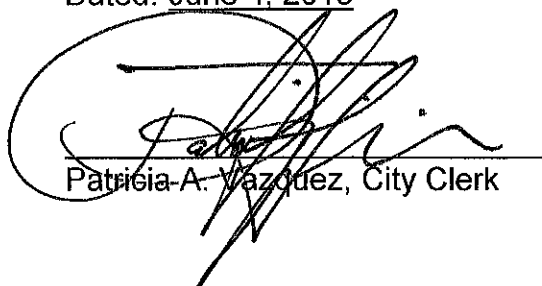


TO THE MEMBERS OF THE CITY COUNCIL FOR THE CITY OF STANTON AND TO THE CITY CLERK:

NOTICE IS HEREBY GIVEN that a Special Meeting of the City Council for the City of Stanton is hereby called by the Mayor, to be held on June 9, 2015, commencing at 5:00 p.m. at 7800 Katella Avenue, Stanton, CA 90680.

The Agenda for the Special Meeting is attached to this Notice and Call.

Dated: June 4, 2015



Patricia A. Vazquez, City Clerk

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, CONTACT THE CITY CLERK AT (714) 890-4245. NOTIFICATION BY 9:00 A.M. ON MONDAY, JUNE 8, 2015 WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.



**AGENDA
CITY COUNCIL SPECIAL MEETING
STANTON CITY HALL, 7800 KATELLA AVENUE, STANTON, CA
TUESDAY, JUNE 9, 2015 - 5:00 P.M.**

As a courtesy to those in attendance, the City of Stanton respectfully requests that all cell phones, pagers and/or electronic devices be turned off or placed on silent mode while the meeting is in session. Thank you for your cooperation

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, CONTACT THE CITY CLERK AT (714) 379-9222. NOTIFICATION BY 9:00 A.M. ON MONDAY, JUNE 8, 2015 WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THIS MEETING.

Supporting, descriptive documentation for agenda items, including staff reports, is available for review in the City Clerk's Office and on the City web site at www.ci.stanton.ca.us.

- 1. CLOSED SESSION None.**
- 2. CALL TO ORDER**
- 3. PLEDGE OF ALLEGIANCE**
- 4. ROLL CALL** Council Member Ramirez
Council Member Shawver
Council Member Warren
Mayor Pro Tem Donahue
Mayor Ethans

5. NEW BUSINESS

5A. 2015-17 BUDGET STUDY SESSION

This report is to provide the City Council with an opportunity to review the Proposed Two-Year Budget for the City for 2015-17.

RECOMMENDED ACTION:

1. City Council declare that the project is exempt from the California Environmental Quality Act ("CEQA") under Section 15378(b)(4) – The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and
2. Provide direction on the 2015-17 Proposed Two-Year Budget for the City.

6. ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California, the foregoing agenda was posted at the Post Office, Stanton Community Services Center and City Hall, not less than 24 hours prior to the meeting. Dated this 4th day of June, 2015.



Patricia A. Vazquez, City Clerk

CITY OF STANTON

REPORT TO CITY COUNCIL

TO: Honorable Mayor and Members of the City Council

DATE: June 9, 2015

SUBJECT: 2015-17 BUDGET STUDY SESSION

REPORT IN BRIEF:

This report is to provide the City Council with an opportunity to review the Proposed Two-Year Budget for the City for 2015-17.

RECOMMENDED ACTION:

1. City Council declare that the project is exempt from the California Environmental Quality Act ("CEQA") under Section 15378(b)(4) – The creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and
2. Provide direction on the 2015-17 Proposed Two-Year Budget for the City.

BACKGROUND:

The "Great Recession" that began in 2008 severely impacted Stanton's financial position, as did the elimination of redevelopment agencies statewide in 2012. From 2009 to 2013, the City Council and City staff worked diligently to cut costs and identify creative ways to continue to provide a high level of service to the Stanton residents and the local business community. Full-time City staff were reduced from 36 positions to 24 positions, a reduction of 33%, in just over a two-year period. Sheriff and fire personnel and contract costs were reduced. In addition to those expenditure reductions, reserves and other one-time revenue measures were used to fill the gap between expenditures and revenues. However, a significant "structural deficit" of \$1.8 million still existed.

City Council established "Talk on the Block" meetings in local neighborhoods in 2013. A survey was sent to residents asking them their funding priorities. A Blue Ribbon Panel of key community leaders, business leaders and residents was established to look into ways of solving the structural deficit. After much searching, only one solution made long-term sense for the City – to ask the residents to approve a one cent transactions and use tax measure on the ballot (Measure GG). The Stanton 9-1-1 Public Safety and Essential City Services Protection Measure was a way for residents to solve the City's structural deficit, prevent over \$2 million in cuts to essential services

and allow the City to maintain existing levels of fire protection services and firefighters; neighborhood police patrols and sheriff deputies; 9-1-1 response times; gang and youth violence prevention programs, senior programs and economic development programs that attract new businesses to Stanton. There would be a cost in a one cent increase in sales tax, but that cost would be shared with visitors to Stanton to lessen the burden on residents.

