



## Town Council Agenda Report

---

Date: June 25, 2019 Item No. 4

To: Honorable Mayor and Town Council

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 2019-2020

From: Douglas Robertson, Town Manager

Submitted by: Sydnie Harris, Director of Finance  
Finance Department

Budgeted Item:  Yes  No  N/A

---

### RECOMMENDED ACTION:

Adopt Resolution No. 2019-14 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 2019-2020.

### SUMMARY:

On June 11, 2019, the Town Council held a Budget Workshop and reviewed the General Fund's Proposed Operating and Capital Improvement Budget for Fiscal Year 2019-2020. At this meeting, Council was presented with a balanced budget. Council requested no other action be taken 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 2019-2020 Proposed Budget discussed and presented to Council at the June 11, 2019 Budget Workshop. This resolution includes any changes proposed at those meetings or as presented and discussed herein.

Adoption of the attached Resolution No. 2019-32 will approve the Fiscal Year 2019-2020 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 2019-2020 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:

<b><u>PROPOSED BUDGET - ALL FUNDS</u></b>				
<b><u>Appropriations/ All Funds</u></b>	<b><u>Proposed FY 18-19</u></b>	<b><u>Adopted FY 17-18</u></b>	<b><u>Increase (Decrease)</u></b>	
			<b><u>Amount</u></b>	<b><u>Percent</u></b>
Operating Budget	\$ 77,004,836	\$ 69,052,236	\$ 7,952,600	11.52%
Transfers Out	6,193,589	7,290,635	(1,097,046)	(15.05%)
Capital Budget	13,239,810	13,864,993	(625,183)	(4.51%)
Total	<u>\$ 96,438,235</u>	<u>\$ 90,207,864</u>	<u>\$ 6,230,371</u>	<u>6.91%</u>

The total Fiscal Year 2019-2020 proposed appropriations are \$96,438,235 on an all funds basis. The proposed Operating Budget on an all funds basis increased from \$69,052,236 in Fiscal Year 2018-2019 to \$77,004,836 in Fiscal Year 2019-2020, an increase of \$7,952,600 or 11.52%. The increase in the proposed Operating Budget is primarily due to rising costs for operations and increased expenditures in Proprietary Funds. The proposed Capital Improvement Budget is proposed to decrease from \$13,864,993 in Fiscal Year 2018-2019 to \$13,239,810 in Fiscal Year 2019-2020, a decrease of \$625,183 or 4.51%. The decrease in the proposed budget for the Capital Improvement Program is primarily the result of finalized projects from prior years and the start-up of current capital improvement programs for years to come. In total, when compared to the prior Fiscal Year 2018-2019 adopted budget, the total Operating and Capital Improvement Budget for Fiscal Year 2019-2020 represents an increase of \$6.23 million or 6.91%. 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 \$33,598,702, an increase of \$3,800,241 as compared to the adopted budget in Fiscal Year 2018-2019. 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 2019-2020 is balanced without utilization of fund balance. The following table is a summary of the total resources and requirements for the proposed Fiscal Year 2019-2020 General Fund budget:

**TABLE 2**

<b>General Fund Summary</b>	
Estimated Revenues	\$ 31,134,403
Transfers In	<u>4,306,350</u>
Total Resources	<u>\$ 35,440,753</u>
Proposed Budget	<u>35,439,441</u>
Balance	<u><u>\$ 1,312</u></u>

The Fiscal Year 2019-2020 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.

Last 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 currently anticipating receiving both of these awards again for the most recent fiscal year. 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 2019-2020 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 \$96,438,235 to fund anticipated expenditures in all budgetary funds for Fiscal Year 2019-2020.

### **LEGAL REVIEW**

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

### **CONCLUSION**

Adoption of the attached Resolution No. 2019-14 will approve the Operating and Capital Improvement budget for all budgetary funds for Fiscal Year 2019-20.

### **ATTACHMENT:**

Resolution No. 2019-14

**RESOLUTION NO. 2019-14**

**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 2019-19**

**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 2019-20, 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 2019-20 is \$40,785,881 (Forty Million Seven Hundred Eighty-Five Thousand Eight Hundred Eighty One Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2019-20 are estimated to be \$21,583,000; 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 2019-20.
- 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 2019-20, 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 2019-20 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 2019-20 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

<u>DEPARTMENT</u>	<u>2019-20 PROPOSED BUDGET</u>
1. Town Council	\$ 230,940
2. Town Attorney	620,000
3. Town Manager	565,325
4. Finance	1,005,403
5. Town Clerk	436,027
6. Public Information	337,031
7. Human Resources	170,198
8. Information Systems	776,265
9. General Government	5,692,020
10. Public Facilities	744,825
11. Public Safety/Police	15,222,921
12. Emergency Preparedness	3,575
13. Animal Control Services	2,015,530
14. Code Enforcement	549,016
15. Building & Safety	671,799
16. Engineering Service	535,600
17. Planning Services	757,826

18. Economic Development	192,158
19. Parks & Recreation	3,072,243
20. Street Maintenance Fund (Gas Tax)	2,311,763
21. Road Maintenance Rehabilitation Fund (SB1)	1,307,998
22. Measure I	2,511,500
23. CDBG	1,439,625
24. NSP3	281,000
25. Apple Valley Home	1,404,434
26. Victorville Home	1,043,989
27. Cal Home	80,000
28. Police Grants	54,089
29. Assessment District LL	360,000
30. PBID	435,000
31. Capital Improvement TIF Fund	3,947,000
32. NAVISP	965,274
33. Storm Drains	1,170,000
34. Project Manager Grants	789,398
35. Wastewater Enterprise Fund	8,894,229
36. Waste Management Enterprise Fund	14,449,993
37. Apple Valley Golf Course	1,091,186
38. Apple Valley Choice Energy	15,001,268
39. Debt Service Funds	1,626,803
40. Successor Agency – RDA	<u>3,674,984</u>

**TOTAL OPERATING & CAPITAL EXPENDITURES** **\$96,438,235**

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

1. General Fund	\$ 35,440,753
2. Street Maintenance Fund (Gas Tax)	1,849,808
3. Road Maintenance Rehabilitation Fund (SB1)	1,299,350
4. Local Transportation Fund (Article 8)	662,418
5. Measure I	6,734,966
6. CDBG	1,439,625
7. NSP3	281,000
8. Quimby	200,000
9. Apple Valley Home	1,409,390
10. Victorville Home	1,043,989
11. Cal Home	80,000
12. Police Grants	20,728
13. Assessment District LL	320,000
14. NAVISP	16,500
15. Animal Control Facilities	8,200
16. Law Enforcement Facilities	15,500
17. Public Meeting Facilities	17,000

18. Aquatic Facilities	6,000
19. Storm Drains	115,000
20. Sanitary Sewer	61,000
21. Project Manager Grants	808,602
22. Capital Improvement TIF Fund	3,382,750
23. Wastewater Enterprise Fund	6,876,500
24. Waste Management Enterprise Fund	12,574,800
25. Apple Valley Golf Course	1,091,186
26. Apple Valley Choice Energy	16,298,900
27. PBID	211,000
28. Debt Service Funds	1,621,803
29. Successor Agency – RDA	<u>2,601,750</u>

**TOTAL OPERATION & CAPITAL REVENUES                    \$96,488,518**

**SECTION 3:** 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 4:** 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 25<sup>th</sup> day of June, 2019.

\_\_\_\_\_  
Larry Cusack  
Mayor

ATTEST:

\_\_\_\_\_  
La Vonda M. Pearson