

**Management Audit of the
City of Goleta's Financial Position**

Harvey M. Rose Accountancy Corporation

May 5, 2005

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Rose Accountancy Corporation

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 552-9292 · FAX (415) 252-0461

May 5, 2005

Charles Foley, Foreperson
Claire Bishop, Audit Committee Chair
Members of the 2004-05 Santa Barbara County Civil Grand Jury
Santa Barbara County Courthouse
1100 Anacapa Street
Santa Barbara, CA 93101

Dear Mr. Foley, Ms. Bishop and Members of the 2004-05 Santa Barbara County Civil Grand Jury:

The Harvey M. Rose Accountancy Corporation is pleased to present this *Management Audit of the City of Goleta's Financial Position*, performed under authority granted by California Penal Code Section 925 and Section 926. In accordance with the work plan authorized by the Civil Grand Jury, this study reports on our assessment of the Comprehensive Fiscal Analysis projections prepared as part of the incorporation process and whether the City of Goleta is able to provide reasonable service levels presently and in the future with projected available resources.

The report includes three sections including 1) a comparative analysis of historical financial activity to Comprehensive Fiscal Analysis projections; 2) projections of revenues and expenditures for five years and an assessment of the long-term viability of the City; and 3) a review of current staffing and service levels. The City has been invited to provide a written response to this report, but has declined.

Thank you for this opportunity to serve the 2004-05 Santa Barbara County Civil Grand Jury. Should you require additional assistance during your term, please don't hesitate to contact us.

Respectfully submitted,

Harvey M. Rose, CPA
President

Introduction

The Harvey M. Rose Accountancy Corporation is pleased to present this *Management Audit of the City of Goleta's Financial Position*. This audit was authorized by the FY 2004-05 Santa Barbara County Grand Jury in March of 2005.

Purpose and Scope

The purpose of this management audit has been to determine the accuracy of the Comprehensive Fiscal Analysis prepared as part of the incorporation process and to determine if the City of Goleta is able to provide reasonable service levels presently and in the future with projected available resources.

The scope of the management audit included a review of the City's financial position and included:

- The City's historical revenues and expenditures in comparison to the projections made in the Comprehensive Fiscal Analysis;
- The development of five-year projections of City revenues and expenditures; and
- An analysis of the City's current budget, staffing and service levels.

As part of the management audit, a benchmark survey was conducted of comparable cities to determine if the City is within range of other cities in terms of staffing and service levels and whether or not its current financial position is affecting its ability to achieve desired service levels.

Audit Methodology

The management audit was conducted in accordance with *Governmental Auditing Standards, 2003 Revision*, issued by the Comptroller General of the United States, U.S. General Accounting Office. In accordance with these requirements and standard management audit practices, we performed the following management audit procedures:

- An entrance conference was held with the Interim City Manager, the Assistant City Manager and the Finance Manager to present the audit work plan, discuss audit procedures and protocol, request certain background information, and respond to questions.
- A preliminary review of documentation provided by the City was conducted to obtain an overview of the City incorporation as well as the City's service levels and financial position. Documents reviewed included the Comprehensive Fiscal Analysis, the Revenue Neutrality Agreement, audited financial statements, operating budgets and mid-year budget reports, financial system reports, and contracts for services.

- Using the documents above supplemented by data and information provided by City staff, historical and prospective analyses were developed to obtain an understanding of the City's current and projected financial position as well as to evaluate staffing and service levels.
- A draft report was prepared based on analysis of the information and data collected during previous audit phases. This draft contained our initial findings and conclusions, and was presented for review by the Interim City Manager and his management staff.
- An exit conference via a conference call was held on April 27, 2005, following delivery of the draft report in order to discuss the draft report and to obtain the City's views on the report's findings and conclusions. During the period between delivery of the draft report and preparation of the final report, audit staff provided additional explanation and clarification of the analysis and conclusions and City staff provided additional data and information to refine the analysis. The City was also provided the opportunity to append written comments to the report prior to the final report being released. However, the City declined. The final report was then forwarded to the Santa Barbara County Civil Grand Jury.

Overview of the City of Goleta

The City of Goleta was incorporated in February of 2001 after a lengthy process that included the development of a Comprehensive Fiscal Analysis (CFA), which is required by State law in order to provide the Local Agency Formation Commission (LAFCO) sufficient information to evaluate the proposed incorporation in terms of financial feasibility. For the City of Goleta, the Final CFA was completed in May of 2001 and was based on data and information available at that time as well as County of Santa Barbara revenue and expenditure data from Fiscal Year (FY) 1999-00. Any negative impacts on a county's General Fund must be mitigated as a condition of incorporation pursuant to State law. The revenue neutrality agreement and the mitigation payment negotiated between County of Santa Barbara representatives and proponents of the incorporation are included in the CFA. Based on its analysis and the mitigation payment negotiated, the CFA concluded that the City of Goleta was financially feasible and that service levels would remain at existing levels or greater.

At this time, the City has been in existence for over three years. Accordingly, the City provides municipal services related to planning and development, public safety, and public works to the citizens of Goleta. Some of these services are provided on a contract basis by the County of Santa Barbara, including law enforcement, animal control, and, until July 1, 2005, park services.

Acknowledgements

We would like to thank the management and staff of the City of Goleta for their cooperation and assistance during this study. Without their responsiveness to our inquiries, this study would have been much more difficult to complete in the limited time available.

1. Comparative Analysis of Historical Financial Activity to the Comprehensive Fiscal Analysis Projections

- Based on this analysis, relative to the CFA, the City of Goleta is in a healthy financial position with a total fund balance, excluding Redevelopment activities, of almost \$9.9 million accumulated in only two years and five months. This compares to \$3.2 projected by the CFA. However, not all of these funds are available for discretionary purposes.
- The CFA did not explicitly consider the impacts of potential special revenue funds that may be established by the City. Special revenue funds are separate from the City's General Fund and are legally restricted for specific purposes. However, these funds are critical to evaluating the financial health of a governmental entity. The revenues and expenditures that occur in these funds directly impact expenditures in the General Fund and the service levels provided to the citizens of the City. Therefore, special revenue funds that have been created by the City have been included in the comparative analysis. However, even if the special revenue funds were excluded from the comparative analysis, the City would continue to be in a better financial position than projected by the CFA with an accumulated fund balance of over \$7.2 million in the General Fund and the Road Fund, comprised only of the Gas Tax and Measure D special revenues funds.
- While revenues from almost all sources exceeded CFA projections, there were considerable variances within expenditure classifications which reflect upon the service levels received by Goleta citizens in FY 2002-03 and FY 2003-04. With the exception of the City Attorney, most administrative functions, including Administrative Services/Finance, City Hall, and insurance, were significantly less than CFA projections for FY 2002-03 and certain municipal services were significantly more than CFA projections, including Animal Control, Public Works/Engineering, and Parks. While spending on administrative functions increased in FY 2003-04, including significant increase in City Attorney expenditures, expenditures in Animal Control, Public Works/Engineering, and Parks continued to be greater than CFA projections. The Planning function was significantly less than projections in FY 2002-03, but was relatively close to CFA projections in FY 2003-04.

Comprehensive Fiscal Analysis

Pursuant to California Government Code Section 56000 et seq., a Comprehensive Fiscal Analysis (CFA) must be conducted as part of the incorporation process in order to provide the Local Agency Formation Commission (LAFCO) sufficient information to evaluate the proposed incorporation in terms of financial feasibility. For the City of Goleta, the Final CFA was completed in May of 2001 and is based on data and information available at that time as well as County of Santa Barbara revenue and expenditure data from Fiscal Year (FY) 1999-00. The CFA projects revenues and expenditures for the proposed City of Goleta from February of 2002, the incorporation date, through Fiscal Year 2010-11, almost a ten year period.

Any negative impacts on a county's General Fund must be mitigated as a condition of incorporation pursuant to State law. The revenue neutrality agreement and the mitigation payment negotiated between County of Santa Barbara representatives and proponents of the incorporation are included in the CFA.

Based on its analysis and the mitigation payment negotiated, the CFA concluded that the proposed City of Goleta (the City) was financially feasible, that service levels would remain at existing levels or greater, and that the CFA's finding of financial feasibility was sensitive to assumptions made about tax revenues. However, the CFA's sensitivity analysis found that even with significant reductions in population growth and commercial development, the City would remain viable, albeit would have less available funding for increased services or capital improvements.

Comparative Analysis

We compiled detailed actual revenue and expenditure activity to compare with the CFA's projections for FY 2002-03 and FY 2003-04 using the following sources:

- Audited financial statements for FY 2002-03 and FY 2003-04,
- Operating budget for FY 2004-05,
- Financial system reports for FY 2003-04, and
- Mitigation payment formulas from the Revenue Neutrality Agreement.

Detailed audited data and information for February through June of 2002 was not readily available from the City or the County of Santa Barbara, which provided accounting services during that period, and, therefore, a detailed analysis of actual revenues and expenditures could not be completed for that period. However, the audited financial statements for FY 2002-03 provided an audited fund balance as of June 30, 2002. Therefore, we were able to compare fund balance as projected by the CFA to actual fund balance resulting from the first five months of activity for the City.

The CFA's financial projections for the City were developed for the General Fund, which is the main operating fund of the City, as well as for the Road Fund, which accounts for revenues legally dedicated to the repair and maintenance of roads and bridges. The CFA revenue and expenditure projections were presented in constant calendar year 2000 amounts. Therefore, we have increased the revenues and expenditures presented in the CFA by 2.0 percent, which is the inflation rate assumed by the CFA, to restate the CFA projections in real terms. To standardize the financial data and information in the format used by the CFA, we made certain assumptions regarding the classification of particular revenue sources and expenditure activities. The more significant of these assumptions are discussed below or are footnoted in the supporting tables.