The residents approved the measure in November 2014, and though the measure only took effect in April 2015, the Stanton 9-1-1 Public Safety and Essential City Services Protection Measure has been an invaluable help to the City. The FY 2015-17 Proposed Budget would look completely different without the measure.

ANALYSIS/JUSTIFICATION:

Since the 2009-11 Budget, the City's two-year budget has required the use of reserves to achieve a budget balance. Thanks to Stanton voters approving Measure GG, a one-cent transactions and use tax in the November 2014 election, the City has a guaranteed local funding source to maintain essential City services and avoid millions in service cuts. For the first time in seven years, utilizing the City's limited reserves will not be required to balance the 2015-17 Proposed Budget.

The City has defined a "balanced budget" to include both revenues and the amount of reserves necessary to fund proposed expenditures. The 2015-17 Proposed Budget is "balanced," but it is also "structurally balanced," where ongoing revenues are available to pay ongoing expenditures. In addition, over \$600,000 will be deposited into reserves as a part of the 2015-17 Proposed Budget, so the City can begin to replenish the reserves that have been dipped into for a number of years.

The City has been committed to deliver the highest quality of services possible given available resources. Now with the help of voter-approved funding, we are able to maintain critical City services including existing levels of fire protection services and firefighters, neighborhood police patrols and sheriff's deputies, 9-1-1 response times, gang and youth violence prevention programs and economic development programs.

Voter-approved funding also allows us to increase budget levels to respond to the areas of need that Stanton residents have shared with City Council over the last few years including community priorities for improving public safety and increasing economic development programs. This budget increases our number of sheriff's deputies; improves street safety patrols; bolsters gang and youth violence prevention programs; addresses prostitution and transient/homeless issues; and improves economic development programs to fix blight, attract new businesses, and create local jobs.

General Fund Revenues

The General Fund is budgeted to contribute \$0.5 million to reserves in FY 2015-16. For FY 2015-16, estimated General Fund revenues including transfers from other funds are increasing \$3.2 million, or 20%, over FY 2014-15 budgeted levels. The reason for

this is primarily due to Stanton voters approving Measure GG and adding transactions and use tax revenues. This invaluable funding is allowing the City to have a balanced budget for the first time in 7 years and increase the number of deputies on the street to increase traffic safety and street patrols, improve community policing, address prostitution and illegal massage parlors and improve gang/youth violence prevention programs.

For FY 2016-17, total estimated revenues, including transfers from other funds, are expected to increase by \$0.2 million, or only 1.2%, the result of slow growth. Excluding transfers from other funds, total estimated revenues in the General Fund are expected to grow by \$0.2 million, or just 1.2%, compared to FY 2015-16 levels. The growth area is the Taxes category, in particular property tax and transactions and use tax.

The following are highlights related to some of the key General Fund revenue sources:

Property Tax revenue for the General Fund is expected to be \$4,716,090 for FY 2015-16, an increase of \$313,190 from the FY 2014-15 budgeted level. This 7% increase is due to 4% growth on tax increment and a 10% projected increase in Property Tax-In-Lieu revenue.

The property tax estimate for FY 2015-16 is based on information from our property tax consultant, HdL Companies, who forecast a 4% increase in property tax revenues for the coming year. For FY 2016-17, the estimate of \$4,802,574 represents an expected overall growth of 1.2%. Secured taxes and property tax in lieu are expected to rise by 2% based on the improving housing market, with other, lesser property tax revenues budgeted at zero growth.

Sales Tax revenue is projected to increase to \$4,258,000 for 2015-16, an increase of 8% compared to the FY 2014-15 budget. HdL Companies also serves as our sales tax consultant, and this amount is their specific forecast for Stanton for FY 2015-16. The spike is due to a projection of approximately \$245,000 relating to the Triple Flip close-out. HdL is projecting a 4.5% increase for FY 2016-17 based on the assumption that the county and local economies will continue to strengthen and that the stronger economy and our own economic development activities will bring new retailers to the City. However, because of the spike in FY 2014-15 relating to the Triple Flip close-out, net sales tax will actually decrease in FY 2016-17.

