



BUDGET MESSAGE

City Administrator's Budget Message

INTRODUCTION

Executive Summary



In accordance with the City Charter, I am pleased to present the adopted budget for fiscal year 2011. We have once again developed a one-year budget rather than the traditional *two-year* financial plan due to the continued uncertainty created by the current economic crisis.

The nation is still suffering through the long-term effects of the worst recession since the Great Depression. The City first observed the impacts to its key tax revenues in 2008 as transient occupancy and sales tax revenues

declined for the first time since the recession of 2002. Consequently, a total of \$10.8 million in adjustments were included in the fiscal year 2010 budget to offset both revenue declines and increasing costs in the General Fund. Unfortunately, revenues continued their decline beyond those built into the fiscal year 2010 adopted budget.

The adopted budget addressed a budget shortfall for fiscal year 2011 of approximately \$8.9 million. To address this shortfall, the budget includes approximately \$4.9 million in spending reductions and revenue enhancements. The reductions include the elimination of 32 full-time equivalent (FTE) positions. These employee reductions are in addition to the 37.09 FTE's that were eliminated in Fiscal Year 2010. This represents an overall reduction of 10% of General Fund employees in two years.

The remaining shortfall of approximately \$4 million will be made up through negotiated wage and benefit concessions from the City's labor unions.

Financial Highlights

The fiscal year 2011 adopted budget is comprised of all City funds, including the General Fund, special revenue funds, enterprise funds and internal service funds. Each fund accounts for distinct and uniquely funded operations. The adopted budget includes a total combined operating budget of \$246.9 million and a combined capital budget totaling \$26.8 million. The adopted budget is summarized in the table below by fund type.



BUDGET MESSAGE

City Administrator's Budget Message

The General Fund, the primary and largest individual fund in the City, is comprised of six operating and three administrative departments. The adopted General Fund operating budget totals \$101.6 million and includes an additional \$758,170 for capital expenditures.

City of Santa Barbara Summary of Fiscal Year 2011 Adopted Budget by Fund Type				
	Operating Budget	Capital Program	Total	% of Total
General Fund	\$ 101,617,947	\$ 758,170	\$ 102,376,117	37.4%
Special Revenue Funds	34,547,976	10,871,851	45,419,827	16.6%
Enterprise Funds	94,506,252	13,480,202	107,986,454	39.5%
Internal Service Funds	16,213,489	1,730,769	17,944,258	6.6%
	<u>\$ 246,885,664</u>	<u>\$ 26,840,992</u>	<u>\$ 273,726,656</u>	<u>100.0%</u>

Special revenue funds account for restricted revenues and have a combined adopted operating budget of \$34.5 million and a combined capital budget of almost \$10.9 million. This category of funds includes the Redevelopment Agency, which is a separate legal entity created to eliminate blight and provide low and moderate income housing in the community.

Enterprise funds, on a combined basis, make up approximately one-third of the City budget. They consist of six distinct operations funded from user fees and charges. Enterprise operations are managed and operated much like private sector businesses. They require a significant investment in plant, equipment, and infrastructure to deliver services. Their operating budgets total \$94.5 million, and have a capital budget of nearly \$13.5 million.

Internal service funds provide services exclusively to other city operations, including building maintenance, information systems, vehicle maintenance and replacement, and insurance. Their adopted budget includes an operating budget of approximately \$16.2 million and a \$1.7 million capital program budget.

DEFINING THE PROBLEM

Economic Perspective of General Fund Revenues

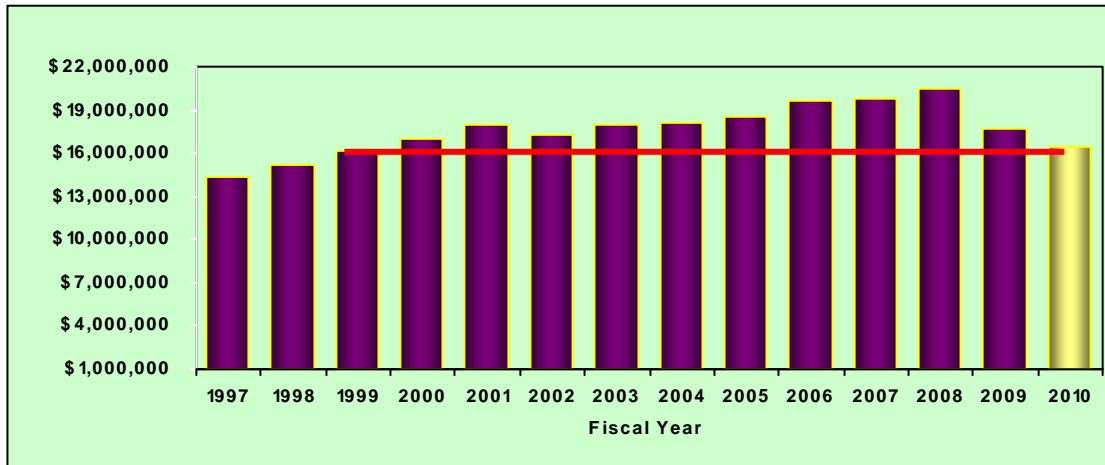
While there are some signs indicating that the economy is recovering, the impacts on City operations of what has been termed the "Great Recession," will be felt for many years. The recession has lowered baseline revenues that will be available to fund General Fund programs and services, including public safety, library, recreation, parks, building, planning, and general administration.