First, the CFA did not explicitly consider the impacts of potential special revenue funds that may be established by the City. Special revenue funds are separate from the City's General Fund and are legally restricted for specific purposes, imposed either by an external legal requirement, such as Redevelopment law, or by internal policies established by the City Council, such as development impact fees earmarked for a specific use. These funds are critical to evaluating the

financial health of a governmental entity. The revenues and expenditures that occur in these funds directly impact expenditures in the General Fund and the service levels provided to the citizens of the City. Therefore, special revenue funds that have been created by the City and reported separate from the General Fund in the City's audited financial statements, have been consolidated in the comparative analysis and placed into either the General Fund or the Road Fund depending on the nature of the fund for comparative purposes¹. All special revenue funds which appear to be legally designated for transportation purposes, such as the gas tax or Measure D sales tax, have been placed in the Road Fund. All other special revenue funds, such as the street light assessment and development fee funds, have been included with the General Fund. However, for purposes of our analysis, we have excluded Redevelopment activities in the comparative analysis because these activities are significant enhancements to municipal activities, anticipated by the CFA but not included in the CFA analysis.

Most of the accumulated fund balances in the special revenue funds are attributable to development impact fees. The CFA may have included assumptions about development impact fees and related expenditures in its analysis, but the CFA does not explicitly identify development fee activity in its projection assumptions. However, development impact fees are routine for municipal governments and therefore have been included in the comparative analysis for the General Fund. While these may be considered "one-time" revenues that will decrease as the City's development opportunities diminish, these revenues directly impact municipal service levels. Despite their inclusion in the comparative analysis, the financial impact of all special revenue funds are detailed in supporting tables throughout this section to provide a better understanding of the City's financial position. These tables show that even if the special revenue funds were excluded from the comparative analysis, the City would continue to be in a better financial position than projected by the CFA.

Additionally, for comparative purposes, the City's primary revenue sources: property taxes, sales taxes, and transient occupancy taxes, have been shown gross of amounts retained by the County pursuant to the Revenue Neutrality Agreement. Therefore, the revenue amounts from these sources as presented in the comparative analysis are significantly higher than actual City revenues, which are net of the mitigation payment obligations, and do not agree to amounts presented in the City's budget or audited financial statements.

Table 1.1 and 1.2 on the following pages provide the comparative analysis of revenues by funding source and expenditures by function for the General Fund and the Road Fund. As can be seen in the tables, there are significant variances, both positive and negative. Overall, however, these variances result in the City of Goleta being in a better financial position as of June 30, 2004 than projected by the CFA. Following the tables, there is a discussion of the more significant variances and the impacts on the City of Goleta's financial position presented by fiscal year.

¹ The "General Fund" in this comparative analysis includes the City's General Fund and the Library, Street Light Assessment, Public Safety, Community Development Block Grant, Park Development Fees, and Other Development Fees special revenue funds. The "General Fund" also includes the City debt service fund and the Capital Improvement capital projects fund. The "Road Fund" is comprised of the Gas Tax, Measure D, Transportation, State Transportation Improvement Program, Local Surface Transportation, Environmental Enhancement Mitigation, and the Goleta Transportation Improvement Plan special revenue funds.

Table 1.1
Comparative Analysis
CFA to Actual Revenues and Expenditures

General Fund

	FY 01-02 - 5 months				FY 02-03				FY 03-04			
	(1) CFA	(2) Actual	Variance %	Variance \$	(1) CFA	(2) Actual	Variance %	Variance \$	(1) CFA	(2) Actual	Variance %	Variance \$
General Fund Revenues												
Property Taxes	\$1,389,406				\$3,479,315	\$3,611,624	3.8%	\$132,309	\$3,617,890	\$4,352,580	20.3%	\$734,690
Sales Taxes	2,620,954				6,416,094	6,971,992	8.7%	555,898	6,544,416	7,246,072	10.7%	701,656
Real Property Transfer Tax	38,451				96,286	115,879	20.3%	19,593	100,420	147,423	46.8%	47,003
Franchise Fees (all)	180,307				445,579	346,426	-22.3%	(99,153)	458,812	1,061,334	131.3%	602,522
Transient Occupancy Tax	1,169,894				2,863,902	3,569,683	24.6%	705,781	2,921,180	3,571,337	22.3%	650,156
Building and Permit Fees	-				892,242	2,029,623	127.5%	1,137,381	910,087	892,755	-1.9%	(17,332)
Planning Fees	-				840,360	394,225	-53.1%	(446,135)	857,167	821,592	-4.2%	(35,575)
Public Works/Engineering Fees	-				190,198	58,989	-69.0%	(131,209)	194,505	61,951	-68.1%	(132,554)
Fines and Penalties	86,269				214,539	124,867	-41.8%	(89,672)	222,306	145,273	-34.7%	(77,033)
State Motor Vehicle License Fees	907,932				2,222,617	2,674,050	20.3%	451,433	2,267,070	2,542,364	12.1%	275,294
Investment Earnings	21,708				193,476	94,528	-51.1%	(98,948)	131,372	100,696	-23.4%	(30,676)
Other						131,174	--	131,174		202,076	--	202,076
Total Revenues	6,414,921	-			17,854,609	20,123,060	12.7%	2,268,451	18,225,225	21,145,453	16.0%	2,920,227
General Fund Expenditures												
City Council	39,015				95,509	118,654	24.2%	23,145	97,419	135,919	39.5%	38,500
City Manager/City Clerk/Elections	229,975				597,690	572,510	-4.2%	(25,180)	628,318	732,469	16.6%	104,151
City Attorney	260,100				649,459	753,451	16.0%	103,992	675,697	996,796	47.5%	321,099
Administrative Services/Finance	253,847				941,312	410,315	-56.4%	(530,997)	748,981	415,328	-44.5%	(333,653)
Police	-				4,611,647	4,539,280	-1.6%	(72,367)	4,750,918	4,774,519	0.5%	23,601
Animal Control	-				77,258	137,617	78.1%	60,359	80,455	142,140	76.7%	61,685
Planning, Zoning Bldg, Dev. Review	269,442				2,390,863	1,841,830	-23.0%	(549,033)	2,449,738	2,587,026	5.6%	137,288
Public Works Admin (& NPDES)	150,379				760,793	1,502,956	97.6%	742,163	778,022	1,521,562	95.6%	743,540
Street Lighting	26,024				63,705	-	-100.0%	(63,705)	64,979	177,530	173.2%	112,551
Parks	445,626				1,094,606	1,270,738	16.1%	176,132	1,108,001	1,263,936	14.1%	155,935
City Hall	268,229				688,459	406,279	-41.0%	(282,180)	531,204	581,812	9.5%	50,608
Insurance	24,283				359,139	74,967	-79.1%	(284,172)	357,412	33,395	-90.7%	(324,017)
Contingency	40,472				598,565	-	-100.0%	(598,565)	595,686	-	-100.0%	(595,686)
Total Expenditures	2,007,391				12,929,006	11,628,597	-10.1%	(1,300,409)	12,866,831	13,362,432	3.9%	495,601
Net Revenues (Expenditures)	4,407,530				4,925,603	8,494,463	72.5%	3,568,860	5,358,394	7,783,021	45.2%	2,424,626
Mitigation Payment	(912,538)				(6,093,265)	(6,590,071)	8.2%	(496,806)	(6,249,626)	(7,227,861)	15.7%	(978,235)
Net Balance After Mitigation Payment	\$3,494,992				(\$1,167,662)	\$1,904,392	-263.1%	\$3,072,054	(\$891,231)	555,160	-162.3%	\$1,446,391
Transfers In (Out) from Other Funds (3)										103,848		
Cumulative Surplus (Deficit) Fund Balance	\$3,494,992	\$4,495,775	28.6%	\$1,000,783	\$2,327,330	\$6,400,167	175.0%	\$4,072,837	\$1,436,098	\$7,059,175	391.6%	\$5,623,077

Note:

- (1) Amounts derived from the Comparative Fiscal Analysis (CFA) of the Proposed Incorporation of Goleta, Economic & Planning Systems, Inc., May 2001, restated to real terms using the 2.0 percent discount rate assumed in the CFA.
- (2) Amounts derived from the FY 2004-05 Operating Budget; FY 2002-03 and FY 2003-04 Comprehensive Annual Financial Reports; and financial system reports as of June 30, 2004. The mitigation payment was calculated using the Revenue Neutrality Agreement formulas.
- (3) Transfers in from other funds include \$51,828 from the Road Fund and \$50,645 from the Redevelopment Agency as well as a restatement of prior year audited fund balance of \$1,375.

