



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** June 26, 2018

From: Kofi Antobam, Director of Finance **Item No:** 8
Finance Department

Subject: A 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 2018-2019

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

RECOMMENDED ACTION:

Adopt Resolution No. 2018-32 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 2018-2019.

SUMMARY:

On April 16, 2018, the Town Council held a Budget Workshop and reviewed the General Fund's Proposed Operating and Capital Improvement Budget for Fiscal Year 2018-2019. At this meeting, Council directed staff to evaluate the Town's operations and present a proposal on actions to be taken to arrive at a balanced budget. An update was provided to Council at the June 12, 2018 meeting and it was 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 2018-2019 Proposed Budget discussed and presented to Council at the April 16 and June 12, 2018 Budget Workshop and update sessions. This resolution includes any changes proposed at those meetings or as presented and discussed herein.

Adoption of the attached Resolution No. 2018-32 will approve the Fiscal Year 2018-2019 Operating and Capital Improvement Budget for all funds with budgetary activity.

BACKGROUND:

The proposed budget represents the Town Manager’s recommended financial plan for Fiscal Year 2018-2019 to address Council’s spending priorities within current fiscal constraints to fulfill the service expectations of the community. The gap between service expectations and fiscal reality has gradually widened over the last ten (10) years. New programs and services have been added over the last ten (10) years with no significant sources of new resources identified to provide for the new funding requirements. These conditions coupled with normal inflationary increases and the lingering impacts of the past recessionary cycle have placed increased pressure upon existing resources and eliminated budgetary flexibility that had existed previously. 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 18-19</u>	<u>Adopted FY 17-18</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 68,416,321	\$ 67,384,197	\$ 1,032,124	1.53%
Transfers Out	7,950,800	8,376,722	(425,922)	-5.08%
Capital Budget	12,104,682	6,035,333	6,069,349	100.56%
Total	<u>\$ 88,471,803</u>	<u>\$ 81,796,252</u>	<u>\$ 6,675,551</u>	<u>8.16%</u>

The total Fiscal Year 2018-2019 proposed appropriations are \$88,471,803 on an all funds basis. The proposed Operating Budget on an all funds basis increased from \$67,384,197 in Fiscal Year 2017-2018 to \$68,416,321 in Fiscal Year 2018-2019, an increase of \$1,032,124 or 1.53%. The increase in the proposed Operating Budget is primarily due to rising costs for operations and increased expenditures in community development programs. Also, the proposed Capital Improvement Budget is proposed to increase from \$6,035,333 in Fiscal Year 2017-2018 to \$12,104,682 in Fiscal Year 2018-2019, an increase of \$6,069,349 or 100.56%. The increase in the proposed budget for the Capital Improvement Program is primarily the result of new projects and expansion of current capital improvement programs. In total, when compared to the prior Fiscal Year 2017-2018 adopted budget, the total Operating and Capital Improvement Budget for Fiscal Year 2018-2019 represents an increase of \$6.6 million or 8.16%. 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 \$31,526,891, an increase of \$2,791,520 as compared to the adopted budget in Fiscal Year 2017-2018. This increase is mainly due to consolidation of the Parks and Recreation Fund with the General Fund. As presented, the proposed General Fund budget for Fiscal Year 2018-2019 is balanced without utilization of fund balance. The following table is a summary of the total resources and requirements for the proposed Fiscal Year 2018-2019 General Fund budget:

TABLE 2

General Fund Summary	
Estimated Revenues	\$ 26,220,391
Transfers In	<u>5,306,500</u>
Total Resources	<u>\$ 31,526,891</u>
Proposed Budget	<u>31,526,891</u>
Balance	<u><u>\$ -0-</u></u>

The Fiscal Year 2018-2019 proposed budget represents improvements in the format budget balancing methods from the prior budget submissions to the Town Council. Staff has continued to improve the transparency and understandability of the budget document. These improvements to the budget format are intended to increase the transparency of the budget process and provide a clear picture of the Town's spending plan for the next fiscal year. The proposed budget document conforms with the award program requirements for the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award.

This year, the Town received the Award for Distinguished Budget Presentation from the GFOA for the fifth time. Also, the Town received the California Society of Municipal Finance Officer's (CSMFO) Operating Budget Excellence Award for the fourth 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 2018-2019 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.