BUDGET MESSAGE

City Administrator's Budget Message

One of the most dramatic impacts of the recession has been the decline in retail sales tax revenues. The chart below presents a fourteen-year summary of sales tax revenues. After generally positive growth from 1997 through 2008, sales tax revenues fell by 10.6% in fiscal year 2009. This was the single largest decline of any General Fund tax revenue going back as far as records are available. In fiscal year 2010, sales taxes are anticipated to fall an *additional* 6.5%. As indicated by the red line in the chart, General Fund sales tax revenues lost eleven years of growth in just two years.



Sales Tax Revenues
Fourteen Year Summary

While sales tax revenues have declined the most, virtually all General Fund revenues have been impacted by the economic downturn. The table below summarizes total General Fund revenues for fiscal years 2009, 2010 and 2011, including the cumulative change during that period.

In fiscal year 2010, budgeted revenues were lowered by \$4.8 million in comparison to the prior year. Due to the continued deterioration of the economy, total fiscal year 2010 General Fund revenue estimates were lowered to \$99.2 million, an additional decline of \$5.4 million.



BUDGET MESSAGE

City Administrator's Budget Message

In the fiscal year 2011 adopted budget, revenues are essentially level, except for an additional \$2.3 million in anticipated savings from negotiated labor concessions. However, in just three fiscal years, the overall decline of General Fund revenues totals nearly \$7.4 million.

	<u>FY 2009 Adopted</u>	<u>FY 2010 Adopted</u>	<u>FY 2010 Estimated</u>	<u>FY 2011 Adopted</u>	<u>Cumulative Change</u>
Sales Taxes	\$ 20,759,000	\$ 18,142,000	\$ 16,414,000	\$ 16,414,000	\$ (4,345,000)
Property Taxes	23,306,000	23,860,000	23,030,000	22,790,000	(516,000)
Transient Occupancy Tax	13,334,000	12,027,000	11,157,000	11,157,000	(2,177,000)
Utility Users' Tax	6,966,000	7,242,000	6,952,000	7,040,000	74,000
Franchise Fees	2,995,400	2,976,000	3,348,000	3,266,000	270,600
All Other	42,058,360	40,350,127	38,280,206	41,394,117	(664,243)
	<u>\$ 109,418,760</u>	<u>\$ 104,597,127</u>	<u>\$ 99,181,206</u>	<u>\$ 102,061,117</u>	<u>\$ (7,357,643)</u>

Other Factors Contributing to Budget Shortfall

Although declining revenues were a key factor in creating the City's budget shortfall, two other factors contribute to the problem: increasing labor costs and the one-time measures implemented in fiscal year 2010 that do not carry over into fiscal year 2011.

With respect to labor costs, the City entered into contracts with several of our employee unions before the severity of the economic recession became apparent. These multi-year agreements include increases to wages and benefits in fiscal years 2010 and 2011. The impact of these scheduled wage and benefit increases total \$2.3 million in fiscal year 2011.

In balancing the fiscal year 2010 budget, one-time measures totaling \$3.3 million were included to minimize impacts on services and to avoid employee layoffs. While these measures, such as unpaid furloughs, were helpful in minimizing cuts to services and staff, they were one-year solutions only. *New* measures are implemented in fiscal year 2011 to replace these one time adjustments in order to address the overall budget shortfall.

Other City Services Impacted by the Economic Downturn

In addition to the services funded in the General Fund, the City also provides *other* important services. These services are accounted for in separate enterprise funds, special revenue funds, and internal service funds. These services have also been affected to varying degrees by the declining economy.



BUDGET MESSAGE

City Administrator's Budget Message

For example, the City's municipal golf course saw the number of golf rounds decline by 6% in fiscal year 2009. In fiscal year 2010, in large part due to major construction on the course, golf rounds are down close to 20%. At the Airport, passenger counts dropped by 8% in fiscal year 2009 and were down an additional 4% in fiscal year 2010. The Waterfront Fund, which accounts for the services provided along the waterfront, including Stearns Wharf and the harbor, experienced some loss of revenues in 2009. However, fiscal year 2010 revenues remained steady. Similarly, the Downtown Parking Fund, which accounts for the operation and maintenance of the City's public parking facilities, has likewise seen a normalizing of revenues. The City's two utility operations, Water and Wastewater, have not seen declines in revenues due to the current economic downturn.

Internal service funds are used to account for services provided by one department to other City departments. Examples include motor pool, building maintenance, information systems, and risk management. These operations are financed through charges levied on operating departments of the City. While not directly impacted by the economic crisis, all internal service funds' budgets include reductions, which translate to reduced charges to all City funds, including the General Fund.

BALANCING STRATEGY

Early in fiscal year 2010, staff calculated a budget gap of \$8.9 million for fiscal year 2011. To offset the budget gap, the adopted budget includes new funding sources, refined revenue and budget estimates, reduced funding to community organizations (see accompanying table), and \$4.3 million in departmental budget adjustments. These adjustments include over \$3.4 million in departmental reductions, and result in the elimination of 30.8 positions, most of which are vacant. They also include approximately \$870,000 of revenue enhancements.

It is important to note that the departmental reductions are in addition to the cuts that were implemented in order to balance the FY 2010 budget. The cumulative impacts will further affect the level of services provided to the community, including the closure of the Central and Eastside Libraries on Mondays, and the elimination of three vacant sworn police officer positions.