Table 1.2
Comparative Analysis
CFA to Actual Revenues and Expenditures

Road Fund

	FY 01-02 - 5 months				FY 02-03				FY 03-04			
	(1) CFA	(2) Actual	%	Variance \$	(1) CFA	(2) Actual	%	Variance \$	(1) CFA	(2) Actual	%	Variance \$
Road Fund Revenues												
Intergovernmental/Grants	\$432,127				\$1,057,846	\$211,582	-80.0%	(\$846,264)	\$1,079,003	\$140,455	-87.0%	(\$938,548)
Gas Taxes	337,902				826,965	1,047,746	26.7%	220,781	843,284	844,514	0.1%	1,230
Measure D Funds	529,806				1,316,720	1,366,895	3.8%	50,175	1,363,525	1,369,140	0.4%	5,615
Building and Permit Fees	-				-	19,918	--	19,918		516,292	--	516,292
Investment Earnings	-				-	31,339	--	31,339	-	51,400	--	51,400
Total Revenues	1,299,835				3,201,532	2,677,480	-16.4%	(524,052)	3,285,813	\$2,921,801	-11.1%	(364,011)
Road Fund Expenditures												
Road Maintenance	-				2,968,939	213,248	92.8%	(2,755,691)	3,028,318	2,837,338	-6.3%	(190,980)
Total Expenditures	-				2,968,939	213,248	-92.8%	(2,755,691)	3,028,318	2,837,338	-6.3%	(190,980)
Net Revenues (Expenditures)	\$1,299,835				\$232,592	\$2,464,232	959.5%	\$2,231,640	\$257,494	\$84,463	-67.2%	-\$173,030
Transfers In (Out) to Other Funds (3)										(\$51,828)		
Cumulative Surplus (Deficit) Fund Balance	\$1,299,835	\$330,454	-74.6%	(\$969,381)	\$1,532,428	\$2,794,686	82.4%	\$1,262,258	\$1,789,923	\$2,827,321	58.0%	\$1,037,398

Note:

- (1) Amounts derived from the Comparative Fiscal Analysis (CFA) of the Proposed Incorporation of Goleta, Economic & Planning Systems, Inc., May 2001, restated to real terms using the 2.0 percent discount rate assumed in the CFA.
- (2) Amounts derived from the FY 2004-05 Operating Budget; FY 2002-03 and FY 2003-04 Comprehensive Annual Financial Reports; and financial system reports as of June 30, 2004.

February through June 2002

While we were unable to obtain detailed data and information on actual revenues and expenditures for the first five months after incorporation, the audited financial statements for FY 2002-03 provided audited fund balances as of June 30, 2002. The actual fund balance for the General Fund was \$1.0 million or 28.6 percent greater than fund balance projected by the CFA. This variance is entirely offset by a smaller actual fund balance in the Road Fund, which was almost \$1.0 million or 74.6 percent less than the amount projected by the CFA. The net financial position of the City, therefore, as of June 30, 2002 was approximately \$31,000 greater than originally projected. While \$31,000 is not a significant variation from the CFA, there is a considerable difference from CFA projections in both the General Fund and the Road Fund. Table 1.3 below provides the breakdown of fund balance by specific fund and compares the amounts to CFA projections for FY 2001-02:

Table 1.3
Detailed Fund Balances, by Fund
As of June 30, 2002

	General Fund	Road Fund	Total
<i>CFA (1)</i>	\$3,494,992	\$1,299,835	\$4,794,827
Actual (2):			
General Fund	4,495,775		4,495,775
Gas Tax		330,454	330,454
Subtotal	\$4,495,775	\$330,454	\$4,826,229
<i>Variance from CFA</i>	\$1,000,783	\$(969,381)	\$31,402
Redevelopment Agency(2)			777,590
Total Fund Balance			\$5,603,819

(1) CFA amounts revised to present fund balances in real terms.

(2) Data source: FY 2002-03 audited financial statements.

As can be seen in the table, the Redevelopment Agency had an actual fund balance as of June 30, 2002 of \$777,590, which, while not considered by the CFA, is reflected in the City's audited financial statements and considered as part of the City's fund balance when evaluating the City's overall financial position. However, these funds are not available for General Fund purposes.

FY 2002-03 Financial Status

As can be seen in Table 1.1, the City increased its financial position in FY 2002-03 with total actual General Fund revenues exceeding CFA projections and actual expenditures less than CFA projections. Significant revenue variances include increased sales taxes, transient occupancy

taxes, State motor vehicle license fees, and total fees charged for building and permits, planning, public works and engineering services. The CFA conservatively estimated sales tax revenue growth derived from new development at 1.6 percent from the base year FY 1999-00 to FY 2001-02 and did not estimate any additional increase until FY 2004-05. However, according to the County Auditor-Controller's Annual Sales and Use Tax Report for FY 2000-01, sales taxes from the unincorporated areas of the County, which was driven by retail development primarily in the Goleta Valley, realized a 10.9 percent growth over FY 1999-00 sales. This had the effect of increasing base sales tax revenues to be received by the City by \$556,000 or 8.7 percent over what was initially projected by the CFA for FY 2002-03. It is possible that the CFA underestimated the extent to which the Bacara Resort and Spa which opened in September of 2000 would become a significant sales tax generator for the City. Additionally, increased transient occupancy taxes of \$706,000 or 24.6 percent likely resulted from conservative estimates in the CFA again in regards to the Bacara Resort and Spa which is the largest source of transient occupancy tax revenues for the City. In fact, as early as October 2001, the County Auditor-Controller noted in the Annual Transient Occupancy Tax Report for FY 2000-01 that the CFA "conservatively stated" transient occupancy tax revenues for the last five months of FY 2001-02 and for FY 2002-03. The CFA projected transient occupancy tax revenues from new hotel development (i.e. Bacara Resort and Spa) using an average room rate of \$140 per night and a 70 percent occupancy, which the CFA notes are lower than other luxury resorts in the area.

Another significant revenue variance is increased State motor vehicle license fees which are determined based on formulaic allocations prepared by the State. The CFA projected the per capita allocation to be \$49.57, whereas the actual allocation determined by the State was approximately \$56.77 per capita in FY 2002-03, a 14.5 percent increase. Additionally, the actual population base of 47,106 was significantly higher than projected in the CFA at 42,252. These differences resulted in actual motor vehicle license fees exceeding CFA projections by \$451,000 or 20.3 percent. Finally, fees charged for building and permits, planning, public works and engineering services had a total increase of approximately \$560,000 over CFA projections.

Actual General Fund expenditures that were less than projections include the Administrative Services and Finance functions, which had less staffing in the first full fiscal year after incorporation than anticipated in the CFA. Authorized positions in the FY 2002-03 budget were 3.0 whereas the CFA projected 9.0 positions, resulting in reduced expenditures of approximately \$531,000 or 56.4 percent. There were also fewer expenditures on services and supplies than projected in the CFA. Planning, Zoning, and Development Review activities were approximately \$549,000 or 23 percent less than CFA projections again resulting from reduced staffing which was partially offset by significant contract services in FY 2002-03. Additionally, approximately \$280,000 each for insurance and City Hall rental payments, supplies, and initial computer equipment and office furnishings were not expended as projected by the CFA which used formulas, estimated employees and square footage for City Hall and percentage of General Fund expenditures for insurance, to develop its projections. Further, the City did not have to use the \$599,000 projected for contingency purposes. One significant variance of approximately \$742,000 or 97.6 percent over CFA projections was for Public Works activities and resulted from contract services for engineering activities that were not included in the CFA analysis although the CFA report indicates that "engineering and maintenance activity would be conducted...through a contract for at least the first five years". Additionally, the CFA assumed road maintenance activities would be paid from the Road Fund, whereas the City charged

approximately \$542,000 in street maintenance to the General Fund. The CFA does not specify whether engineering costs were included in the Road Fund.

The net result of actual revenues and expenditure activity for the General Fund in FY 2002-03 was an increase in fund balance of \$3.1 million over CFA projections and a total increase in fund balance since incorporation of \$4.1 million over CFA projections.

The Road Fund also increased the City's financial position in FY 2002-03 relative to projections made by the CFA. While revenues fell short, primarily due to significantly less intergovernmental or grant revenues, there were almost no expenditures in the Road Fund. The CFA projected intergovernmental or grant revenues to be a percentage of County intergovernmental revenues which were allocated to the Goleta area in the base year. Clearly, these revenues were not automatically transferred to the City as the County was the recipient agency and in all probability had flexibility as to the expenditure of those grant monies. The net result in the Road Fund was an increase in fund balance of \$2.2 million over CFA projections and a total increase in the Road Fund fund balance since incorporation of \$1.3 million over CFA projections.

Table 1.4 provides the breakdown of fund balance by fund and compares the amounts to the CFA projections for FY 2002-03:

Table 1.4
Detailed Fund Balances by Fund
As of June 30, 2003

	General Fund	Road Fund	Total
<i>CFA (1)</i>	\$2,327,330	\$1,532,428	\$3,859,758
Actual (2):			
General Fund	4,894,108		4,894,108
Gas Tax		1,394,589	1,394,589
Measure D		1,361,559	1,361,559
Subtotal	\$4,894,108	\$2,756,148	\$7,650,256
<i>Variance from CFA</i>	\$2,566,778	\$1,223,720	\$3,790,498
Other Funds (3):			
Library (2)	1,428		1,428
Street Light Assessment (2)	86,349		86,349
Public Safety (2)	48,872		48,872
Park Development Fees (2)	877,964		877,964
Other Development Fees (2)	491,444		491,444
Transportation (2)		18,538	18,538
Goleta Transportation Improvement Plan (2)		20,000	20,000
Subtotal – Other Funds	\$1,506,057	\$38,538	\$1,544,595
<i>Variance from CFA</i>	\$4,072,835	\$1,262,258	\$5,335,093
Redevelopment Agency(2)			1,234,464
Total Fund Balance			\$10,429,315

(1) CFA amounts revised to present fund balances in real terms.

(2) Data source: FY 2002-03 audited financial statements.

(3) These funds were not explicitly included in the CFA; however, these funds directly impact municipal expenditures and the service levels provided to the citizens of the City.

Additionally, the Redevelopment Agency in FY 2002-03 reported \$1,377,000 in revenues and long-term debt proceeds and \$921,000 in expenditures for a net increase to the Redevelopment Agency fund balance for FY 2002-03 of \$457,000 and a cumulative Redevelopment Agency fund balance of \$1,234,464. These funds are not available for General Fund purposes.

