

**TOWN OF  
APPLE VALLEY, CALIFORNIA  
AGENDA MATTER**

**Subject Item:**

**FISCAL YEAR 2010-2011 YEAR-END BUDGET AMENDMENT**

**Summary Statement:**

Attached for your approval is a copy of the proposed Year-end Budget Amendment. The year-end proposed budget adjustments adjust various revenue sources and categories of expense due to financial events occurring subsequent to adoption of the budget.

**BACKGROUND**

The Town Council adopted the FY 2010-2011 budget on June 8, 2010 and amended the budget on February 08, 2011. The adopted operating and capital improvement budget is the Town's spending plan for FY 2010-2011. After adoption, financial events occur throughout the course of the year that impact upon the budget and the implementation of spending priorities outlined therein. These events, such as the State's proposed elimination of the Town's Redevelopment Agency, may necessitate adjusting the budget projections from time to time during the course of the fiscal year. Also, there are several other adjustments proposed by staff based upon actual experience and/or historical data.

Final adjustments to the various estimated revenue projections in the FY 2010-2011 General Fund adopted budget total \$243,700. Adjustments to the various categories of budget appropriations in the General Fund totals \$545,987. These adjustments to the FY 2010-2011 General Fund adopted budget are proposed as summarized in Budget Adjustment 11-47 and Exhibit A attached.

*(continued)*

**Recommended Action:**

Review and adopt the attached Budget Adjustment number 11-47.

**Proposed by:** Marc R. Puckett, Director of Finance

**Item Number** \_\_\_\_\_

**T. M. Approval:** \_\_\_\_\_

**Budgeted Item**  **Yes**  **No**  **N/A**

From time to time, the Town Council may approve additional appropriations for various programs and services throughout the course of the fiscal year. Some of the additional appropriations that may be approved throughout the year include adjustments to project appropriations due to increasing the scope of the project or for those programs that receive grant funding after adoption of the budget.

Integration of the budget into the Town's accounting system and internal control processes is essential in demonstrating the strength of the Town's financial policies and management practices. The budgetary integration process is demonstrated through adoption of reasonable and comprehensive budget assumptions with budget reviews and revisions performed at interim periods throughout the course of the fiscal year.

The focus of the year-end budget amendment is primarily the Town's General Operating Fund revenues and expenditures. The majority of the Town's operating expenditures are accounted for within this fund. Other special revenue fund budgets, such as for the Community Development Block Grant (CDBG) or Home Funds, do not usually require adjustments due to the specific nature of the resource allocations and program requirements. When revenues for these special revenue funds are not fully expended during the year, balances are carried forward for re-appropriation in the subsequent years' budget process. Adjustments to other funds are submitted to Council on an "as needed" basis periodically throughout the year.

## **ANALYSIS**

In total, except as otherwise noted herein, revenues are on track to achieve the revenue estimates noted in the adopted budget. Also, all departmental budgets are in-line with their amended spending plans.

Based on staff's analysis of the current year's operating revenues and expenditures, staff recommends the following adjustments to the FY 2010-2011 budget highlighted below and as outlined in the attached proposed Budget Adjustment No. 11- 47:

### **Revenues:**

**Property Transfer Tax:** Actual receipts from the County Assessor's Office lag original estimates resulting in a reduced revenue estimate of this tax.

**Tow release fees:** Actual fees collected from this police activity are dramatically up from previous years.

**Animal Licensing fees:** Animal licensing fees have sharply increased recently creating a need to adjust this estimate.

**Code Enforcement Fees and Fines:** Code Enforcement fees and fines are up significantly by another \$102,000 due to fines on foreclosed properties and abatement warrants on those properties. These fines are paid by the banks that hold the title to the foreclosed properties. The fines are reduced significantly, usually to \$1,000 per violation, if the banks correct the violations and request a reduction in the fine amount.

**Building Permit fees:** Building permit fees continue to lag. The economy is beginning to show signs of improvement but actual receipts lag original estimates.

**Refunds:** Damages to the Town's Development Services Building were reimbursed which account for this one-time revenue.

**Interest Earnings:** Investment earnings are down significantly resulting in a reduction from the adopted budget of \$210,000 due to the existing interest rate environment. Interest rates that Town funds have been reinvested at have continued to hover at historic lows under 1.0%. Currently, the State Local Agency Investment Fund (LAIF) used by most public agencies throughout the state as a liquidity pool is paying 0.46% rate of return as of December 31.

**Expenditures:**

**Legal:** Town Attorney costs associated with various Town projects including work on water issues created a need for this budget amendment.

**Hardware/Software:** The Finance Department proposes the implementation of an automated electronic check processing solution that simplifies the remittance process. This solution greatly reduces the time, effort and resources needed to process and post paper check deposits. Savings are estimated to be \$30,000/year.

**DSB Water Damage:** Costs associated with the repair of water damage to the Development Services Building. These costs have been reimbursed.

**State Budget Update:**

As has been widely reported, Governor Brown has proposed the elimination of local redevelopment agencies as part of his FY 2011-12 State budget proposal. This proposal has been summarily rejected by local agencies as destructive to local government's economic development efforts. Local agencies have been urged by the League of California Cities to pass resolutions opposing this measure. Per the Governor's proposal, it is projected that \$1.7 billion of the redevelopment agencies' revenues will be used to close the State's budget gap and fund shortfalls in Medi-Cal (\$840 million) and the trial courts (\$860 million) funding.