A summary of budget adjustments by departments, including the number of full-time equivalent (FTE) positions eliminated, is presented in the table on the next page. These adjustments are itemized in Attachment 1 to this transmittal letter, and the impacts to department operations are noted in each department budget summary.



BUDGET MESSAGE

City Administrator's Budget Message

Summary of Budget Adjustments by Department				
Department	Expenditure Cuts	Increased Revenues	Net Savings	No. of FTE's Eliminated
Administrative Services	\$ 205,244	\$ -	\$ 205,244	2.00
CAO/Mayor & Council	299,009	19,862	318,871	2.00
City Attorney	223,412	-	223,412	1.10
Community Development	399,322	158,288	557,610	3.00
Finance	47,171	75,000	122,171	0.50
Fire	391,974	100,000	491,974	3.00
Library	354,440	-	354,440	3.80
Parks & Recreation	474,842	8,779	483,621	3.40
Police	942,334	-	942,334	7.00
Public Works	76,928	504,752	581,680	1.00
TOTAL GENERAL FUND	3,414,676	866,681	4,281,357	26.80
Internal Service Funds	317,694	-	317,694	4.00
GRAND TOTAL	\$ 3,732,370	\$ 866,681	\$ 4,599,051	30.80

The combination of newly identified funding sources and departmental budget adjustments included in the adopted budget total \$4.9 million. The remaining gap of \$4 million is addressed with negotiated labor concessions.

Labor Concessions Critical to Solving Budget Gap

One of the major elements creating the deficit in the General Fund is the increasing cost of employee salaries and benefits. Therefore, one of the keys to our balancing strategy included working with labor groups to achieve wage and benefit concessions to mitigate staff and service reductions. Ultimately, labor concessions generated sufficient savings to close the remaining budget gap and allowed the restoration of positions and services proposed for reduction in the recommended budget.

Capital Program Funding Still Falls Short of Needs

The recently completed Six-Year Capital Improvement Program identified \$8.3 million in capital needs over the next two years that need to be funded by the General Fund. However, the fiscal year 2011 adopted budget includes just \$508,170 for the General Fund capital program. In fiscal year 2010, only \$573,170 was spent for capital due to the deterioration of General Fund revenues caused by the recession. Note that this does *not* include capital spending included in



BUDGET MESSAGE

City Administrator's Budget Message

the Enterprise Funds, such as the Airport, Water, Wastewater, Waterfront, and Downtown Parking Funds, which totals \$11.5 million.

In years past, when General Fund revenues were growing strong, sufficient reserves were generated and accumulated to fund a healthy capital program each year. For example, in fiscal year 2001 the General Fund had \$5.4 million in reserves above policy requirements and funded a \$2.6 million capital program. More recently, the capital programs of fiscal years 2007 and 2008 averaged approximately \$1.8 million per year.

Among the capital projects that we have deferred in fiscal year 2011 is the replacement of the City's aging Financial Management System, rehabilitation of several park facilities, and general repairs to several City buildings and facilities.

Deferring capital improvements and maintenance of City facilities generally results in increased costs in the future and adds to the existing backlog of projects that may take years to catch up with. Over the next several years, as revenues grow, it will be critical that the City restore capital funding back to appropriate levels in order to preserve important capital assets into the future.

Reductions to Outside Organizations

In addition to reductions to departmental operations, the adopted budget includes significant cuts to many important community organizations that sponsor events in the community, provide important services, or encourage tourism and conventions.

The funding cuts to community promotions organizations will save the General Fund \$367,618. The table below summarizes the adopted funding for each affected organization. Please note that while funding is eliminated for the 4th of July Parade, the annual fireworks show is funded in the Waterfront budget.



BUDGET MESSAGE

City Administrator's Budget Message

GENERAL FUND				
Summary of Funding Cuts to Community Organizations				
Organization	FY 2010 Funding	Adopted Cuts	FY 2011 Adopted	% Reduction
County Arts Commission	\$ 485,523	\$ (58,263)	\$ 427,260	12.0%
Santa Barbara CVB	1,499,483	(149,948)	1,349,535	10.0%
4th of July Symphony	13,740	(1,649)	12,091	12.0%
Old Spanish Days	82,440	(8,244)	74,196	10.0%
Semana Nautica	2,915	(2,915)	-	100.0%
Spirit of '76 Parade	11,450	(11,450)	-	100.0%
Summer Solstice	42,057	(4,206)	37,851	10.0%
Santa Barbara Channels	346,942	(115,647)	288,800	33.3%
SB Film Festival	54,960	(5,496)	49,464	10.0%
Visitor's Information Center	54,495	(5,450)	49,045	10.0%
New Beginnings	43,500	-	43,500	0.0%
TOTAL	\$ 2,637,505	\$ (363,268)	\$ 2,331,742	13.8%

These organizations provide worthwhile events, services and programs for the community. However, in the context of the major declines in General Fund revenues, we believe these reductions are appropriate in order to minimize further reductions to core City services such as fire, police, libraries, and parks.

ENTERPRISE FUNDS

The City has seven distinct operations that are referred to as enterprise funds. These operations are primarily funded from user charges or restricted grant funding. In most cases, the revenues in the funds are restricted by law or contract to the purposes for which they are collected.

Each of these funds has been affected to varying degrees by the recession of the past two years. However, each has also made considerable progress in improving the services provided to the public.