FY 2003-04 Financial Status

In FY 2003-04, City revenues continued to exceed CFA projections whereas total expenditures were more in line with CFA projections. Significant revenue variances included the same revenue sources as in the prior year, sales taxes, transient occupancy taxes, and State motor vehicle license fees, but also included property taxes and franchise fees. However, unlike the previous year, fees charged for building and permits, planning, public works and engineering services were only marginally less than CFA estimates. Property tax revenues were \$735,000 or 20.3 percent greater than CFA estimates, which was primarily driven by increased residential home values. Indeed, the real property transfer revenues, an indicator of future property tax revenues, were 20.3 percent and 46.8 percent greater than projected by the CFA for FY 2002-03 and FY 2003-04, respectively. For franchise fees, the increase of \$603,000 or 131.3 percent is primarily due to a renegotiated electricity franchise agreement and a one-time payment of \$250,000 for capital equipment, pursuant to the cable franchise agreement.

While total General Fund expenditures exceeded CFA projections by only 3.9 percent, there were significant variations by municipal function. Administrative Services again was less than CFA projections by \$334,000 or 44.5 percent with authorized positions in the FY 2003-04 budget of 4.5 as compared to the CFA projection of 9.0 positions. City Attorney expenditures were \$321,000 or 47.5 percent greater than CFA projections. Similar to FY 2002-03, Public Works activities were \$744,000 or 95.6 percent greater than CFA estimates which appear to have resulted from contract services for engineering activities that were not included in the CFA analysis although the CFA indicates in the report that “engineering and maintenance activity would be conducted...through a contract for at least the first five years”. While it is unclear if the CFA included these activities in the Road Fund, Road Fund actual expenditures in FY 2003-04 were already close to CFA estimates. Finally, as in the prior year, insurance expenditures were significantly, \$324,000 or 90.7 percent, less than CFA projections and the City did not utilize the \$596,000 projected for contingency purposes.

The net result of actual revenues and expenditure activity for the General Fund in FY 2003-04 was an increase in fund balance of \$1.4 million over CFA projections and a total increase in fund balance since incorporation of \$5.6 million over CFA projections.

Similar to the General Fund, Road Fund expenditures also were more in line with CFA projections in FY 2003-04. However, as with the prior year, intergovernmental revenues did not materialize. Offsetting this revenue shortfall, the Road Fund did realize \$516,000 in traffic development impact fees for the Goleta Transportation Improvement Plan and another \$51,000 in interest earnings which were not anticipated in the CFA. The net result in the Road Fund was a decrease in fund balance of \$173,000 over CFA projections for FY 2003-04 and a total increase in Road Fund fund balance since incorporation of \$1.1 million over CFA projections.

Table 1.5 provides the breakdown of fund balance by specific fund and compares the amounts to the CFA projections for FY 2003-04:

Table 1.5
Detailed Fund Balances by Fund
As of June 30, 2004

	General Fund	Road Fund	Total
<i>CFA (1)</i>	\$1,436,098	\$1,789,922	\$3,226,020
Actual (2):			
General Fund	5,036,065		5,036,065
Gas Tax		899,248	899,248
Measure D		1,312,383	1,312,383
Subtotal	\$5,036,065	\$2,211,631	\$7,247,696
<i>Variance from CFA</i>	\$3,599,967	\$421,709	\$4,021,676
Other Funds (3):			
Library (2)	4,255		4,255
Street Light Assessment (2)	329		329
Public Safety (2)	105,723		105,723
CDBG (2)	(32,260)		(32,260)
Park Development Fees (2)	1,180,625		1,180,625
Other Development Fees (2)	764,438		764,438
Transportation (2)		37,413	37,413
Goleta Transportation Imp. (2)		543,569	543,569
State Transportation Imp. (2)		(88,499)	(88,499)
Local Surface Transportation (2)		123,206	123,206
Subtotal – Other Funds	\$2,023,110	\$615,689	\$2,638,799
<i>Variance from CFA</i>	\$5,623,077	\$1,037,398	\$6,660,475
Redevelopment Agency (2)			2,086,525
Total Fund Balance			\$11,973,020

(1) CFA amounts revised to present fund balances in real terms.

(2) Data source: FY 2003-04 audited financial statements.

(3) These funds were not explicitly included in the CFA; however, these funds directly impact municipal expenditures and the service levels provided to the citizens of the City.

Finally, the Redevelopment Agency in FY 2003-04 reported \$1,339,000 in revenues, \$436,000 in expenditures, and \$51,000 in transfers out for a net increase to Redevelopment Agency fund

balance of an additional \$852,000 for a total fund balance in the Redevelopment Agency of \$2,087,000.

Conclusions

Based on this analysis, relative to the CFA, the City of Goleta is in a healthy financial position with a total fund balance, excluding Redevelopment activities, of almost \$10 million accumulated in only two years and five months. It is imperative to note that not all of these funds are available for general discretionary purposes. However, they do reflect the resources held by the City for municipal services.

While revenues from almost all sources exceeded CFA projections, there were considerable variances within expenditure classifications which reflect upon the service levels received by Goleta citizens in FY 2002-03 and FY 2003-04. With the exception of the City Attorney, most administrative functions, including Administrative Services/Finance, City Hall, and insurance, were significantly less than CFA projections in FY 2002-03 and certain municipal services were significantly greater than CFA projections, including Animal Control, Public Works/Engineering, and Parks. While spending on administrative functions increased in FY 2003-04, including a significant increase in City Attorney expenditures, expenditures in Animal Control, Public Works/Engineering, and Parks continued to be greater than CFA projections. The Planning function was significantly less than projections in FY 2002-03, but was relatively close to CFA projections in FY 2003-04.

With respect to the General Fund, the CFA projected that the first five months of operations, which included a \$1.5 million loan from the County, would provide needed resources to finance deficit spending in FY 2002-03 and FY 2003-04. However, the City has realized significantly greater revenues and has kept total expenditures reasonably close to amounts projected by the CFA. This strong financial position has enabled the City Council to establish \$4,885,000 in General Fund reserves as reported in the FY 2003-04 audited financial statements, including:

- Contingency reserve of \$2,285,000,
- Operating cash flow reserve of \$2,100,000,
- Insurance/risk management reserve of \$200,000, and
- County advance reserve of \$300,000.

Despite these reserves and the results from operations, positive variances from the CFA do not necessarily reflect upon the financial management of the City which is more appropriately gauged against the annual budget, which establishes the City's priorities in a public forum. The annual budget has not necessarily mirrored projections in the CFA. The next section develops revenue and expenditure projections for the next five years, FY 2004-05 through FY 2008-09 in order to evaluate the long-term viability of the City.

2. Five-Year Projections and Long-Term Viability of the City

- The City is currently in a favorable financial position with a projected accumulated total fund balance at the end of FY 2004-05 of \$9.8 million, which is 50.8 percent or six months of annual expenditures. As part of this management audit, we developed five-year projections for revenues, expenditures and fund balance based on current financial activities and CFA projections for growth. While there is variability in both revenues and expenditures, both the General Fund and the Road Fund, in four out of five years, should experience net revenues. The financial position of the City improves in FY 2005-06 when street improvement program expenditures are expected to decrease and again FY 2008-09 when base sales tax revenues are projected to increase due to new retail development and the City's debt service obligation for the Santa Barbara Shores land acquisition expires. The five-year projections estimate that fund balance at the end of FY 2008-09 will increase to approximately \$14.9 million, or 77.9 percent and over nine months of projected FY 2008-09 expenditures. While some of these revenues are restricted and not available for discretionary purposes, the City is clearly viable for the next five years and beyond.
- Despite these projections that indicate a strong financial position over the next five years, significant uncertainties and variables exist and should be considered when reviewing our projections. First, there are uncertainties surrounding the State's current financial status and budget process, which greatly impact the City's primary revenue sources: property taxes, sales taxes, and motor vehicle in-lieu sales taxes. Additionally, the City's primary revenue sources, including the transient occupancy tax, are highly dependent upon the general economic climate of the State as well as for the region and change in economic growth can have significant impacts. Finally, the City is in the process of completing its General Plan and development activities, which will impact both City expenditures and future revenues cannot be estimated until the General Plan is complete.
- Several alternative assumptions were developed to assess their impact. These alternative assumptions and include increased staffing costs due to higher than projected cost-of-living salary increases, changes in property tax, sales tax, and transient occupancy tax revenue growth, and a decrease in retail development expected to be completed and generating revenues in FY 2008-09. The impacts of the alternative assumptions were not significant enough to greatly impact the City's financial position from year to year over the five-year period. Further, there is a substantial fund balance that the City can rely upon if significant unexpected or one-time expenditures occur or if revenues are less than projected during the annual budget process.
- As the City becomes a mature organization within the next few years, it should work to stabilize expenditure and service levels, especially once the General Plan is complete, so that on-going revenues continue to be equal to on-going expenditures. It appears that the City is positioned to do this without significant financial hardship.

As noted in the previous section, the City is in better financial position than projected by the CFA, which had conservative estimates for revenues and did not account for the delays realized in setting up the infrastructure necessary to conduct City business. While the City has been incorporated for a little more than three years, the City is still in the development stage with the General Plan yet to be completed.

Methodology

Baseline five-year projections have been developed using the City of Goleta's estimated year-end actual revenues and expenditures for FY 2004-05. Similar to the CFA and the comparative analysis in the previous section, the five-year projections have been developed for the General Fund and the Road Fund and are presented on the next two pages as Table 2.1 for the General Fund and Table 2.2 for the Road Fund. Because nine months of FY 2004-05 have elapsed, the City should have a reasonably accurate estimate for year-end results at this time. FY 2005-06 through FY 2008-09 are projected using the CFA's estimates for growth in specific revenue sources and expenditure classifications. The CFA assumptions include a 2.0 discount (inflation) rate. CFA assumptions were reviewed as part of the comparative analysis and continue to provide a reasonable basis for projections after adjustments to reflect current revenue and expenditure levels. This has been accomplished by using FY 2004-05 estimated actual revenues and expenditures as the new base for projecting forward.

