



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** June 27, 2017
From: Marc Puckett, Assistant Town Manager **Item No:** 6
Subject: RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, APPROVING BUDGET APPROPRIATIONS AND ADOPTING THE OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR ALL FUNDS FOR FISCAL YEAR 2017-2018

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Adopt Resolution No. 2017-18, a Resolution of the Town Council of the Town of Apple Valley, California, approving a budget appropriation and adopting the budget, including the operating and capital improvement budget for all funds for Fiscal Year 2017-2018.

SUMMARY:

On June 7, 2017, the Town Council held a Budget Study Session and reviewed the Proposed Operating and Capital Improvement Budget for Fiscal Year 2017-2018. At this meeting, Council determined that their questions were sufficiently answered and determined that additional budget workshops were not necessary.

The attached budget adoption resolution includes all revenue estimates, fund, and departmental appropriations included in the Fiscal Year 2017-2018 Proposed Budget discussed and presented to Council at the June 7, 2017 Budget Study Session. This resolution includes any changes proposed at the Budget Study Session or as presented and discussed herein.

Adoption of the attached Resolution No. 2017-18 will approve the Fiscal Year 2017-2018 Operating and Capital Improvement Budget for all funds with budgetary activity.

BACKGROUND:

The proposed Fiscal Year 2017-2018 Operating and Capital Improvement Budget was transmitted to Town Council for review on May 26, 2017. The Council held a Budget Study Session on June 7, 2017 to review the proposed budget document. The proposed budget represents the Town Manager’s recommended financial plan for Fiscal Year 2017-2018 to address Council’s spending priorities within current fiscal constraints to fulfill the service expectations of the community. The focus in this year’s budget process was on scaling expectations and services to a level that is supportable within existing fiscal constraints.

As submitted, the proposed budget on an all funds basis is summarized in the following table:

<u>PROPOSED BUDGET - ALL FUNDS</u>				
<u>Appropriations/ All Funds</u>	<u>Proposed FY 17-18</u>	<u>Adopted FY 16-17</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 67,384,197	\$ 54,280,442	\$ 13,103,755	24.14%
Transfers Out	8,376,722	15,472,548	(7,095,826)	-45.86%
Capital Budget	6,035,333	10,915,727	(4,880,394)	-44.71%
Total	<u>\$ 81,796,252</u>	<u>\$ 80,668,717</u>	<u>\$ 1,127,535</u>	<u>1.40%</u>

The total Fiscal Year 2017-2018 proposed appropriations are \$81,796,252 on an all funds basis. The proposed Operating Budget on an all funds basis increased from \$54,280,442 in Fiscal Year 2016-2017 to \$67,384,197 in Fiscal Year 2017-2018, an increase of \$13,103,755 or 24.14%. The increase in the proposed Operating Budget is primarily due to the formation of the Apple Valley Choice Energy (AVCE). Also, the proposed Capital Improvement Budget is proposed to decrease from \$10,915,727 in Fiscal Year 2016-2017 to \$6,035,333 in Fiscal Year 2017-2018, a decrease of \$4,880,394 or 44.71%. The decrease in the proposed budget for the Capital Improvement Program is primarily resultant from the completion of construction of the Yucca Loma Bridge and related projects. In total, when compared to the prior Fiscal Year 2016-2017 adopted budget, the total Operating and Capital Improvement Budget for Fiscal Year 2017-2018 represents an increase of \$1.1 million or 1.40%. The proposed budget includes the operating and

capital improvement budgets for the following funds: General Fund, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds.

The total proposed General Fund budget is \$28,735,371, a decrease of \$872,318 as compared to the adopted budget in Fiscal Year 2016-2017. As presented, the proposed General Fund budget for Fiscal Year 2017-2018 is balanced with utilization of fund balance. The following table is a summary of the total resources and requirements for the proposed Fiscal Year 2017-2018 General Fund budget:

TABLE 2

General Fund Summary*	
Estimated Revenues	\$ 24,425,910
Transfers In	4,184,840
Appropriation From Fund Balance	124,621
Total Resources	<u>\$ 28,735,371</u>
Proposed Budget	<u>28,735,371</u>
Balance	<u><u>\$ -0-</u></u>
<i>* Accounted for in the General Fund only</i>	

The Fiscal Year 2017-2018 proposed budget reflects austerity measures that staff has implemented over the past year to control and reduce spending. As such, no COLA is proposed for Town employees within the proposed budget. However, staff has recommended that July 3rd (July 1st for Animal Shelter employees) be designated as an additional holiday for Fiscal Year 2017-2018 only. This proposed additional holiday will not result in an additional cash outlay but will result in a reduction of service on that day.