BUDGET MESSAGE

City Administrator's Budget Message

Airport Fund

A major impact of the economic crisis has been the significant decline of air travel across the nation. In Santa Barbara, the number of passengers has declined markedly since late 2008. In fiscal year 2009, passenger counts fell by 7.8%, the largest declines since fiscal year 2002 following the terrorist attacks in New York. In fiscal year 2010, passenger counts fell by an additional 3.7%. These declines have a corresponding impact on those revenues driven by passenger volumes, such as parking, concessions, and rental car receipts.

In fiscal year 2011, most Airport revenues are expected to remain stable with little to no growth. However, construction of the new airline terminal will triple the square footage of airline space. As a result, terminal aviation revenues are expected to increase by approximately \$500,000, from \$2.1 million to \$2.6 million, as airlines will pay more for the added space they will be provided. These revenues will be partially offset by increased building costs, such as custodial services and utilities.

Golf Fund

The Golf Fund has been affected the most of all enterprise operations by the recession. Over the last ten years, the number of rounds has steadily declined, consistent with national trends. However, the current recession has had a more dramatic impact on play on the course. Raising greens fees each year has helped minimize the loss of revenues, but it may also be contributing to the reduction in rounds played.

In addition to impacts from the recession, the Golf Course underwent major capital improvements during fiscal year 2010 to improve course utilization and water quality. During the construction period, the number of rounds played declined by approximately 20%. Fortunately, the improvements have added a number of features and visual elements that have improved the look and playability of the course. It is expected that these improvements will draw more players to the course and bring back those who left due to the construction.

The fiscal year 2011 budget includes a strategy to increase the level of play, including the implementation of fee changes to support increased play, and the development of a comprehensive marketing plan.



BUDGET MESSAGE

City Administrator's Budget Message

Downtown Parking Fund

The Downtown Parking Fund is responsible for the maintenance and operation of nine surface parking lots and five parking structures. In fiscal year 2010, due to very conservative revenue estimates that accounted for the recession, Downtown Parking revenues met budget projections. For fiscal year 2011, revenues are estimated to remain essentially flat.

Fiscal year 2011 expenditures reflect the savings from the phase out of the My Ride and Employee Bus Programs that began in fiscal year 2009. The program will consist only of free bus passes to City employees, which will save approximately \$250,000. The fiscal year 2011 budget also reflects savings of \$100,000 in costs for electricity as a result of recent work completed to improve the energy efficiency of a number of parking structures.

In fiscal year 2010, the City implemented a pilot program in conjunction with the Downtown Organization to provide for additional police resources in the downtown area and parking facilities. This program was pursuant to the recommendations from the City Council subcommittee on Homelessness and Community Relations. The program provides for a 50% match of funds provided by the Downtown Organization to employ part time police officers to patrol these areas. This program has been successful and will continue into fiscal year 2011 at the same level of funding.

Water Fund

The Water Fund provides water to City residents and businesses and is funded from service charges that are generally not directly impacted by economic downturns. Water revenues are primarily affected by weather conditions and voluntary conservation efforts. In fiscal year 2010, consumption will likely be below long-term averages due to awareness of the state-wide drought and increased conservation, and higher than normal levels of precipitation.

For fiscal year 2011, Water Fund operating expenses totaling \$31.3 million plus a capital program of \$3.3 million are fully balanced with operating revenues totaling \$34.6 million. Operating expenses are budgeted slightly below fiscal year 2010 budgeted expenses of \$31.6 million. However, the costs for water treatment will continue to be elevated over historic rates by \$1.4 million due to water quality impacts caused by the 2007 Zaca Fire.

The adopted budget reflects a 3% increase to all water rates. This increase is part of the long-term rate strategy to support the Water Fund's extensive capital improvement needs. The rate increase would add approximately \$850,000; however, continued declines in water usage are expected to reduce revenues by over \$400,000. In total, revenues for fiscal year 2011 of \$34.6 million are expected to be \$480,488 higher than fiscal year 2010 adopted revenues.



BUDGET MESSAGE

City Administrator's Budget Message

The adopted capital program for fiscal year 2011 totals \$3.3 million. This does not include projects that we expect will be funded by the State Revolving Fund (SRF) Loan Program. The loan should be approximately \$30 million and fund design and construction for two major projects: the Cater Advanced Treatment Project and the Ortega Groundwater Treatment Plant Rehabilitation Project. Interest during the construction period is anticipated to be approximately \$500,000. Once the projects are completed, the fully amortized debt service payment is estimated at \$1.9 million per year.

Wastewater Fund

The Wastewater Fund depends on revenues that are tied to water service rates. Because of caps contained in the rates, these revenues have less variability than water revenues, which are impacted by changes in weather conditions.

The adopted budget for fiscal year 2011 includes almost \$15 million in estimated revenues, which reflect a 4% increase to wastewater rates. The rate increases are estimated to generate \$556,482 in revenues from service charges above fiscal year 2010 and will help support the Wastewater Fund's large capital program in fiscal year 2011.

Operating expenses are budgeted at \$12.4 million, below the \$13.1 million operating budget adopted for fiscal year 2010. The adopted fiscal year 2011 capital program totals \$6.3 million. It will be funded from \$2.6 million of operating revenues and \$3.7 million of reserves. The capital program includes the Headworks Screening Project estimated at \$3 million. This project will replace the antiquated grinding, screening, rag removal, and dewatering systems with an integrated modernized system.