For revenues, CFA growth assumptions ranged from no annual growth for sales tax, transient occupancy tax, motor vehicle in-lieu sales taxes, and most fee revenues to an average of approximately 2.0 percent growth for property tax revenues. Growth in interest revenues were highly variable, but averaged 13.3 percent over the four year period. Additionally, unlike the CFA, revenues that are shared with the County of Santa Barbara pursuant to the Revenue Neutrality Agreement are presented in the five-year projections net of the mitigation payment. Therefore, these amounts represent actual revenues recorded by the City and are comparable to the City's annual budget and financial statements.

For expenditures, CFA growth assumptions ranged from no growth for City Council, City Hall and Street Lighting to a little over 2.0 percent growth for Animal Control and City Attorney. These were adjusted for any one-time revenues and expenditures anticipated by the City over the next five years. Additionally, increased staffing in FY 2004-05 have been annualized in future years and it has been assumed all positions will be filled. Unlike CFA projections, contingency needs were not included in the five-year projections given that these needs, by their nature, are not able to be anticipated or estimable.

Table 2.1
Five-Year Projections
FY 2004-05 through FY 2008-09

General Fund

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
General Fund Revenues						
Property Taxes	3,914,665	4,024,715	4,167,472	4,286,854	4,427,854	1, 2
Sales Taxes	3,625,780	3,734,553	3,809,244	3,885,429	4,347,211	1, 2, 3
Real Property Transfer Tax	134,000	138,288	144,193	150,033	156,634	1, 2
Franchise Fees (all)	1,004,300	944,143	972,090	1,000,864	1,030,489	1, 2, 4
Transient Occupancy Tax	2,250,000	2,295,000	2,555,520	2,606,630	2,658,763	1, 2, 5
Building and Permit Fees	1,208,000	1,232,160	1,256,803	1,281,939	1,307,578	1, 2
Planning Fees	834,500	851,190	868,214	885,578	903,290	1, 2
Public Works/Engineering Fees	56,000	57,266	58,560	59,883	61,237	1, 2
Fines and Penalties	145,000	150,206	155,598	161,184	166,970	1, 2
State Motor Vehicle License Fees	1,074,365	1,095,852	1,117,769	1,140,125	1,162,927	1, 2
Intergovernmental/Grants	1,296,130	514,641	524,934	535,432	546,141	1, 2, 6
Investment Earnings	129,500	142,333	160,396	178,745	213,278	1, 2
Other	186,930	190,669	194,482	198,372	202,339	1, 2
Total Revenues	15,859,170	15,371,016	15,985,275	16,371,068	17,184,711	
General Fund Expenditures						
City Council	107,820	109,976	112,176	114,419	116,708	1, 2
City Manager/City Clerk/Elections	849,240	836,494	804,465	870,289	836,965	1, 2, 7, 11
City Attorney	850,000	884,000	919,360	956,134	994,380	1, 2
Administrative Services/Finance	528,425	612,425	627,736	643,429	659,515	1, 2, 11
Police/Public Safety	5,467,945	5,631,983	5,800,943	5,974,971	6,154,220	1, 2
Animal Control	157,815	164,285	171,021	178,033	185,332	1, 2
Planning, Zoning Bldg, Dev. Review	2,672,700	2,840,750	2,765,679	2,834,267	2,904,557	1, 2, 8, 11
Public Works Admin (& NPDES)	1,642,130	1,813,634	1,854,717	1,896,730	1,939,695	1, 2, 11
Street Lighting	96,995	98,935	100,914	102,932	104,991	1, 2
Parks	2,057,090	1,398,904	1,429,635	1,379,088	1,006,350	1, 2, 9, 11
City Hall	628,500	1,041,070	653,891	666,969	680,309	1, 2, 10
Insurance	75,915	77,433	78,982	80,562	82,173	1
Contingency	-	-	-	-	-	
Total Expenditures	15,134,575	15,509,891	15,319,519	15,697,824	15,665,195	
Net Revenues (Expenditures)	724,595	(138,875)	665,756	673,244	1,519,517	
Cumulative Surplus (Deficit) Fund Balance	7,783,770	7,644,895	8,310,652	8,983,896	10,503,413	
CFA Projected Fund Balance (A)	1,691,895	1,918,858	2,139,753	2,395,236	3,372,098	

Notes:

(A) CFA projected fund balance has been restated in real terms using the 2.0 percent discount rate assumed in the CFA.

Key Assumptions:

- 2.0 percent discount (inflation) rate
- CFA growth assumptions
- New retail store opened in March of 2005. Increased sales taxes estimated at 1.0 percent. Assumes this retail space was not included in the CFA estimate of new retail in FY 2008-09.
- One-time revenues of \$87,300 in FY 2004-05 not included in future year estimates.
- New 98 room hotel estimated to open and transient occupancy taxes expected to increase in FY 2006-07 based on a room rate of \$100 and an occupancy rate of 60 percent.
- One-time grant revenues of \$761,580 in FY 2004-05 excluded in future year estimates.
- Restated FY 2004-05 projections from City estimates to exclude expenditures budgeted for elections costs. Election years are FY 2005-06 and FY 2007-08. One-time City Manager severance cost incurred in FY 2004-05 excluded in future years.
- The General Plan is anticipated to be completed in calendar year 2005. Per the CFA, \$125,000 in annual costs will not occur once the plan is complete. (Similar to CFA projections, the City anticipates that \$200,000-\$250,000 incurred in FY 2003-04 and FY 2004-05 to not be recurring.) Projection also includes one-time purchase of a \$17,000 vehicle in FY 2005-06.
- One-time grant revenues in FY 2004-05 of \$791,580 are not included in future year estimates. Additionally, debt service payments for Santa Barbara Shores ranging from \$396,000 to \$470,000 expire after FY 2007-08.
- The City anticipates construction of Council Chambers to cost between \$300,000 and \$400,000 in FY 2005-06. \$400,000 has been assumed in these projections.
- Salaries are annualized for new positions added in FY 2004-05 and vacant positions are projected at full cost.

Table 2.2
Five-Year Projections
FY 2004-05 through FY 2008-09

Road Fund

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	
Road Fund Revenues						
Intergovernmental/Grants	776,000	791,520	807,350	823,497	839,967	1,2
Gas Taxes	810,250	826,455	842,984	859,844	877,041	1,2
Measure D Funds	1,377,160	1,425,774	1,476,104	1,528,210	1,582,156	1,2
Building and Permit Fees	600,000	612,000	624,240	636,725	649,459	1,2
Investment Earnings	52,800	58,032	65,397	72,878	86,958	1,2
Total Revenues	3,616,210	3,713,781	3,816,075	3,921,154	4,035,581	
Road Fund Expenditures						
Road Maintenance	4,410,115	3,232,975	3,224,334	3,304,341	3,402,008	3
Total Expenditures	4,410,115	3,232,975	3,224,334	3,304,341	3,402,008	
Net Revenues (Expenditures)	(793,905)	480,806	591,741	616,813	633,573	
Cumulative Fund Balance	2,033,416	2,514,222	3,105,963	3,722,776	4,356,350	
CFA Projected Fund Balance (A)	2,167,663	2,522,082	2,912,366	3,340,632	3,809,096	

Notes:

(A) CFA projected fund balance has been restated in real terms using the 2.0 percent discount rate assumed in the CFA.

Key Assumptions:

- 1 2.0 percent discount (inflation) rate
- 2 CFA growth assumptions
- 3 Measure D expenditures projected based on schedule provided by the City, Goleta Transportation Improvement Program and Transportation special revenue funds projected to have no expenditures, and all other special revenue fund expenditures projected to equal revenues.

Considerations and Variables

There are a number of issues to consider when reviewing the five-year projections.

Uncertainties surrounding the State budget

The State budget greatly impacts many local governments including cities which rely upon the State for allocations of the primary discretionary revenue sources that local governments depend on including property taxes, sales taxes and motor vehicle in-lieu sales taxes. The uncertainties surrounding the State's current financial status and budget process and the significant restructuring of property tax, sales tax and motor vehicle in-lieu sales tax revenue allocations in FY 2004-05 make forecasting these revenues extremely difficult. Since FY 2004-05 allocations have been determined and year-end results can be reasonably estimated by the City at this time, the City's estimates have been included in the projections for FY 2004-05 and have set the baseline for future years. Therefore, the projections assume the status quo allocations will continue to exist for FY 2005-06 through FY 2008-09 and will grow at CFA estimated rates for those particular revenue sources. However, a cautionary note that these projections may change considerably depending upon State action.

General economic climate

Most of the City's revenues are highly dependent upon the general economic climate for the State as well as for the region. A strong economy will generate greater retail sales, tourism, commercial real estate and development activities than a weak economy. Further, strong housing markets will generate increased housing prices and increased home sales. The UCSB Economic Forecast Project anticipates, at this time, modest economic growth¹. Further, housing markets on the Central Coast remain strong. Therefore, the outlook is positive for growth in the City's main discretionary revenue sources in the next few years. However, to the extent that the economy reflects or does not reflect the growth assumptions made by the CFA, the five-year projections may be significantly impacted.

Completion of the City's General Plan

The City anticipates the General Plan to be completed in calendar year 2005. The costs associated with implementation of the General Plan have not been estimated. Further, development activities, which will impact both future expenditures and revenues cannot be estimated until the General Plan is complete. Therefore, depending upon the timing of implementation of the General Plan and related development activities, the five-year projections may be significantly impacted.

¹ Ventura/Santa Barbara County Economic Outlook and Forecast, Bill Watkins, UCSB Economic Forecast Project, March 18, 2005.