The impact of Governor Brown's State budget proposal on the Town of Apple Valley's Redevelopment Agency would eliminate annual collections of property tax increments amounting to \$6.6 million. The Town would be able to fund previously existing debt obligations of the Agency from these funds. However, no new debt may be issued.

**SUMMARY**

In total, except as otherwise noted herein, revenues are on track to achieve the revenue estimates noted in the adopted budget (as amended at mid-year). Also, all departmental budgets are in-line with their adopted spending plans.

The FY 2010-2011 budget was adopted with a planned appropriation from General Fund available fund balance. Following adoption of the budget, Council approved additional appropriations for various programs, services, and carryovers from FY 2009-2010. As of June 20, 2011, the planned appropriation from available fund balance in the General Fund amounted to \$512,427. Additional appropriation requests in the amount of \$545,987 are also proposed in the General Fund as outlined in Exhibit A. These additional appropriation requests are partially offset by the attached proposed revenue adjustments to the General Fund result in a net increase of \$243,700 to General Fund revenues. The net result of these changes in revenue estimates and appropriation increases will increase the amount of the planned appropriation from the General Fund available fund balance by \$302,287 (from \$512,427 to \$814,714).

### **ALTERNATIVES CONSIDERED**

No alternatives were considered.

### **FISCAL REVIEW**

The attached Exhibit A summarizes the proposed adjustments in revenues and appropriations (expenditures) to the current year's adopted operating and capital improvement budget reviewed herein. The attached budget adjustment, BA 11-47, summarizes the proposed increases in revenue estimates and appropriation adjustments.

The net result of these changes in revenue estimates and appropriation increases will increase the amount of the planned appropriation from the General Fund available fund balance by \$302,287 from \$512,427 to \$814,714.

### **LEGAL REVIEW**

No legal review is required for this item.

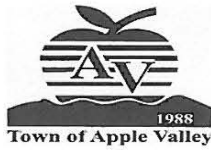
### **CONCLUSION**

The attached budget adjustment (BA 11-47) is recommended to Council for adoption. Staff is committed to ensuring that the Town continues its conservative fiscal practices; adopts sound, responsible, financial plans; and maintains its high-level of service delivery to the community in the most cost-effective and efficient manner possible.

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MARC R. PUCKETT  
Director of Finance

ATTACHMENTS: Budget Adjustment 11-47  
Exhibit A – Year-end Budget Adjustment Summary



TOWN OF APPLE VALLEY

No. 11-47

**BUDGET AMENDMENT REQUEST**

Requesting Department	Prepared By	Date Prepared
Finance	M. Puckett	June 20, 2011

REVENUES AND OTHER FINANCING SOURCES

Account Description	Fund	Dept	Account No.	Amendment Amount
Various Revenue Sources (Per attached Exhibit A)	1001	Various	Various	243,700
REVENUE TOTAL				243,700

EXPENDITURES AND OTHER FINANCING USES

Account Description	Fund	Dept	Account No.	Amendment Amount
Various Expenditure Sources (Per attached Exhibit A)	1001	Various	Various	545,987
EXPENDITURE TOTAL				545,987

PURPOSE

To adjust various General Fund revenue and expenditure sources at year-end per the attached Exhibit A

Department Head	Date	Finance Manager	Date

Town Manager	Date	Entered by	Date

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**TOWN OF APPLE VALLEY**  
**MID-YEAR BUDGET ADJUSTMENT SUMMARY**  
**GENERAL FUND**  
**FISCAL YEAR 2010-2011**

**Exhibit A**

<u>ACCOUNT DESCRIPTION</u>	<u>Amended FY2010-11</u>	<u>Actual 6/17/11</u>	<u>Year-End Revised</u>	<u>Increase (Decrease)</u>
<b>General Fund:</b>				
Revenues -				
Property Transfer Tax	155,000	108,168	115,000	(40,000)
Subtotal - Local Taxes	<u>155,000</u>	<u>108,168</u>	<u>115,000</u>	<u>(40,000)</u>
Police Reports & Charges	10,000	974	1,000	(9,000)
Tow Release	46,800	91,150	90,000	43,200
Subtotal - Fines & Fees	<u>56,800</u>	<u>92,124</u>	<u>91,000</u>	<u>34,200</u>
Animal Licenses	225,000	246,151	250,000	25,000
Property Maint Inspections	125,000	102,447	105,000	(20,000)
Code Enforcement Fines	518,000	619,202	620,000	102,000
Subtotal - Public Services	<u>868,000</u>	<u>967,800</u>	<u>975,000</u>	<u>107,000</u>
Building Permits	280,000	209,038	220,000	(60,000)
Subtotal - Building & Safety	<u>280,000</u>	<u>209,038</u>	<u>220,000</u>	<u>(60,000)</u>
Emergency Preparedness Grant	-	10,985	11,000	11,000
Sobriety Check Point Grant	-	32,760	32,750	32,750
Police Grants	135,000	88,772	88,750	(46,250)
Refunds, reimb, rebates	30,000	271,588	270,000	240,000
Interest Earnings	75,000	32,151	40,000	(35,000)
Subtotal - Other	<u>240,000</u>	<u>436,256</u>	<u>442,500</u>	<u>202,500</u>
General Fund Totals	<u><u>1,599,800</u></u>	<u><u>1,813,386</u></u>	<u><u>1,843,500</u></u>	<u><u>243,700</u></u>