Waterfront Fund

The Waterfront Fund relies on revenues generated from parking fees, commercial leases and slip fees. While certain revenues have stabilized, others are being impacted by the effects of the economic downturn. Additionally, the department is embarking on major repairs to Marina 1, which will create additional debt service costs to repay loans from the Department of Boating and Waterways.

The adopted operating budget for fiscal year 2011 totals \$10.8 million. Estimated operating revenue total \$11.75 million, leaving an operating surplus of \$975,908 that will fund part of the \$2,555,000 capital program. The remaining portion of the capital program of \$1,579,092 will be funded by capital reserves totaling \$279,092, a \$1,200,000 loan and a \$100,000 from a grant from the Department of Boating and Waterways.



BUDGET MESSAGE

City Administrator's Budget Message

The adopted budget includes a 4% increase to slip fees, as well as a new slip rate category for 60-foot and larger slips and end ties. In addition, slip transfer fees will increase \$25 per foot, except for 20-foot slips. These rate increases are expected to generate \$187,000 in additional revenues. However, they will be more than offset by a projected decline in revenues from leases. Revenues from leases with restaurants are expected to fall by \$220,029 (9%) in fiscal year 2011. Similarly, revenues from commercial leases are estimated to drop by over \$100,000 (7.4%).

Solid Waste Fund

The Solid Waste Fund's adopted budget for fiscal year 2011 will rely on the one-time use of reserves totaling \$526,626 to offset revenue losses totaling \$1.1 million. The balance of revenue losses have been offset by reductions to budgeted expenditures for supplies, services and programs.

One of the most notable changes to the Solid Waste Fund relates to recycling revenues. In fiscal year 2010, revenues from the sale of collected recyclables totaled \$871,649. However, due to major declines in the value of recyclables worldwide, the City will incur an estimated loss of \$37,000 in fiscal year 2011. Fortunately, we are now seeing a recovery in the recyclables market, and expect revenues to increase and normalize within the next several years.

Another notable change in the adopted budget is the shift of franchise fees from the haulers to the General Fund. Franchise fees are unrestricted revenues designed to reimburse the City for the use of the public right-of-way. All other franchise fees, including those relating to cable television, electric and natural gas franchises are accounted for in the General Fund. This shift of refuse franchise fees estimated at \$440,000 was identified as a measure to help address the budget shortfalls faced by the General Fund and was implemented late in fiscal year 2010.

Effective July 2010, Solid waste fees increased by 2.9%. The increase includes a 1.4% increase to reimburse haulers approximately \$210,160 for the planned \$4 per ton increase in tipping fees charged at the County's Tajiguas Landfill, and an adjustment of 1.48%, per the City's franchise agreements with the haulers, for a "cost of living" increase based on the change in the Consumer Price Index.



BUDGET MESSAGE

City Administrator's Budget Message

CHALLENGES AND ACCOMPLISHMENTS

Despite the serious economic times we face, it is important to recognize that most parts of the City organization continue to provide excellent services to our community and are making progress in a variety of different areas. These areas include improving our environment, moving the Plan Santa Barbara General Plan update to completion, addressing the complex issues of youth violence and homelessness, and investing in the City's aging infrastructure.

Improving our Environment

Implementing programs for the benefit of the environment is not just environmentally sound, but is becoming financially sound as well. Some examples of what the City is doing to become more environmentally responsible while generating savings are discussed below.

Increasing Energy Efficiency of City Facilities

The City continues to look for opportunities to retrofit its own electrical systems and generate renewable energy in connection with new building constructions or renovations. As an example, the recently completed Fire Station Renovation Project included solar panels and green building materials, which resulted in being recognized with the prestigious Leadership in Energy and Environmental Design (LEED) gold certification. Two other facilities that received LEED certifications are the Airport's new Rental Car "Quick Turnaround" Facility, which also received gold certification; and a LEED platinum certification for the remodel of the Community Development and Public Works building at 630 Garden Street. This building is just one of six buildings *in the world* achieving platinum status for an existing building. At that facility, lighting was upgraded to energy efficient systems, and the heating, air and ventilation systems were upgraded to allow outside air to cool the building. These improvements are projected to save \$81,000 in electric charges per year.

Implementation of Foodscraps Recovery Program

On November 1, 2009, the City implemented a business foodscraps recovery and composting program, one of just a handful in the State. Foodscraps are collected at local businesses, primarily restaurants, and are sent to a composting facility in north Santa Barbara County where they are turned into compost that is sold and used throughout the central coast in agricultural applications. By participating in the program, businesses are helping to reduce the impacts of organic material in the local landfill; but equally important, businesses are saving money. Local businesses participating in the program saved over \$120,000 in only the first five months of the program.



BUDGET MESSAGE

City Administrator's Budget Message

City Launches "Where's Your Bag?" Campaign

Plastic bags also have large scale impacts, particularly to the marine environment. Due to their fly-away tendencies, many plastic bags wind up on beaches and creeks, and ultimately in the ocean. Paper bags also have environmental impacts given the amount of energy consumed to produce them.

The City joined forces with the Santa Barbara Channelkeeper, Choose to Reuse, and the California Grocer's Association to implement the "Where's Your Bag?" Campaign. The campaign consists of public education materials, free reusable bag give-aways, and partnering with local businesses to promote the use of reusable bags through rewards and other incentives.