General Fund

Results of baseline five-year projections as presented in Table 2.1 determined that revenues will be sufficient to cover expenditures in four of the five years, using the CFA growth assumptions. However, there are significant variances in net revenues and impact on fund balance from year to year. These are primarily the result of the following exceptions anticipated by the City:

FY 2005-06

- Construction of Council chambers - \$400,000 increased expenditures
- Increase in staffing over FY 2004-05 levels - \$498,000 increased expenditures
- Decrease in a Parks grant used for the acquisition of Ellwood Mesa land – \$792,000 increase in both revenues and expenditures

FY 2006-07

- Completed Construction of Council chambers - \$400,000 decreased expenditures
- Completion of a new 98 room hotel in downtown Goleta - \$215,000 increased transient occupancy tax revenues

FY 2007-08

- No significant exceptions

FY 2008-09

- Decrease in debt service for the Santa Barbara Shores property transfer to the City – \$396,000 decreased expenditures
- Increased retail development - \$384,000 increased sales tax revenues

These projections indicate that FY 2006-07 and FY 2007-08 City activity might be stabilized at a net positive impact on the General Fund fund balance of approximately \$650,000 to \$700,000. After FY 2007-08, the City's financial position is expected to grow stronger with a reduction in annual expenditures for debt service and an increase in base sales tax revenues generated by new retail development, which is contingent upon the General Plan and, again, the economic climate. The projection for FY 2008-09 estimates that revenues will exceed expenditures by almost 10 percent, bring total General Fund fund balance as of June 30, 2009 up to \$10.5 million as compared to the \$3.4 million estimated by the CFA. \$10.5 million is approximately 67.0 percent or over eight months of FY 2008-09 General Fund expenditures.

Road Fund

For the Road Fund, the baseline five-year projections shown in Table 2.2 estimated that road maintenance revenues will grow at the rate of inflation of 2.0 percent, except for Measure D sales tax revenues which the CFA projected to grow an additional 1.53 percent. Road Fund expenditures, depending on funding source, are projected using several different assumptions. Expenditure of gas tax and intergovernmental revenues are projected to increase at the same rate as the respective revenues. Measure D expenditures are projected based on the City's five-year street improvement program schedule of expenditures presented to the City Council in spring of 2005. Finally, the expenditure of impact fee revenues accumulated for the Goleta Transportation Improvement Plan are contingent upon completion of the City's General Plan and, therefore, not estimable at this time. Accordingly, no expenditures of Goleta Transportation Improvement Plan revenues or accumulated fund balance, totaling an estimated \$3.7 million as of June 30, 2009, are included in the five-year projections.

The net impacts of City activities for both the General Fund and the Road Fund as projected for the next five years are presented in Table 2.3 below:

Table 2.3
Projected Net Revenues (Expenditures) and
Impact on Fund Balance
FY 2004-05 through FY 2008-09

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
General Fund	\$724,595	\$(138,875)	\$665,756	\$673,244	\$1,519,517
Road Fund	(793,905)	480,806	591,741	616,813	633,573
Net Impact	\$(69,310)	\$341,932	\$1,257,492	\$1,290,058	\$2,153,090
Total Beginning Fund Balance	9,886,496	9,817,186	10,159,118	11,416,615	12,706,672
Total Ending Fund Balance	\$9,817,186	\$10,159,118	\$11,416,615	\$12,706,672	\$14,859,762

As can be seen in Table 2.3, the City will have a total positive net impact on fund balance in four of five years with a significant increase in FY 2005-06 when Road Fund expenditures of Measure D and gas tax revenues and accumulated fund balance decrease. Another increase in FY 2008-09 is due to the decrease in debt service expenditures and the increase in base sales tax revenues previously discussed. The City is currently in a favorable financial position with a projected accumulated total fund balance at the end of FY 2004-05 of \$9.8 million, which is 50.8 percent or six months of FY 2004-05 expenditures. Five-year projections estimate that fund balance at the end of FY 2008-09 will increase to approximately \$14.9 million, which is 77.9 percent or over nine months of FY 2008-09 expenditures. While not all of these funds are available for discretionary purposes such as the \$3.7 accumulated for the Goleta Transportation Improvement Plan, the City is clearly viable for the next five years and beyond.

Another consideration for the financial outlook for the City is that in FY 2012-13, a significant portion of the City's mitigation obligation to the County will decrease. An additional 20.0 percent of the retail sales tax revenues will accrue to the City and all of the transient occupancy tax, an additional 40.0 percent, will accrue to the City adding approximately \$3.5 million to the City's base revenues annually².

Alternative Assumptions

A certain degree of uncertainty surrounds financial projections, with decreased accuracy in later years as the economic climate changes and unexpected events arise. Therefore, we identified several potential changes in the assumptions made in the five-year projection and estimated the impact that they would have on revenues and expenditures annually. Because the City has less control over revenues than expenditures, the alternatives have focused on changing revenue assumptions.

Increase in salaries and benefits

In FY 2004-05, the City budget granted staff an average 3.0 percent cost-of-living adjustment to salaries. A 3.0 percent cost-of-living adjustment, rather than the 2.0 percent assumed in the five-year projections, would result in an increase in expenditures of approximately \$41,000 annually over the next four years.

Change in property tax revenues

Property tax revenues are greatly influenced by the general economic climate and dependent upon the housing market. Further, these revenues can experience large swings in growth rates. The five-year projections assumed an average annual increase in property tax revenues of almost 4.0 percent, including the 2.0 inflationary increase. In FY 2003-04, property tax revenues increased 11.1 percent. In FY 2004-05, property tax revenues are estimated to increase 5.0 percent. A 1.0 percent change in property tax revenues would be approximately \$25,000 a year³.

Change in sales tax revenues

Like property tax revenues, sales tax revenues are greatly influenced by the general economic climate. Except for the anticipated impacts from new development, the five-year projections assumed an average annual inflationary increase of 2.0 percent. In FY 2003-04, sales tax revenues increased 3.8 percent. In FY 2004-05, sales tax revenues are estimated to grow only 0.1 percent. A 1.0 percent change in sales tax revenues would be approximately \$38,000 a year.

² Pursuant to the revenue neutrality agreement, 50.0 percent of property tax revenues and 20.0 percent of retail sales tax revenues accrue to the County in perpetuity.

³ This estimate does not include the State's transfer of property tax revenues to the City to offset the State's reduction in the City's motor vehicle in-lieu sales tax revenues which began in FY 2004-05.

Limited retail sales development

The CFA assumed that 128,550 square feet of retail development would begin to generate an additional \$384,000 in annual sales tax revenues in FY 2008-09. To the extent that either less retail space is developed or that it generates less than the base assumed in the CFA of \$250 in retail sales per square foot, the full extent of the projected revenues will not be realized.

Change in transient occupancy tax revenues

Transient occupancy tax revenues are also greatly influenced by the general economic climate. Except for the anticipated impacts from new development, the five-year projections assumed an average annual inflationary increase of 2.0 percent. In FY 2003-04, transient occupancy tax revenues were flat. In FY 2004-05, transient occupancy tax revenues are estimated to grow 5.0 percent. A 1.0 percent change in sales tax revenues would be approximately \$25,000 a year.

The order of magnitude impact resulting from these changes in assumptions indicates that the City should be able to accommodate any negative impacts within surplus revenues and, if not, accumulated fund balance is sufficient to cover short-term and non-structural decreases in revenues or unexpected one-time expenditures.

Conclusions

The City is currently in a favorable financial position and is viable for the next five years. Further, there is a substantial fund balance that the City can rely upon if significant unexpected or one-time expenditures occur or if revenues are less than projected during the annual budget process. As the City becomes a mature organization in the next few years, it should work to stabilize expenditure and service levels, especially once the General Plan is complete, so that annually on-going revenues continue to be equal to on-going expenditures. It appears that the City is positioned to do this without significant financial hardship.

3. Staffing and Service Levels

- The City of Goleta's staffing levels are not being impacted by an adverse financial position. Rather, the City has increased staffing gradually since incorporation for reasons other than insufficient funding. On-going revenues have been sufficient to cover increases in on-going expenditures resulting from increased staffing and, to some extent, there are sufficient on-going resources to expand staffing if necessary in the future. Additionally, at this time there are only three vacancies Citywide, and therefore the City is fully staffed at budgeted levels.
- The CFA made aggressive assumptions in projecting that the City would be almost 50 percent staffed shortly after incorporation and fully staffed at the start of FY 2002-03. However, as noted above, staffing occurred over the course of the last several years. Establishment of a new city is a significant undertaking, and while this may have affected services early on, the City now appears to be approaching full staffing levels. However, while the City is approaching total staffing level as projected by the CFA, there are significant variances by function compared to the CFA, specifically Planning and Environmental Services and Community Services. The City has more positions for Community Services than anticipated in the CFA, but fewer positions for Planning and Environmental Services.
- In addition to analyzing staffing levels relative to the CFA, a benchmark survey was conducted to analyze the City's current staffing and funding levels relative to other comparable cities. The survey determined that the City is within range of other cities in terms of staffing and funding levels, although staffing of the Planning function is higher than that of the survey respondents, which is in contrast to the projections made in the CFA. The differences are likely due to the City's unique planning and development environment and recent incorporation.

Staffing and Service Level History

The City has gradually increased staffing since incorporation. The revised FY 2002-03 budget had 15.0 positions, which doubled in FY 2003-04 to 29.0 budgeted positions¹. In FY 2004-05, budgeted positions increased again to the current level of 37.75 positions, including the mid-year addition of 4.75 positions. Table 3.1 on the following page provides a breakdown of positions by City department for each of the fiscal years. As can be seen in Table 3.1, there has been a gradual increase in staffing for the City Manager as well as the Community Services department. Administrative Services has held a relatively constant staffing level, while Planning and Environmental Services increased substantially in FY 2003-04 but remains relatively constant in FY 2004-05.

¹ Position counts exclude the five City Council members.