The Fiscal Year 2017-2018 proposed budget again represents implementation of a “best practices” approach to continue improvement of the transparency, readability, and understandability of the budget document where practicable. The proposed budget document is presented in conformity with professional standards and the Distinguished Budget Presentation Award program requirements promulgated by the Government Finance Officers Association’s (GFOA).

This year, the Town received the Award for Distinguished Budget Presentation from the GFOA for the fourth time. Also, the Town received the California Society of Municipal Finance Officer's (CSMFO) Operating Budget Excellence Award for the third time. The Town is the first High Desert community to receive these awards. Nationally, less than 1.5% of eligible public agencies receive the GFOA award. We believe that the Fiscal Year 2017-2018 proposed budget continues to exceed the award program requirements and we will again be submitting the budget to the GFOA and CSMFO for consideration for these awards.

FISCAL REVIEW

Adoption of the attached resolution will adopt the revenue estimates and appropriate sufficient funding in the amount of \$81,796,252 to fund anticipated expenditures in all budgetary funds for Fiscal Year 2017-2018.

LEGAL REVIEW

The attached resolution has been reviewed and approved as to form.

CONCLUSION

Adoption of the attached Resolution No. 2017-18 will approve the Operating and Capital Improvement budget for all budgetary funds for Fiscal Year 2017-18.

ATTACHMENT:

Resolution No. 2017-18

RESOLUTION NO. 2017-18

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA APPROVING A BUDGET APPROPRIATION AND ADOPTING THE BUDGET, INCLUDING THE OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR FISCAL YEAR 2017-18

WHEREAS, the Town has been notified of funding for Capital Projects by the State and by San Bernardino Association of Governments, the following represents current funding levels and adjustments as necessary, and

WHEREAS, the Town Manager has heretofore submitted to the Town Council a proposed budget for the Town for Fiscal Year 2017-18, as the same may have been revised by the Town Council, a copy of which is attached, and copies of which are in the possession of and in the office of the Town Clerk and the Assistant Town Manager of Finance and Administration; and

WHEREAS, the said proposed budget contains estimates of the services, activities and projects comprising the budget, and contains expenditure requirements and the resources available to the Town; and

WHEREAS, the appropriations limit for the Town for Fiscal Year 2017-18 is \$37,263,089 (Thirty Seven Million Two Hundred Sixty Three Thousand Eighty Nine Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2017-18 are estimated to be \$20,078,500; and

WHEREAS, the Town Council has made such revisions to the proposed budget as appears to be desirable; and

WHEREAS, the proposed budget, as herein approved, will enable the Town Council to make adequate financial plans and will ensure that Town officers can administer their respective functions in accordance with such plans,

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY AS FOLLOWS:

SECTION 1: That the appropriation-expenditure budgeting system is hereby adopted. The system consists of:

A. Present Personnel Policies and Procedures, including salary schedules and benefits, except as hereinafter changed by resolution or ordinance of the Town Council.

B. An appropriation-expenditure system which will show budgetary categories by department.

C. The system mentioned above will apply to Operating and Capital Improvement Budget expenditures as intended for use in Fiscal Year 2017-18.

D. The Town Manager is authorized to transfer Operating Budget Appropriation Balances between functions and/or programs when he deems it necessary to do so.

E. Budget system assumes existing service levels; Council approval will be required for any significant changes involving increased or decreased service levels.

F. The Assistant Town Manager of Finance and Administration shall be responsible for constant monitoring of the budget and shall establish and implement appropriate control mechanisms necessary for said purpose, after approval of the Town Manager.

G. A monthly report shall be prepared by each department and/or project indicating any changes in service levels and the progress each entity has achieved or failed to achieve and the reasons for said status, if they have not obtained results. Each manager shall be accountable for achieving results of his/her organization unit based upon the objectives set for each unit by the Town Manager and Town Council and shall be evaluated as to their performance in an annual performance appraisal conducted by the Town Manager.

H. A deflator procedure, to be administered by the Town Manager, is hereby established for reducing appropriations in the event that projected revenues are reduced due to a reduction in the State subventions or other revenues that may fluctuate downward due to changes in economic conditions. For Fiscal Year 2017-18, the amount of Total Operating and Capital Budget Appropriation shall be reduced, as determined by the Town Manager based on his assessment of total Town needs.