Long-Term Planning

The most important planning effort in progress is the update to the City's General Plan, known as Plan Santa Barbara. In the year ahead, the City will determine the balance required between housing, open space, and transportation policies to best meet the community needs now and into the future. The effort focuses on five key policy drivers: growth management, historic and community character, policy and community health, energy and climate change, and economic and fiscal health. The Plan Santa Barbara effort is extremely important as it will shape how the City deals with its existing open spaces, historic heritage, building design standards, and architecture.

Youth Violence

The Police Department has estimated that there are about 160 hard-core gang members in Santa Barbara. Another 750 young people are affiliated with, or are at high risk of, joining a gang.

Last September, the City's Police Department coordinated with multiple state and federal law enforcement agencies to simultaneously descend on seven different locations to conduct searches and serve arrest warrants to individuals tied to criminal street gangs. The operation resulted in 12 arrests for trafficking illegal firearms and narcotics, the removal of dangerous weapons, and diminished the flow of illegal drugs from the streets of Santa Barbara.

In addition to enforcement, the City is deeply committed to proven programs that prevent and end youth violence, despite financial constraints. To that end, the City has been coordinating efforts with a multitude of governmental, philanthropic, and non-profit social service agencies that work directly with our most at-risk youth. Our focus is on enforcement and intervention,



BUDGET MESSAGE

City Administrator's Budget Message

and also working with parents in the neighborhoods, and with our school district on prevention strategies.

The City's Police Activities League, also known as PAL, has been instrumental in helping at-risk youth through after-school programs, sports and other recreation activities. Participation in these programs has never been higher. The number of kids involved in after-school sports leagues has almost doubled in only two years. Likewise, participation in the City's summer drop-in program has increased by 40% in the same time period.

Homelessness

A key issue facing the City and the entire community is homelessness. While the County-wide 10-year plan to end chronic homelessness has helped take over 350 chronically homeless people off the streets, the economic downturn has placed many more people at risk. In addition, significant cuts in State and County funding for social services have left some without a safety net. Consequently, the City is working with the County of Santa Barbara and other south coast cities to develop a comprehensive, regional approach. In the interim, the Rescue Mission and a variety of churches throughout the County voluntarily opened warming centers during rainy and cold nights during the winter.

Investing in City Infrastructure

Despite the lack of funding in the City's General Fund, we are continuing efforts to upgrade aging infrastructure and municipal buildings through the use of restricted revenues, such as those from enterprise funds, federal and state grants and the Redevelopment Agency.

Neighborhood Improvements

One of the most visible projects is the replacement of the Haley and De La Vina Street Bridge. The bridge was built in 1915 and must be replaced to meet current standards for vehicle, pedestrian, water flow, and seismic safety. The new bridge will reduce flooding and potential property damage during major storm events.

The West Downtown Neighborhood Improvement Project will provide better street lighting and sidewalks. This includes the pedestrian improvements recently completed along Ortega and Anapamu Streets between Castillo and Chapala Streets.



BUDGET MESSAGE

City Administrator's Budget Message

Beachside Improvements

Two important projects are currently underway along the beach. The first is the West Beach Pedestrian Improvement Project, which will enhance the beach access and pedestrian linkage between Stearns Wharf and the Harbor. The project includes new plaza areas and public art on the sidewalks to create a promenade feel that will enable visitors and residents to easily migrate to and from these two venues.

At the harbor, construction has begun to replace the thirty-year old marinas. The project is being funded by a loan from the State Department of Boating and Waterways, and is starting with Marina One, the largest marina in the harbor. With two docks being replaced each year, the project will take ten years to complete.

Airport Terminal Expansion

The most significant event in fiscal year 2011 for the Airport will be the substantial completion of the new terminal facility that commenced construction in fiscal year 2010. Santa Barbara's new \$32 million airline terminal will provide larger boarding gate areas, centralized passenger screening, a variety of concessions, improved ground transportation access, boarding bridges, and additional restrooms. The project is primarily funded by grants from the Federal Aviation Agency, airline leases, and passenger facility charges. As with all Airport expenditures, no local tax dollars will be used for the Project.

The new two-story 67,000 square foot terminal is expected to be completed in early 2011 and achieve a LEED silver rating for sustainable building. The Airline Terminal Project will also include construction of a new reconfigured short-term parking lot directly in front of the Terminal and a wider, longer loop road with a separate lane for public transportation vehicles. The historic portion of the existing Airline Terminal, which was built in 1942, is scheduled to open in late 2011 following its relocation adjacent to the new Terminal. The rehabilitated building will provide offices for Airport Patrol and the parking operation.

Recreational and Cultural Facility Improvements

The historic Carrillo Recreation Center, built in 1913, is undergoing a renovation to improve seismic safety and accessibility to meet ADA requirements. The building is used by 100,000 people each year and its expected completion in December 2010 is much anticipated.

Thanks to a generous private donation from Rose Karat, the main adult section at the Eastside Library was recently renovated. The renovation added new computers, furniture, and other building upgrades. In addition, the City will be partnering with the Junior League at the



BUDGET MESSAGE

City Administrator's Budget Message

Central Library on plans to renovate the library basement and building a new children's area. This project is still in design but, once completed, will give a fresh look to one of our oldest facilities.

CONCLUSION

The development of the fiscal year 2011 budget has been a difficult and complex process. Throughout, three interrelated goals have been foremost:

- Maintain the City's financial integrity;
- Minimize cuts to critical services to the community; and
- Minimize layoffs to existing employees.

