The Program and Financial Plan (Budget) for the 2005-06 Fiscal Year is based upon certain financial policies and priorities as set forth formally or informally by the City Council. Many of these policies have evolved over time to their present state, and continue to evolve as Lancaster, a relatively new city of 27 years, grows and matures. These financial policies set forth the framework for not only the development of the budget, but the ongoing operations of the City as a whole. It is important to continue developing these policies, as they are the financial foundation that supports the services to the community. Without a good financial foundation the City would not be able to provide the wide range of amenities and services that our citizens expect and deserve.

LONG-TERM GOALS AND POLICIES

Operating Budget Policies

- The City will present to the City Council a Program and Financial Plan that is a balanced document. Expenditures will not exceed revenues, including funding carried over from the previous year.

- The City will maintain a General Fund Reserve that will provide the necessary cash flow, a safety net for handling the unexpected, and flexibility in day-to-day operations. This reserve has been formally established at 10% of operating expenditures as the minimum desired level. Lancaster, like most cities, has experienced economic cycles; during good economic times, the reserve will be increased to a higher level, as cash flow allows, so that downturns in the local economy can be buffered.

- To ensure that the largest revenue source will cover the largest expenditure item, the Sheriff’s Department contract is closely compared to the Sales and Property Tax Revenue.

- The City will allocate resources to special law enforcement programs, Target Oriented Policing (TOP) to specifically identify and resolve crime that has received substantial attention. Those programs, which include Christmas Shopping Patrols, Combat Auto Theft (CAT), TOP-Bomb (sheriff units available to patrol at will), and Gang Violence Suppression have been highly successful in reducing specific types of crime.
• The planning and approval process for any new capital improvement project will include an analysis of future operating costs to ensure that not only is funding available to build the project, but future operational costs can be covered once construction is complete.

• The City will continue to maintain a “funded depreciation” program to set aside dollars for replacement of fixed assets as they reach their useful life expectancy. This policy minimizes the impact of equipment replacement by establishing an annual set-aside instead of having extreme fluctuations in the budget; this is especially important in those programs that have high-cost equipment, such as street maintenance. Expenditures, beyond normal maintenance, that extend the useful life of a piece of equipment may be made from this fund.

• The City will seek financial co-sponsors for recreational programs that are a benefit to the community. Prime examples of this include corporate sponsorship by the major aerospace companies located in the community of the annual “Aerospace Walk of Honor” which honors ‘heroes’ of the aerospace world, or co-sponsorship of special theatrical performances for students to gain an appreciation of the performing arts.

Revenue Policies

• The City will attempt to maintain a diversified and stable revenue system to shelter it from short-term fluctuations of any one revenue source.

• The City will diversify its general fund revenue base away from past reliance on sales tax alone. Successful lobbying efforts to obtain a share of the property tax (Lancaster received no property tax for the first 11 years) is one example of this policy.

• The City will seek out additional sources of revenue as a way of enduring a balanced budget necessary for the quality of services expected by our citizens.

• The City will require user fees that cover the direct cost of adult recreation programs, and the cost of development services (building permits, etc.) provided to developers.

• The City will do cost comparisons with other cities to ensure that our fee structure is reasonable.
Cash Management/Investment Policies

• The City will deposit all funds within one day of receipt. Large receipts will be deposited the day they are received.

• Investment of City funds will be in accordance with the adopted Investment Policy. Safety of principal will continue to be the number one priority, followed closely by ensuring that funds will be available when needed (liquidity). Only after these two priorities have been fully satisfied will the City consider yield as an investment criterion.

• The City will aggressively collect revenues, on a timely basis.

Debt Policies

• The City’s General Fund does not have any long-term debt obligations. Current operations will be funded with current revenues.

• The City’s Redevelopment Agency will issue notes and bonds to finance the goals of the Agency. These goals include blight removal through economic development and low-moderate income housing development in accordance with State law.

• The Agency will publish an Official Statement, available to the public, for each debt issuance, and prepare an annual Statement of Indebtedness summarizing all debt of the Agency. A separate section of the Comprehensive Annual Financial Report (CAFR) and the Budget will be dedicated to disclosure of all City and Agency debt.

• A reserve fund equal to 10% of the bond issue, or maximum annual debt service, held by the trustee, or surety bond issued by MBIA, will be established for each issue to ensure debt service payments are covered for the next fiscal year.

Reserve Policies

• The City will maintain an unallocated reserve in the General Fund equal to a minimum of 10% of expenditures and transfers to buffer any unexpected change in the revenue/expenditure picture for the fiscal year. This was formalized in June of 1996 by Resolution No. 96-111.
Accounting, Auditing and Financial Reporting Policies

- An independent audit will be performed annually. An interim audit will be performed mid-way through the Fiscal Year to ensure correct accounting and internal control procedures are being followed.

- The City will produce a Comprehensive Annual Financial Report (CAFR) each year in accordance with Generally Accepted Accounting Principals (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). This report is submitted annually to the California Society of Municipal Finance Officers and the Government Finance Officers Association of the United States and Canada for their Excellence in Financial Reporting Awards Program. (The City has received these awards for numerous consecutive years.)

- The City will maintain a strong internal audit capability.

Capital Budget Policies

- The City will update its multi-year plan for capital improvements; this will include modification of existing projects, and adding/deleting projects, in keeping with the General Plan as adopted by the Planning Commission and the City Council.

- The City will maintain a Capital Replacement fund for ensuring that the equipment necessary for the operations of the City is always available.

- The City, along with the Redevelopment Agency, will ensure that prime commercial and industrial acreage is available and ready for development, thus being able to quickly assist in the provision of jobs and diversity in the economy.

SHORT-TERM GOALS AND POLICIES WITHIN THE 2005-06 BUDGET

The long-term goals and policies set forth above have been included within the 2005-06 budget. In addition to the specifics being listed in the different programs, the following general goals and policies were considered when putting this budget together.

During the compilation process, expenditures were reduced to bring the revenues and expenditures into balance and maintain a current year reserve at the 10% level. Staffing for a city the size of Lancaster has always remained at a very efficient level; with
changes this budget cycle reflecting an increase of authorized full-time staffing from 222.625 at Mid-Year to 242. The building demands of the community shaped the majority of the increases.

The Sheriff contract reflects an increase in service level greater than the dollar change; the mix of services has been refined to provide greater coverage for the City. This includes the use of motorcycle officers for traffic control. This year the sales tax fully covers the basic service contract. The City continues to receive two law enforcement grants, one from the State, and one from the Federal Government. Because of the uncertainty of receiving these grants in future years, these funds will be utilized for law enforcement services that are “one-time” in nature so as to not create an ongoing program that will be hard to fund in the future.

Traffic signal projects have been designed with state-of-the-art, long-life equipment including Light Emitting Diodes (LED) that reduce electric consumption, and bulb replacement and fiber optic interconnections for coordination, monitoring, and adjusting from the ‘Signal Center in City Hall’. Street construction standards have been revised to extend the life of the street before reconstruction; these include increased level of rejuvenation projects.

The Redevelopment Agency projects include assistance in the commercial and industrial arena for diversification of the employment base away from aerospace and defense with several manufacturers coming to the area. This is through the Business Attraction Incentive Program (BAIP), Small Business Attraction Program (SBAP), or a variety of other programs. Housing blight is reduced through revision of the rehabilitation loan guidelines, and renewed effort of the mobile home improvement program.