance of a year in which resources are saved is that it provides an opportunity to reflect on the City's needs, review available resources, pursue outside available funding, and plan accordingly for future improvements. Through the Strategic Financial Planning process and Capital Improvement Program, the City will develop a comprehensive multi-year approach.

Regulations imposed upon the City and the duties it must therefore perform are greatly different than in years past and the challenges remain for the new Fiscal Year. Increased state and federal regulatory requirements for clean air and water, for example, have increased the cost burden to the City and require more time and resources. The challenge of complying with increased regulatory requirements given the City's static resources is an opportunity that must be pursued by the City through its own effort, not forced by outside entities. As such, the City will vigorously work to achieve compliance and dialogue with appropriate agencies.

The lack of reimbursement from the U.S. Federal Emergency Management Agency (FEMA) continues to be a challenge. The City appealed and finally agreed to a 75% reimbursement level for the failure of the Cannon Retaining Wall. The challenge continues in that the City has yet to receive the majority of the reimbursement and the corresponding 'revenue hole' has impacted the ability to undertake capital projects.

One additional opportunity exists in the City's participation with property owners in the Villa Park Towne Centre to review and improve the neighborhood commercial zoning designation as well as to seek collaboration in aesthetic improvements to the Towne Centre.

Major Programs In Progress

The City will continue its yearly Street Maintenance Program. Each year, the City allocates significant General Fund revenues to maintain the City's street infrastructure through street slurry and pavement rehabilitation projects. Based on available revenue and the need to gain better pricing on annual projects, the City will merge two years of programs into overlapping projects – gaining the benefit of two years funding for one project. For Fiscal Year 2007-2008, it is proposed to expend approximately \$276,000 on projects determined by the City's Pavement Management Program – an amount that may increase based on possible revenue sharing proposals from the State and County for street funds.

The major expenditure from the General Fund continues to be law enforcement. The City will continue its contract with the Orange County Sheriff's Department and maintain five deputy positions. For 2007-2008, the City will fully fund a School Resource Officer pilot program. The SRO will be the primary responder to the four public schools and will additionally provide the City with increased traffic and residential patrol during key time periods.

The first major construction project funded by the recently enacted Sewer Service User Fee was started in June 2006 and another will be started and completed during Fiscal Year 2007-08.

Additional programs include:

- National Pollution Discharge Elimination System (NPDES) or water quality programs to respond to increased regulatory requirements for ensuring that urban runoff and illegal discharges do not enter protected waterways. The City will expend approximately \$35,000 in this activity for Fiscal Year 2007-2008 in direct costs as the Associate Planner will handle the majority of the work.
- The City will begin repairs of the corrugated metal pipe (CMP) storm drains based on the completed assessment. Approximately \$30,000 is budgeted for this expense.
- On-going sidewalk repair and replacement is proposed to expend \$20,000.
- The Civic Center is proposed to undergo a fire sprinkler retrofit using funds made available by the Orange County Fire Authority from prior year's excess Structural Fire Funds.

Revenue Trends

The City primarily receives revenue from secured Property Tax, representing 51% of the General Fund revenues and 36% of total revenues. The projected amount for Fiscal Year 2007-2008 is \$1,302,590. This represents a conservative increase of 2.12% over the current fiscal year. It is important to remember that the City receives approximately 10 ½ % of the 1% property tax rate. Therefore, a year in which the valuation of homes within Villa Park increases by \$80,000,000 will increase our secured property tax revenue by \$84,000. The majority (65%) of property taxes funds education.

Additional trends in revenue sources:

- The Vehicle License Fee (VLF) and Property Tax in-lieu of VLF is projected to increase slightly to \$450,000. Actual VLF fees are around \$40,000 while the in-lieu has increased at a pace equal to the valuation of Villa Park properties.
- Building Permit revenue is projected to continue a decline to \$180,000 based on a review of expected building permit activity in the City.
- Charges for current services is projected to remain stable at approximately \$47,950.
- Gas Tax revenue is projected to increase slightly to \$122,000. Gas tax revenues for Villa Park, even with increased prices, are very consistent and stable.

It is important to note that revenue received by the City is not received all at once or at regular intervals. The majority of revenue, as derived from property tax payments, is received by the City in January and May of each year. These two months account for up to approximately 40% of the City's revenue. All other months typically see any where from 6% to 8% of the remaining revenue received from other sources.

New Expenditures

At this time, there are no major expenditures proposed beyond projects associated with normal City operations and Capital Improvement Projects. The following is a list of major fiscal changes by department (A full list is in the Summary of Expenditures):

- The City Council line item is decreased due to reporting how the City allocates staff time.
- The City Clerk will see a proposed decrease due to no election expenses.
- The City Attorney will see a slight increase due to increased retainer and other costs.
- The Finance Department will see a 7% decrease due to hiring a part time Finance Manager versus contracting out those services.
- The Support Services budget will be increased due to higher insurance costs.
- The Public Works budget reflects a reduction in tree trimming and trail costs.
- Street maintenance is decreased by 62% due to re-alignment of project timelines.

Conclusion

While revenue challenged, the City of Villa Park continues to be fiscally conservative in its elected leadership, budgeting practices and expenditure history. Throughout the year, City staff will monitor available revenue sources and potential grant opportunities in order to reduce the burden on discretionary General Funds so such funds may be utilized more effectively for proposed Capital Improvement Projects in the future. All expenditures will be analyzed and potential for expenditure reductions will be pursued. With the adoption of the Fiscal Year 2007-2008 Operating Budget and Capital Improvement Program, the City will continue to serve its residents in a manner consistent with their expectations.

I appreciate your support and leadership.

Sincerely,



Kenneth A. Domer
City Manager