Achieving these goals has been stressful and challenging. Due to the severity of the economic downturn, forecasting revenues with a high degree of certainty has been almost impossible. This has resulted in the need to be conservative on our estimates to avoid future revenue shortfalls.

On the labor relations front, we negotiated simultaneously with several different labor associations. Each of these unions has its own organizational culture and is unique. While all of the unions is willing to work with management to help solve the City's fiscal challenges, each also wants to protect their individual members from layoffs and financial hardship.

Despite these challenges, I am very proud of the final budget. It is a conservative financial plan, which will maintain the City's fiscal strength and integrity without using accounting gimmicks or budgetary reserves.

The budget minimizes major service cuts to the community, by spreading cuts throughout the organization and to community groups, taking advantage of employee vacancies, improving efficiency, and judiciously raising fees or shifting costs. While there will certainly be impacts, we believe they are acceptable, considering the difficult financial times we are facing.

And lastly, while the adopted budget does include employee layoffs, they have been minimized through the transfer of affected employees to other positions and a spirit of cooperation between departments.



BUDGET MESSAGE

City Administrator's Budget Message

ACKNOWLEDGEMENTS

The preparation of the final budget has been a cooperative process that has involved employees throughout our organization. It required countless hours of study, analysis, and preparation. I especially want to commend the management team of our City for working cooperatively to put together the final budget. Their willingness to look at the "big picture" and work in a true spirit of teamwork has made this difficult task easier and has resulted in a much more responsible financial plan.

I also want to acknowledge the excellent work of the City's financial management team, headed by Interim Finance Director Bob Samario. Mr. Samario, along with Treasury Manager Jill Taura, Budget Manager Michael Pease, and Financial Analyst Jonathan Abad all worked late at night and on several weekends to ensure that the budget document was timely and professionally prepared. I appreciate the personal sacrifices they all endured during this hectic period.

And lastly, I also want to recognize members of the City Administrator's Office who also toiled late into the night to complete the final budget document. This includes Assistant City Administrators Marcelo Lopez and Paul Casey, Labor Relations Manager Kristy Schmidt, Assistant to the City Administrator Nina Johnson, Administrative Analyst Lori Pedersen, and Administrator's Office Supervisor Linda Gunther.

**Budget Adjustment Measures
Included in Adopted Budget**

Fiscal Year 2011

[This page intentionally left blank.]



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Administrative Services		Employee Positions Affected	Net Cost Savings
1	Eliminate vacant Human Resources Analyst	(1.00)	\$117,830
2	Substantially reduce LEAP employee training	-	\$5,689
3	Eliminate City Leadership Academy	-	\$3,000
4	Eliminate vacant Administrative Specialist position	(0.50)	\$43,713
5	Reduce Records Technician position to part-time	(0.50)	\$35,012
Subtotal		(2.00)	\$205,244
DEPARTMENT: City Administrator & Mayor & Council		Employee Positions Affected	Net Cost Savings
1	Eliminate vacant Executive Assistant to Mayor & Council position	(1.00)	\$73,207
2	New City TV revenue for Airline Terminal updates, capital improvement projects, and Water Resources information	-	\$19,862
3	Savings through Reorganization - eliminate vacant Administrative Services Director position	(1.00)	\$102,782



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: City Administrator & Mayor & Council (continued)		Employee Positions Affected	Net Cost Savings
4	Charge 50% of Employee Relations Manager to Solid Waste Fund to manage Environmental Services Division	-	\$85,374
5	Reduce City TV hourly staff support by 50% and produce Inside Santa Barbara program quarterly	-	\$37,646
Subtotal		(2.00)	\$318,871
DEPARTMENT: City Attorney		Employee Positions Affected	Net Cost Savings
1	Eliminate Assistant City Attorney III position	(1.00)	\$214,411
2	Reduce Law Clerk position to part-time	(0.10)	\$9,001
Subtotal		(1.10)	\$223,412
DEPARTMENT: Community Development		Employee Positions Affected	Net Cost Savings
1	Reduce desktop workstations	-	\$10,970
2	Suspend Board & Commission meeting stipends	-	\$35,700
3	Raise Planning Fees by 10%	-	\$65,050



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Community Development (continued)		Employee Positions Affected	Net Cost Savings
4	Raise Appeal Fees	-	\$0
5	Accept Public Works special assignment and charge staff time to Enterprise Fund	-	\$25,000
6	Support preparation of Housing Element through the Redevelopment Agency	-	\$50,000
7	New grant revenue to prepare Climate Action Plan	-	\$35,000
8	New grant revenue to administer Homeless Prevention and Rapid Rehousing Program	-	\$19,600
9	Contract services of Graphic Designer to other departments	-	\$12,541
10	Eliminate vacant Project Planner position in Long-Range Planning	(1.00)	\$2,194
11	Reduce Community Development Director position to part-time	-	\$48,387
12	Unfund and keep vacant Administrative Specialist position	-	\$63,773
13	Eliminate vacant Office Specialist II position	(1.00)	\$51,209
14	Eliminate vacant Planning Technician II position	(1.00)	\$91,612