Transactions and Use Tax revenue is projected to increase to be \$500,000 in FY 2014-15 as the one-cent sales tax measure was only implemented on April 1, 2015. The projection for the new revenue stream for FY 2015-16 is \$3,125,000, with an increase of 5% expected for FY 2016-17 because of a combination of improving economy and the removal of some start-up costs that slow down initial revenue for the transactions and use tax.

Utility Users Tax receipts are expected to decline by 5% in FY 2015-16, compared to the FY 2015-15 budgeted level, and then have the slightest of increases in FY 2016-17. There are four components to utility user's tax revenues – electricity, telephone, gas

and water. UUT revenues have been trending downward for telephone for the past several years, and water conservation efforts in the current drought are anticipated to further reduce water UUT revenues. Gas is projected to hold steady, and electricity is budgeted to increase at a 5% rate. The budget estimates for FY 2015-16 and FY 2016-17 are staff's best estimates based on an improving economy as well as historical receipts for all four components.

Investment Earnings are projected to continue their decline of the past few years. The estimates for FY 2015-16 and FY 2016-17 are \$89,000 and \$62,000, respectively, compared to the current budget amount of \$114,100. The continued low interest rate environment, a reduction of City reserves, the maturity of the City's long-term investments and CR&R paying off the remainder of a loan from the City have driven down revenues. While interest rates should begin to increase during the upcoming budget, it is anticipated that overall investment income revenues will bottom during this 2-year budget.

Rental Income will decrease immediately in FY 2015-16 as the golf course lease will end before the fiscal year begins, in conjunction with the beginning of construction of Stanton Central Park.

General Fund Expenditures

General Fund proposed expenditures, including transfers to other funds, for FY 2015-16 are up \$1.1 million compared to the FY 2014-15 budget. This is due to primarily to public safety costs (+\$1.1 million) as a result of increasing Orange County Sheriff's Department and Orange County Fire Authority contracts and the addition of two new deputies, as well as four other factors: (1) the transfer of costs to internal service funds in the prior year were not needed; (2) parks and recreation costs are increasing primarily due to increased costs to staff the new Stanton Central Park and one-time furniture replacement costs; (3) an increase in Code Enforcement due to hiring a new Code Enforcement Officer who will improve cleanup of gang tagging and graffiti, address transient issues and respond to quality-of-life complaints, giving deputies more time to focus on neighborhood patrols and responding to emergencies; and (4) an increase in Business Relations as a result of funding economic development programs to attract new businesses and create jobs.

Proposed General Fund expenditures in FY 2016-17, including transfers to other funds, are growing \$0.6 million, or 3.2%, over FY 2014-15 levels. Public safety costs are forecast to rise \$0.5 million, or 4%. Public safety increases account for over 80% of the budgeted increases in FY 2016-17.

The following are the more significant highlights related to proposed General Fund expenditure budgets:

The largest increase will be to the **Law Enforcement** budget, which will increase by \$859,369 in FY 2015-16. The Sheriff's contract is the major component in the Law

Enforcement budget. That contract will increase by almost 5% due to OCSD costs, and another 5% due to the addition of two deputies. The additional deputies would not be possible without Stanton residents approving Measure GG. These deputies will enable the City to have increased traffic safety and street patrols as well as adding a Community Enhancement Deputy to improve community policing, address prostitution and illegal massage parlors, and improve gang and youth violence prevention programs.

For FY 2016-17, the estimated increase in the Sheriff's contract is assumed at +4.5%, which is in line with recent cost increases, translating to approximately \$359,000.

Fire Services contract costs are currently estimated to increase by \$232,713 in FY 2015-16, to \$4,025,713, representing a 4.7% increase. For FY 2014-15, the budgeted increase in the OCFA contract cost is \$186,532, a 4.7% increase. This estimate has been provided by OCFA.

The Fire Services budget, like the Law Enforcement budget, contains more than just the contract costs with the OCFA and the Sheriff. The Fire Services budget includes a small amount for ambulance service and the ongoing retirement costs for the City's former fire employees, the latter being the cause for the remaining increase in the Fire Services budget for FY 2015-16 beyond the amount of the OCFA contract increase.

Community Development department budgets are increasing by \$158,246, or 21% in FY 2015-16. The increase primarily relates to additional funding established as a result of Stanton voters approving Measure GG. A new division, Business Relations, was created, with additional funding of \$0.1 million provided to economic development programs to attract new businesses and create jobs. These new resources will help fix blighted areas and fill vacant storefronts.

Parks and Recreation department budgets are increasing by \$202,810, or 43% in FY 2015-16. The increase primarily relate to salaries for the new Stanton Central Park, the allocation of a percentage of the Community Services Director out of City Manager's office and to the Parks and Recreation division, and the one-time purchase of chairs and tables to replace aging furniture.