ALTERNATIVES CONSIDERED

No alternatives were considered.

FISCAL REVIEW

Adoption of the attached resolution will adopt the revenue estimates and appropriate sufficient funding in the amount of \$88,471,803 to fund anticipated expenditures in all budgetary funds for Fiscal Year 2018-2019.

LEGAL REVIEW

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

CONCLUSION

Adoption of the attached Resolution No. 2018-32 will approve the Operating and Capital Improvement budget for all budgetary funds for Fiscal Year 2018-19.

ATTACHMENT:

Resolution No. 2018-32

RESOLUTION NO. 2018-32

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 2018-19

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 have heretofore submitted to the Town Council a proposed budget for the Town for Fiscal Year 2018-19, 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 Director of Finance; 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 2018-19 is \$38,966,012 (Thirty Eight Million Nine Hundred Sixty Six Thousand Twelve Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2018-19 are estimated to be \$22,130,220; 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 2018-19.
- 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 Director of Finance 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 2018-19, 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.

SECTION 2: The proposed budget for the Town of Apple Valley for the Fiscal Year 2018-19 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 2018-19 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

<u>DEPARTMENT</u>	<u>2018-19 PROPOSED BUDGET</u>
1. Town Council	\$ 235,298
2. Town Attorney	620,000
3. Town Manager	540,488
4. Finance	831,192
5. Town Clerk	413,859
6. Public Information	312,676
7. Human Resources	211,501
8. Information Systems	296,157
9. General Government	3,213,335
10. Public Facilities	2,136,153
11. Public Safety/Police	14,594,833
12. Emergency Preparedness	141,636
13. Animal Control Services	2,001,229
14. Code Enforcement	816,237
15. Building & Safety	764,515
16. Engineering Service	535,600
17. Planning Services	685,833

18. Economic Development	165,868
19. Parks & Recreation	3,010,481
20. Street Maintenance Fund (Gas Tax)	2,271,023
21. Road Maintenance Rehabilitation Fund (SB1)	1,302,450
22. Local Transportation Fund (Article 8)	1,227,000
23. Measure I	5,037,625
24. CDBG	1,261,423
24. NSP3	200,000
25. Apple Valley Home	1,195,601
26. Victorville Home	901,560
28. Cal Home	60,000
29. Police Grants	53,628
30. Assessment District LL	470,000
31. NAVISP	965,274
32. Capital Improvement TIF Fund	1,680,333
33. Aquatic Facilities	6,500
34. Storm Drains	680,000
35. Project Manager Grants	1,319
36. Wastewater Enterprise Fund	7,632,434
37. Waste Management Enterprise Fund	11,297,438
38. Apple Valley Golf Course	1,064,666
39. Apple Valley Choice Energy	14,569,920
40. Debt Service Funds	1,366,335
41. Successor Agency - RDA	<u>3,700,383</u>

TOTAL OPERATING & CAPITAL EXPENDITURES \$ 88,471,803

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

1. General Fund	\$31,526,891
2. Street Maintenance Funds (Gas Tax)	2,326,984
3. Road Maintenance Rehabilitation Fund (SB1)	1,302,450
4. Local Transportation Fund (Article 8)	524,000
5. Measure I	5,446,966
6. CDBG	1,249,122
7. NSP3	200,000
8. Quimby	150,000
8. Apple Valley Home	1,212,593
9. Victorville Home	901,560
10. Cal Home	60,000
11. Police Grants	22,779
12. Assessment District LL	320,000
14. NAVISP	6,000
13. Storm Drains	198,000
12. Project Manager Grants	1,319
14. Capital Improvement Projects Fund	750,000
15. Wastewater Enterprise Fund	6,870,500
16. Waste Management Enterprise Fund	11,841,800
17. Apple Valley Golf Course	1,065,500
18. Apple Valley Choice Energy	16,302,200

19. Debt Service Fund	1,366,335
20. Successor Agency - RDA	<u>3,700,383</u>

TOTAL OPERATING AND CAPITAL REVENUES \$87,345,382

SECTION 3: As a measure to cut down costs and adopt a balanced budget, suspend the 401a employee benefit for the 2018-19 fiscal year, close Virginia Park and explore other funding sources to fund General Fund operations.

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 this 26th day of June 2018.

 Art Bishop
 Mayor

ATTEST:

 La Vonda M. Pearson
 Town Clerk