Table 3.1
Staffing History
FY 2002-03 through FY 2004-05

	FY 02-03		FY 03-04		FY 04-05		CFA
	Budget	Revised	Budget	Revised	Budget	Revised	
City Manager							
City Manager	1.0	1.0	1.0	1.0	1.0	1.0	
Assistant City Manager	1.0	1.0					
Executive Assistant	1.0	1.0	1.0	1.0	1.0	1.0	
Administrative Assistant*	1.0		1.0	1.0	1.0	0.5	
City Clerk			1.0	1.0	1.0	1.0	(2)
Management Analyst					1.0	1.0	
Deputy City Clerk						1.0	
City Hall Receptionist						1.0	
Management Intern						0.5	
	4.0	3.0	4.0	4.0	5.0	7.0	5.5
Administrative Services							
Director/Assistant City Manager	1.0	1.0	1.0	1.0	1.0	1.0	
Accountant II/Senior Accountant	1.0	1.0	1.0	1.0			
Account Clerk	2.0						
Personnel Technician	1.0						
Accounting Specialist		1.0	2.0	2.0	1.0	1.0	
Management Analyst			0.5	1.0	1.0	1.0	
Accounting/Finance Manager					1.0	1.0	
Administrative Assistant*						0.5	
	5.0	3.0	4.5	5.0	4.0	4.5	9.0
Planning and Environmental Services							
Director	1.0	1.0	1.0	1.0	1.0	1.0	
Associate Planner	1.0	1.0	2.0	1.0	1.0	3.0	
Secretary II / Admin Assistant*	2.0		0.5	0.5	0.5	0.5	
Planning Manager		2.0	1.0	1.0	2.0	1.0	
Senior Planner/Assistant Planner		2.0	5.0	6.0	5.0	4.0	
General Plan Manager			1.0	1.0	1.0	1.0	(2)
Bldg & Neighborhood Svcs Mgr			1.0	1.0	1.0	1.0	
Senior Building Inspector			1.0	1.0	1.0	1.0	
Code Compliance Officer			1.0	1.0	1.0	1.0	
Permit Technician					0.5	0.5	
Management Intern						0.25	
	4.0	6.0	13.5	13.5	14.0	14.25	26.00
Community Services							
Director	1.0	1.0	1.0	1.0	1.0	1.0	
Secretary II / Admin Assistant*	1.0		0.5	0.5	0.5	0.5	
Maintenance Worker II	1.0				1.0	1.0	(3)
Associate Civil Engineer	1.0	1.0	1.0	1.0			
Principal Civil Engineer		1.0	1.0	1.0	1.0	1.0	
Management Analyst			0.5		1.0	1.0	(2)
Assistant Engineer			1.0	1.0	1.0	1.0	
Public Works Inspector			1.0	1.0	1.0	1.0	
Senior Engineering Technician			1.0	1.0			
Project Manager					1.0	1.0	
Public Works Manager					1.0	2.0	
Permit Technician					0.5	0.5	
Lead Maintenance Worker					1.0	2.0	
	4.0	3.0	7.0	6.5	10.0	12.0	4.0
Total Positions	17.0	15.0	29.0	29.0	33.0	37.75	44.50
Filled at year end (1)		11.0		23.0		35.5	
Vacancies		4.0		6.0		2.3	

* Position classified in prior years as Office Assistant and Senior Office Specialist

Data Sources: Historical budget documents and Comprehensive Fiscal Analysis

(1) As reported in the FY 2004-05 Operating Budget

(2) Position vacant as of 4/11/05

(3) Despite 1.0 budgeted budgeted positions for this classification, there are currently 2.0 filled positions

As noted in the previous sections, the City of Goleta is and has been in a strong financial position, with revenues exceeding expenditures for the past two and a half years and projected again in FY 2004-05. Therefore, on-going revenues have been sufficient to cover increases in on-going expenditures resulting from increased staffing and, to some extent, there are sufficient on-going resources to expand staffing if necessary in the future. At present, there are only three vacancies: the General Plan Manager in Planning and Environmental Services, a Management Analyst in Community Services, and the City Clerk. The five-year projections in the previous section assumed full staffing, including these vacant positions, in FY 2005-06 and future years. Yet, on-going revenues continued to exceed on-going expenditures. Therefore, revenue shortfalls have not prevented and are not expected to prevent the City from maintaining the staffing levels necessary to meet reasonable service level expectations.

Comparative Staffing Levels to the CFA

CFA made aggressive assumptions in projecting that the City would be almost 50 percent staffed shortly after incorporation in February of 2002 and fully staffed at the start of FY 2002-03. However, as noted by the staffing history above, staffing occurred over the course of the last several years, FY 2002-03 through FY 2004-05. While the City is approaching the total CFA staffing level, there are significant variances by municipal function, specifically Planning and Environmental Services and Community Services, which the CFA classifies as Public Works.

For Planning and Environmental Services, the CFA projected that the function would be provided by an in-house staff of 26.0 positions. However, the City has been contracting for some of these services, although these contract services have been decreasing. At present, Planning and Environmental Services staffing level is 14.25 positions. Again, the CFA may have made aggressive assumptions due to the City's unique planning and development environment.

The CFA projected only 4.0 positions for the Public Works/Community Services function, with almost all municipal services for capital improvement and road maintenance and landscaping to be contracted out. However, the City currently has 12.0 positions assigned to Community Services, including engineers, inspectors and maintenance workers that provide direct services, which the CFA assumed would be contracted out. Further, two of the 12.0 positions were added in FY 2004-05 for parks and open space management and maintenance. These positions were not anticipated by the CFA.

Benchmark Survey to Comparable Cities

In addition to analyzing staffing levels relative to the CFA, a benchmark survey was conducted to analyze the City's current staffing and funding levels relative to other comparable cities. The purpose of the analysis was to determine whether the City was within range of other cities in terms of staffing and funding levels. Comparable cities were selected based on population, with an emphasis on selecting those cities on the central coast of California. Additionally, select cities from various counties around the State, but with similar population, were also incorporated into the survey. A total of 12 cities were selected as comparable based on population. Another four cities were identified as comparable because of recent incorporations. The benchmark survey consisted of two components. The first was a staffing level and vacancy survey sent to all

identified cities. Of the 16 surveys sent, nine were returned, although two surveys had insufficient information and were not included in the analysis. The second component of the benchmark survey was a comparison of expenditures by municipal function in order to assess funding and service levels. For this analysis, the *Cities Annual Report* issued by the California State Controller's Office for FY 2002-03, the most recent available year, was utilized.

Staffing Survey

The staffing survey requested data and information from comparable cities on positions, vacancies, and contract services by municipal function. Additionally, to provide a better understanding of the cities being surveyed, information on estimated FY 2004-05 General Fund discretionary revenues, expenditures and fund balances was also requested. The staffing survey responses are attached to this report as Attachment 3.1. Table 3.2 on the following page presents staffing level by municipal function, including vacant positions and vacancy rates.

Based on a percentage allocation, this analysis indicates that the City has slightly less than average staffing, 31 percent as compared to 35 percent, for the administrative functions, including the City Manager and Administrative Services. The City has the highest staffing level, 38 percent, for the Planning function, which is more than twice the comparable cities of 17 percent. Further, six of the seven comparable cities had Planning staff ranging from 10 percent to 20 percent. The difference is likely due to the City's unique planning and development environment and the recent incorporation.

In contrast, Public Works staffing was much more variable between the cities and is likely affected by the extent to which these services are contracted out. For example, the City of Aliso Viejo had no staffing for Public Works, where as the City of Los Banos had 56 percent of its staff allocated to the Public Works function. Further, not all Public Works departments necessarily provide comparable services. For example, street lighting services may or may not be included in any given city's Public Works department. The City of Goleta, at 26 percent, was close to the average of 31 percent. Finally, the City had less staffing for Parks than all other comparable cities. However, this is likely due to the fact that the City contracts out for park maintenance at this time. Like Planning, this municipal function was consistent across cities, with six out of seven of the comparable cities reporting a Parks staffing level of 10 percent to 20 percent.

With respect to vacancies, the City of Goleta with a vacancy rate of eight percent is slightly less than average vacancy rate of nine percent.

Table 3.2
 Staffing Survey Responses from Comparable Cities
 Staffing Level by Municipal Function
 Based on FY 04-05 Authorized Positions*

Function	Aliso Viejo		La Quinta		Los Banos		Moorpark		Paso Robles		R Sta Marg		Seaside		Average		High Low	Goleta		
	Pos	%	Pos	%	Pos	%	Pos	%	Pos	%	Pos	%	Pos	%	Pos	%		Pos	%	
City Manager/City Clerk/Elections	2	20%	14	18%	6.9	10%	14.5	26%	8	8%	7	48%	9	11%	8.8	20%	48%	8%	7	19%
Administrative Services/Finance	4	40%	8	10%	7.8	11%	8	14%	9	9%	2	14%	7	9%	6.5	15%	40%	9%	4.5	12%
Planning, Zoning, Dev. Review	2	20%	26.5	33%	7.3	10%	8	14%	14	15%	2	14%	11	14%	10.1	17%	38%	10%	14.25	38%
Public Works/Engineering		0%	23	29%	39.7	56%	9	16%	49	51%	2	14%	42	52%	23.5	31%	56%	0%	10	26%
Parks and Recreation	2	20%	8	10%	9.7	14%	16.5	29%	16	17%	1.5	10%	12	15%	9.4	16%	29%	5%	2	5%
Total Staffing	10	100%	79.5	100%	71.3	100%	56.0	100%	96	100%	14.5	100%	81	100%	58.3	100%			37.75	100%
Vacancies	2	20%			4.0	6%	6	11%	4	4%	1	7%	3	4%	9%				3	8%

* Staffing of municipal functions contracted by the City of Goleta has been excluded from comparable cities for purposes of analysis.
 Data Sources: Survey repondents augmented by budget documents.