Redevelopment Programs represent the cost of Code Enforcement and Graffiti Abatement activities shifted to the General Fund upon the dissolution of the Stanton Redevelopment Agency. While costs for these activities are expected to decrease by \$10,372 in FY 2015-16 over FY 2014-15 budgeted amounts, all Graffiti Abatement expenses have been moved to Gas Tax in the current two-year budget. As a result, the only remaining division is Code Enforcement, which has an expected increase of \$87,218 (+25%) due to the additional Code Enforcement Officer added in FY 2014-15 thanks to funds received as a result of residents approving Measure GG. The Code Enforcement Officer will improve cleanup of gang tagging and graffiti, address transient issues and respond to quality-of-life complaints, giving deputies more time to focus on neighborhood patrols and responding to emergencies.

General Fund Uncommitted Fund Balance

The projected uncommitted fund balance of the General Fund at the beginning of FY 2015-16 is \$6.7 million, which represents 35% of FY 2015-16 General Fund expenditures. At the beginning of FY 2016-17, the expected level of uncommitted fund balance, \$7.7 million, will be 39% of FY 2016-17 expenditures.

The uncommitted fund balance level of the General Fund is expected to start the FY 2015-16 fiscal year at a level of \$6.7 million and end FY 2015-16 at \$7.7 million. The fund balance of the General Fund is expected to grow during FY 2015-16 by \$1.1 million as a result of the expected \$0.5 million in revenues and transfers in exceeding expenditures and transfers out, and another \$0.7 million due to a partial repayment of an \$8.6 million loan the General Fund made to the Redevelopment Agency before redevelopment dissolution occurred. Those increases are slightly offset by a contribution to committed fund balances of \$0.2 million. For FY 2016-17, the fund balance of the General Fund is expected to increase by \$1.0 million, due to a \$0.1 million excess of revenues and transfers in over expenditures and transfers out as well as the expected additional \$0.9 million partial repayment of the redevelopment agency loan.

At the conclusion of the two-year budget period at June 30, 2017, the anticipated uncommitted fund balance level of \$8.7 million will be 44% of FY 2016-17 General Fund expenditures. This excludes the \$5.0 million of projected committed fund balance set aside by the Council in FY 2016-17 to respond to emergencies.

Personnel

The one change in staffing for FY 2015/16 is the increase in a Code Enforcement Officer to improve cleanup of gang tagging and graffiti, address transient issues, and respond to quality-of-life complaints, giving OCSO deputies more time to focus on neighborhood patrols and responding to emergencies. No change to employee classifications are proposed for the next two fiscal years. The budget includes salary step adjustments for eligible employees, but does not include cost-of-living adjustments in either fiscal year for the seventh and eighth consecutive year.

Capital Improvements

The Capital Improvement Budget for the next two years includes 14 projects at a total cost of \$15,279,931. The largest single project is the design and construction of Stanton Central Park, slated for FY 2015-16, in the amount of \$10,791,931. There will be three sources of funding for this project, with a transfer from the Successor Agency's 2010 Tax Allocation Bonds providing approximately \$6,500,000, a Prop 84 Grant providing \$2,516,931 (\$2.94 million originally awarded, but some has been spent to date), and the remainder coming from the Parks and Recreation Facilities Capital Project Funds (park-in-lieu fees). Most of the other projects are street-related, although the budget includes \$1,200,000 in sewer improvements as well as \$280,000 of improvements to City Hall and the City building occupied by the Orange County Sheriff's Department.

Additional and more detailed information related to the Proposed Two-Year Budget for 2015-17 can be found in the accompanying Proposed Budget document. Adoption of the budget is scheduled for the City Council meeting of June 23, 2015.

ENVIRONMENTAL IMPACT:

In accordance with the requirements of the CEQA, this project has been determined to be exempt under Section 15378(b)(4).

LEGAL REVIEW:

None.

PUBLIC NOTIFICATION:

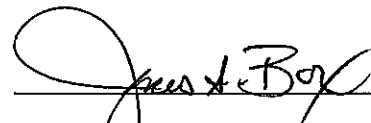
Through the normal agenda process.

STRATEGIC PLAN OBJECTIVE ADDRESSED:

- 1.1. Add 2 Deputies – Traffic & Community Enhancement
- 1.5 Add one additional code enforcement officer to assist with transient issues, massage parlor inspections, and general City code enforcement issues on weekends
- 2.3 Enhance and continue Economic Development Program
- 6.6 Create a multi-year projection of expenditures and revenues

Prepared by:

Approved by:

Stephen M. Parker, CPA
Administrative Services Director

James A. Box
City Manager

Attachment:

2015-17 Proposed Two-Year Budget