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Community Development (continued)		Employee Positions Affected	Net Cost Savings
15	Charge half of Building Inspector position to Water Fund for Public Works projects	-	\$46,574
Subtotal		(3.00)	\$557,610
DEPARTMENT: Finance		Employee Positions Affected	Net Cost Savings
1	Increase Revenue Estimate for Utility Billing Late Fee - no increase in fee	-	\$75,000
2	Restore Utility Users Tax auditing contract and add funding for miscellaneous cost increases	-	(\$60,000)
3	Eliminate vacant Assistant Finance Director position	(0.50)	\$84,055
4	Move Utility/Warehouse Supervisor position to Water Resources Division and shift allocation of General Services Manager from Meter Reading Program	-	\$23,116
Subtotal		(0.50)	\$122,171
DEPARTMENT: Fire		Employee Positions Affected	Net Cost Savings
1	Revenue from new non-resident fee to recover costs from vehicle accidents (charged to at-fault parties)	-	\$100,000



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Fire (continued)		Employee Positions Affected	Net Cost Savings
2	Utilize Redevelopment Agency funding to lease office space at 925 De La Vina	-	\$240,000
3	Reduce custodial service for Fire Administration Offices	-	\$40,948
4	Eliminate two vacant Fire Captain positions (relief positions)	(2.00)	\$50,096
5	Eliminate Office Specialist II position	(1.00)	\$60,930
Subtotal		(3.00)	\$491,974
DEPARTMENT: Library		Employee Positions Affected	Net Cost Savings
1	Eliminate Librarian II position in Youth Services Program	(1.00)	\$79,196
2	Close Central and Eastside Libraries on Mondays, eliminating Library Assistant I position, vacant, part-time Library Assistant II position and vacant Library Technician position	(2.80)	\$275,244
Subtotal		(3.80)	\$354,440
DEPARTMENT: Parks & Recreation		Employee Positions Affected	Net Cost Savings
1	Delay replacement of rental equipment at park and recreation facilities	-	\$13,000



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Parks & Recreation (continued)		Employee Positions Affected	Net Cost Savings
2	New revenue from beach and park concessions, etc.	-	\$48,100
3	Reduce General Fund contribution to Downtown Organization contract to maintain State St. sidewalks and landscaping	-	\$31,000
4	Eliminate vacant Teen Center Coordinator position and shift staff support of Teen Center to hourly staff	(0.80)	\$59,014
5	Restructure and reduce Department Administration by eliminating vacant Business Manager position and Administrative Specialist position upon August 2010 retirement, and using savings from Administrative Specialist on extended leave, and reducing Marketing Coordinator position to 50%	(1.80)	\$220,067
6	Combine two full-time positions into one position, reducing Pool Maintenance (0.5) Technician and vacant Grounds Maintenance Worker I positions to 50% each	(0.80)	\$49,316
7	Transfer maintenance and operation of Teen Center to PAL	-	\$51,566
8	Transfer Las Positas Tennis Facility to Elings Park Foundation	-	\$11,558
Subtotal		(3.40)	\$483,621



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

	DEPARTMENT: Police	Employee Positions Affected	Net Cost Savings
1	End Police Annex lease and move Police personnel back to main headquarters (savings for six months)	-	\$166,500
2	Eliminate document shredding service	-	\$3,398
3	Reduce vehicle fleet by 12 vehicles underutilized or scheduled for elimination	-	\$49,210
4	Delay replacement of 12 computers	-	\$25,000
5	Reduce overtime costs due to fewer overtime assignments in Patrol Division	-	\$17,186
6	Reduce hourly staff support	-	\$32,248
7	Reduce uniform allowance due to personnel vacancies	-	\$7,266
8	Reduce training costs	-	\$18,977
9	Eliminate vacant Crime Analyst position	(1.00)	\$78,102
10	Eliminate vacant Administrative Specialist position	(1.00)	\$64,231
11	Eliminate vacant Office Specialist II position	(1.00)	\$57,141
12	Eliminate Police Records Manager position in October 2010	(1.00)	\$80,565



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Police (continued)		Employee Positions Affected	Net Cost Savings
13	Eliminate three vacant Police Officers (Entry Level)	(3.00)	\$342,510
Subtotal		(7.00)	\$942,334
DEPARTMENT: Public Works		Employee Positions Affected	Net Cost Savings
1	Increase revenue for more direct engineering services provided for capital projects in different departments	-	\$317,500
2	Transfer Project Engineer II position (1.0 FTE) and Project Planner position (.50 FTE) to Engineering Program and transfer Project Planner position (.50 FTE) to Downtown Parking	-	\$83,721
3	Eliminate vacant Project Engineer II position	(1.00)	\$100,935
4	Reduce supplies and services in the Graffiti Abatement Program	-	\$79,524
Subtotal		(1.00)	\$581,680
DEPARTMENT: Internal Service Funds		Employee Positions Affected	Net Cost Savings
1	Eliminate vacant PC Network Technician II position in the Information Systems Program	(1.00)	\$74,244



**Budget Adjustment Measures Included in
Adopted Budget
Fiscal Year 2011**

DEPARTMENT: Internal Service Funds (continued)		Employee Positions Affected	Net Cost Savings
2	Eliminate vacant Risk Analyst position in Risk Management	(1.00)	\$104,408
3	Eliminate vacant Accounting Assistant position in the Public Works Facilities Maintenance Program	(1.00)	\$80,274
4	Eliminate Automotive Equipment Technician position in the Public Works Motor Pool Program	(1.00)	\$58,768
Subtotal		(4.00)	\$317,694
Total		<u>(30.80)</u>	<u>\$4,599,051</u>

[This page intentionally left blank.]