I. A monthly status report will be provided to the Town Council reflecting budget, year-to-date expenditures, and percentage used by each department and fund of the Town.

J. The General Fund fund balance is classified into categories of Non-spendable, Restricted, Committed, Assigned, and Unassigned. For Fiscal Year 2017-18, \$4,000,000 shall be reclassified from the Committed to Unassigned category of General Fund fund balance.

SECTION 2: The proposed budget for the Town of Apple Valley for the Fiscal Year 2017-18 is hereby approved and adopted, and the amounts of proposed expenditures as specified are appropriated for the budget programs and units as herein specified.

A. The 2017-18 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

<u>DEPARTMENT</u>	<u>2017-18 PROPOSED BUDGET</u>
1. Town Council	\$ 232,127
2. Town Attorney	620,000
3. Town Manager	625,310
4. Finance	1,140,968
5. Town Clerk	458,992
6. Public Information	521,113
7. Human Resources	433,841
8. Information Systems	336,000
9. General Government	4,234,502
10. Public Facilities	1,158,815
11. Public Safety/Police	13,753,922
12. Emergency Preparedness	155,029
13. Animal Control Services	2,058,334
14. Public Services	150,087

15. Code Enforcement	963,810
16. Building & Safety	621,600
17. Engineering Service	360,600
18. Planning Services	801,996
19. Economic Development	108,325
20. Street Maintenance Fund (Gas Tax)	2,425,605
21. Local Transportation Fund	535,100
22. Measure I	4,163,500
23. Air Pollution Control	47,320
24. CDBG	1,056,740
25. Apple Valley Home	806,165
26. Victorville Home	1,060,920
27. Cal Home	60,000
28. NSP3	60,000
29. Parks & Recreation	3,331,496
30. Police Grants	71,024
31. Asset Seizure	12,000
32. Assessment District LL	470,000
33. Capital Improvement TIF Fund	1,405,333
34. Storm Drains	22,500
35. Wastewater Enterprise Fund	5,964,641
36. Waste Management Enterprise Fund	12,121,378
37. Apple Valley Golf Course	1,059,601
38. Apple Valley Choice Energy	14,060,906
39. Debt Service Funds	409,000
40. Successor Agency - RDA	<u>3,917,652</u>

TOTAL OPERATING & CAPITAL EXPENDITURES \$ 81,796,252

B. Operating and Capital Budget Revenues are hereby adopted establishing a revenue base by which Town Expenditures will be measured:

1. General Fund	\$28,610,750
2. Street Maintenance Funds (Gas Tax)	3,542,811
3. Article 3 Pedestrian and Bicycle Fund	386,370
4. Article 8 Transportation Fund	856,200
5. Measure I	2,522,710
6. Air Pollution Control	47,320
7. CDBG	1,056,661
8. Apple Valley Home	806,165
9. Victorville Home	1,060,920
10. Cal Home	60,000
11. NSP3	60,000
12. Parks & Recreation	3,331,496
13. Quimby	115,000
14. Police Grants	72,663
15. Asset Seizure	8,000
16. Drug & Gang Prevention	2,000
17. Assessment District LL	322,500
18. Capital Improvement Projects Funds	3,551,230
19. Wastewater Enterprise Fund	6,911,000

20. Waste Management Enterprise Fund	11,311,800
21. Apple Valley Golf Course	1,059,601
22. Apple Valley Choice Energy	16,568,000
23. Debt Service Fund	409,000
24. Successor Agency - RDA	<u>3,917,652</u>

TOTAL OPERATING AND CAPITAL REVENUES \$86,589,849

SECTION 3: In addition to existing designated holidays, July 3rd (July 1st for Animal Shelter employees) shall be designated as a holiday for Fiscal Year 2017-2018 only.

SECTION 4: Pursuant to Section 53901 of the California Government Code, within 60 days after the adoption hereof, the Town Clerk shall file a copy of this resolution with the Auditor of the County of San Bernardino.

SECTION 5: Within fifteen days after the adoption of this resolution, the Town Clerk shall certify to the adoption hereof and, as so certified, cause a copy to be posted in at least three public places within the boundaries of the Town.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley, California, this 27th day of June 2017.

Scott Nassif, Mayor

ATTEST:

La Vonda M. Pearson, Town Clerk