



Town Council Agenda Report

Date: June 23, 2020 Item No. 11

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 2020-2021

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. 2020- 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 2020-2021.

SUMMARY:

On May 26, 2020, the Town Council held a Budget Workshop and reviewed the General Fund's Proposed Operating and Capital Improvement Budget for Fiscal Year 2020-2021. At this meeting, Council determined that with the onset of the global pandemic and potential revenue shortfalls, additional workshops for revenue measures should be held to discuss supplementary revenue collection methods.

The attached budget adoption resolution includes all revenue estimates, fund, and departmental appropriations included in the Fiscal Year 2020-2021 Proposed Budget discussed and presented to Council at the May 26, 2020 Budget Workshop. This resolution also includes changes incurred after the budget workshop due to additional scrutiny of budget requests and adjustments proposed by staff.

Adoption of the attached Resolution No. 2020-33 will approve the Fiscal Year 2020-2021 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 2020-2021 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, and the economic impact of the most recent national pandemic 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:

TABLE 1

<u>PROPOSED BUDGET - ALL FUNDS</u>				
<u>Appropriations/ All Funds</u>	<u>Proposed FY 20-21</u>	<u>Adopted FY 19-20</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 82,054,815	\$ 77,004,836	\$ 5,049,979	6.56%
Transfers Out	4,111,560	6,193,589	(2,082,029)	(33.62%)
Capital Budget	12,033,595	13,239,810	(1,206,215)	(9.11%)
Total	<u>\$ 98,199,970</u>	<u>\$ 96,438,235</u>	<u>\$ 1,761,735</u>	<u>1.83%</u>

The total Fiscal Year 2020-2021 proposed appropriations are \$98,199,970 on an all funds basis. The proposed Operating Budget on an all funds basis increased from \$77,004,836 in Fiscal Year 2019-2020 to \$82,054,815 in Fiscal Year 2020-2021, an increase of \$5,049,979 or 6.56%. The increase in the proposed Operating Budget is primarily due to rising costs for operations and increased expenditures as well as an equity adjustment to salaries and benefits. The proposed Capital Improvement Budget is proposed to decrease from \$13,239,810 in Fiscal Year 2019-2020 to \$12,033,595 in Fiscal Year 2020-2021, a decrease of \$1,206,215 or -9.11%. The decrease in the proposed budget for the Capital Improvement Program is primarily the result of finalized projects from prior years and the postponement of a few capital improvement projects into future years. Additionally, several

Capital Improvement projects are utilizing prior years retained fund balance. This method of reserve was planned to allow for a certain amount of resources to be available at the time of construction. In total, when compared to the prior Fiscal Year 2019-2020 adopted budget, the total Operating and Capital Improvement Budget for Fiscal Year 2020-2021 represents an increase of \$1.86 million or 1.93%. 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 \$36,080,413, an increase of \$640,972 as compared to the adopted budget in Fiscal Year 2019-2020. This increase is mainly due to increased costs from inflation and the equity adjustment to compensation realized from the classification and compensation study done this fiscal year. As presented, the proposed General Fund budget for Fiscal Year 2019-2020 is balanced with the utilization of fund balance. The following table is a summary of the total resources and requirements for the proposed Fiscal Year 2020-2021 General Fund budget:

TABLE 2

General Fund Summary	
Estimated Revenues	\$ 28,815,647
Transfers In	3,641,560
Approp. to Fund Balance	3,623,206
Total Resources	\$ 36,080,413
Proposed Budget	36,080,413
Balance	\$ - 0 -

The Fiscal Year 2020-2021 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 2020-2021 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 \$98,199,970 to fund anticipated expenditures in all budgetary funds for Fiscal Year 2020-2021.

LEGAL REVIEW

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

CONCLUSION

Adoption of the attached Resolution No. 2020-33 will approve the Operating and Capital Improvement budget for all budgetary funds for Fiscal Year 2020-21.

ATTACHMENT:

Resolution No. 2020-33

RESOLUTION NO. 2020-33

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 2020-21

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 2020-21, 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 2020-21 is \$42,449,945 (Forty-Two Million Four Hundred Forty-Nine Thousand Nine Hundred Forty Five Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2020-21 are estimated to be \$23,786,150; 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 2020-21.
- 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 2020-21, 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 available up request for 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 2020-21 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 2020-21 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

<u>DEPARTMENT</u>	<u>2020-21 PROPOSED BUDGET</u>
1. Town Council	\$ 219,917
2. Town Attorney	400,000
3. Town Manager	628,162
4. Finance	1,186,382
5. Town Clerk	598,753
6. Public Information	480,876
7. Human Resources	169,420
8. Information Systems	964,091
9. General Government	4,631,758
10. Public Facilities	1,674,564
11. Public Safety/Police	16,310,988
12. Emergency Preparedness	5,100
13. Animal Control Services	2,180,556
14. Code Enforcement	583,532
15. Building & Safety	676,214

16. Engineering Service	737,600
17. Planning Services	893,849
18. Economic Development	259,673
19. Parks & Recreation	3,384,959
20. Street Maintenance Fund (Gas Tax)	1,729,403
21. Road Maintenance Rehabilitation Fund (SB1)	1,262,600
22. Transportation Development Act (Article 3)	335,392
23. Local Transportation Fund (Article 8)	531,103
24. Measure I	8,029,250
25. CDBG	1,453,605
26. NSP3	281,000
27. Apple Valley Home	1,648,504
28. Victorville Home	1,483,989
29. Cal Home	80,000
30. PEG Channel Fund	448,500
31. Police Grants	20,782
32. Assessment District LL	333,400
33. PBID	530,000
34. Capital Improvement TIF Fund	825,250
35. Storm Drains	940,000
36. Wastewater Enterprise Fund	8,274,451
37. Waste Management Enterprise Fund	13,803,345
38. Apple Valley Golf Course	1,166,233
39. Apple Valley Choice Energy	15,464,946
40. Debt Service Funds	232,706
41. Successor Agency – RDA	<u>3,339,117</u>

TOTAL OPERATING & CAPITAL EXPENDITURES **\$98,199,970**

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	\$ 36,080,413
2. Street Maintenance Fund (Gas Tax)	1,730,103
3. Road Maintenance Rehabilitation Fund (SB1)	1,262,600
4. Transportation Development Act (Article 3)	335,392
5. Local Transportation Fund (Article 8)	79,000
6. Measure I	6,828,141
7. CDBG	1,453,605
8. NSP3	311,000
9. Apple Valley Home	1,648,504
10. Victorville Home	1,483,989
11. Cal Home	30,000
12. Quimby	300,000
13. PEG Channel Fund	165,000
14. Police Grants	20,782
15. Assessment District LL	320,000

16. NAVISP	11,000
17. Capital Improvement TIF Fund	643,600
18. Animal Control Facilities	7,200
19. Law Enforcement Facilities	15,500
20. General Government Facilities	40,000
21. Public Meeting Facilities	27,500
22. Aquatic Facilities	9,200
23. Storm Drains	140,000
24. Sanitary Sewer Facilities	122,000
25. Wastewater Enterprise Fund	6,216,000
26. Waste Management Enterprise Fund	12,699,000
27. Apple Valley Golf Course	1,055,000
28. Apple Valley Choice Energy	16,489,000
29. PBID	220,000
30. Debt Service Funds	240,000
31. Successor Agency – RDA	<u>5,016,540</u>

TOTAL OPERATION & CAPITAL REVENUES **\$95,000,069**

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 23rd day of June, 2020.

Scott Nassif
Mayor

ATTEST:

La Vonda M. Pearson