Funding Level Survey

In order to obtain comparable financial data and information on funding for municipal services, we utilized the State Controller's *Cities Annual Report* for FY 2002-03. In order to standardize the information presented in the *Cities Annual Report*, certain significant municipal functions funded by some cities, but not the City of Goleta, were excluded from the analysis. Such functions include fire protection, water and sewer services, public transit and airports and other services that would have distorted the analysis. The analysis is presented in Table 3.3. Because FY 2002-03 was the first full year of incorporation for the City of Goleta and, therefore, not indicative of established funding and service levels, the same data and information was compiled for the City of Goleta for FY 2004-05 using the City's FY 2004-05 mid-year budget update.

The *Cities Annual Report* categorizes expenditures in broad municipal functions. Those that pertain to the City of Goleta and all cities are General Government, Public Safety, Transportation, Community Development, and Culture and Leisure. Transportation typically relates to public works functions, Community Development typically relates to planning and building functions, and Culture and Leisure typically relates to parks and recreation, including libraries and community centers. When reviewing the City of Goleta's funding levels in FY 2004-05 to the average funding levels of the comparable cities based on population, the City is at or near average funding levels for General Government, Community Development and Culture and Leisure. However, two functions do not appear to be consistent with the comparable cities averages. The Public Safety funding level for the City of Goleta is 29 percent of all funding whereas the comparable cities average is 40 percent. Conversely, the Transportation funding level for the City of Goleta is 31 percent of all funding whereas the comparable cities average is only 15 percent. This difference is likely the result of increased funding in FY 2004-05 due to the five-year street improvement program. Because Public Safety and Transportation are the largest components of funding, a significant decrease in Transportation funding after the five-year street improvement program ends would be offset by a significant increase in Public Safety expenditure levels and service levels would move closer to the comparable cities averages.

With respect to the cities that were surveyed because of recent incorporations, there is a large variability in funding levels for municipal functions, and they are significantly different than the averages determined for the comparable cities based on population. Accordingly, it appears these newly incorporated cities have not yet stabilized or reflect different community priorities or different community characteristics than more established and older cities. As an example, none of the four newly incorporated cities had any significant funding for Culture and Leisure.

Table 3.3
Service Level Survey of Comparable Cities
Percentage of Funding for Municipal Function*
(in millions)

	General Government		Public Safety (1)		Transportation (2)		Community Development (3)		Culture and Leisure (4)		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Comparable By Population												
Atascadero	2.0	20%	3.7	37%	0.8	8%	1.7	17%	1.7	17%	9.9	100%
El Paso de Robles	1.1	7%	6.0	37%	1.9	12%	3.0	18%	4.4	27%	16.4	100%
Imperial Beach	2	17%	4.7	40%	3.8	32%	0.3	3%	1.0	8%	11.8	100%
La Quinta	4.1	26%	5.3	33%	2.6	16%	2.8	18%	1.2	8%	16.0	100%
Los Banos	1.3	12%	4.6	43%	1.1	10%	2.5	23%	1.3	12%	10.8	100%
Maywood	0.9	10%	4.2	47%	1.7	19%	1.1	12%	1.0	11%	8.9	100%
Monterey	5.3	14%	9.2	25%	4.7	13%	3.5	9%	14.3	39%	37.0	100%
Moorpark	2.0	16%	4.5	36%	1.4	11%	2.5	20%	2.2	17%	12.6	100%
San Pablo	1.4	11%	8.3	64%	0.6	5%	1.7	13%	0.9	7%	12.9	100%
Santa Paula	2.3	18%	5.8	46%	2.8	22%	0.9	7%	0.9	7%	12.7	100%
Seaside	2.3	17%	5.8	42%	1.4	10%	2.1	15%	2.3	17%	13.9	100%
Walnut	1.5	13%	2.9	26%	2.9	26%	1.3	12%	2.6	23%	11.2	100%
Average		15%		40%		15%		14%		16%		
Goleta (FY 2002-03)	3.3	30%	4.1	37%	0.6	5%	2.3	21%	0.8	7%	11.1	100%
Goleta (FY 2004-05)	3.0	15%	5.7	29%	6.0	31%	2.7	14%	2.1	11%	19.5	100%
Comparable By Recent Incorporations												
Aliso Viejo	3.0	33%	4.1	46%	0.5	6%	1.3	14%	0.1	1%	9.0	100%
Citrus Heights	3.0	9%	13.3	42%	7.2	23%	8.5	27%	0.0	0%	32.0	100%
Elk Grove	8.5	22%	11.6	30%	9.1	24%	9.4	24%	0.0	0%	38.6	100%
R Sta. Margarita	4.4	34%	5.0	39%	1.9	15%	1.0	8%	0.6	5%	12.9	100%
Average		25%		39%		17%		18%		1%		
Goleta (FY 2002-03)	3.3	30%	4.1	37%	0.6	5%	2.3	21%	0.8	7%	11.1	100%
Goleta (FY 2004-05)	3.0	15%	5.7	29%	6.0	31%	2.7	14%	2.1	11%	19.5	100%

Data Sources: State Controller's Office *Cities Annual Report* for FY 2002-03 and the City of Goleta's FY 2004-05 mid-year budget update.

(1) Public Safety includes police, animal regulation and street lighting services.

(2) Transportation includes streets, highways, storm drains, and landscaping.

(3) Community Development includes planning, code enforcement, housing, and community promotion.

(4) Culture and Leisure includes parks and recreation, libraries, museums, and community centers.

* Municipal functions not funded by the City of Goleta, such as fire protection, water and sewer services and public transit, were excluded from this analysis.

Conclusions

The City of Goleta's staffing levels are not being impacted by an adverse financial position. Rather, the City has increased staffing gradually for reasons other than insufficient funding. The City again increased staffing in FY 2004-05, but does not anticipate at this time increased staffing in FY 2005-06. Therefore, it appears the City has stabilized staffing and service levels, although there may be sufficient on-going resources for marginal staffing increases in the next few years. This conclusion is supported by the benchmark survey of comparable cities which indicates that, overall, the City of Goleta is comparable to average funding levels for municipal functions, which serves as a proxy for service levels.

Attachment 3.1
 Benchmark Survey of Comparable Cities
 Staffing Survey Responses

Function	Goleta (1)			Aliso Viejo (2)			La Quinta (2) (3)			Los Banos		
	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service
	Authorized	Vacant		Authorized	Vacant		Authorized	Vacant		Authorized	Vacant	
City Manager/City Clerk/Elections	7	1		2	0		14			6.9	0	
City Attorney			Yes			Yes			Yes			Yes
Administrative Services/Finance	4.5	0		4	0	Partial	8			7.8	0	
Police			Yes			Yes			Yes	58.2	4	
Fire						Yes			Yes	10.6	0	
Animal Control			Yes			Yes	2.5			2.5	0	
Planning, Zoning, Dev. Review	14.25	1		2	0		26.5			7.3	2	
Public Works/Engineering	10	1				Yes	23			39.7	1.8	
Street Lighting			Public Works			Yes			Yes			
Library			Yes						Yes			
Parks and Recreation	2	0	Partial	2	2		8			9.7	0.25	
Other										0.4	0	
Total Staffing	37.75	3		10	2		82			143.0	8	
% Vacancies		8%			20%						6%	
General Discretionary Revenues*		\$13,428,915			\$10,239,085			\$23,172,840			\$10,697,080	
General Fund Expenditures*		\$12,958,820			\$10,498,012			\$22,915,174			\$10,732,080	
General Fund Fund Balance*		\$5,041,960			\$6,168,197			\$46,556,410			\$2,724,771	

* Estimated for FY 2004-05 year-end

(1) City of Goleta amounts based on FY 2004-05 mid-year budget update and information provided by the City. General Fund revenues, expenditures, and fund balance are for the City's General Fund as reported in the City's financial statements and annual budget and, therefore, is not comparable with amounts provided in previous sections of this report.

(2) General Fund discretionary revenues, expenditures and fund balance not provided in survey response. FY 2004-05 Annual Budget used as a proxy.

(3) Survey response supplemented by position information in the FY 2004-05 Annual Budget.

Attachment 3.1
 Benchmark Survey of Comparable Cit
 Staffing Survey Responses

Function	Moorpark			Paso Robles			Rancho Santa Margarita			Seaside		
	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service	FY 04-05 Positions		Contract Service
	Authorized	Vacant		Authorized	Vacant		Authorized	Vacant		Authorized	Vacant	
City Manager/City Clerk/Elections	14.5	1		8	0		7	1		9	1	
City Attorney			Yes			Yes			Yes	0.5		Yes
Administrative Services/Finance	8	1		9	0		2	0		7	1	
Police			Yes	48	1		1		Yes	63	2	
Fire			Yes	21	0				Yes	26		
Animal Control	2	0	Partial						Yes	1		
Planning, Zoning, Dev. Review	8	2		14	0		2		Yes	11		
Public Works/Engineering	9	1	Partial	49	4		2		Yes	42	1	
Street Lighting			Yes			Public Works			Yes	1		
Library			Yes			Parks			Yes			Yes
Parks and Recreation	16.5	1	Partial	16	0		1.5		Partial	12		
Other												
Total Staffing	58.0	6		165	5		15.5	1		172.5	5	
% Vacancies		10%			3%			6%			3%	
General Discretionary Revenues*		\$11,100,000			\$17,845,700			\$12,400,000			\$14,100,000	
General Fund Expenditures*		\$11,000,000			\$18,562,400			\$14,000,000			\$15,500,000	
General Fund Fund Balance*		\$15,300,000			\$7,661,000			\$6,600,000			\$3,500,000	

* Estimated for FY 2004-05 year-end