

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

RESOLUTIONS OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, AND THE BOARD OF DIRECTORS OF THE APPLE VALLEY REDEVELOPMENT AGENCY ADOPTING THE BUDGET APPROPRIATIONS, INCLUDING THE OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2011-12, AND ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2011-12.

SUMMARY STATEMENT

On June 8, 2011, the proposed Fiscal Year 2011-12 Operating and Capital Improvement Budget for the Town and the Apple Valley Redevelopment Agency was submitted to Council for consideration. The proposed budget represented a balanced spending plan for the coming fiscal year. However, to present a balanced budget, staff needed to propose a variety of budget reductions to departmental budget requests. These proposed budget reductions and alternative budget balancing strategies were discussed in detail by Council at a series of four budget workshops.

Due to the timing of presentation of the proposed budget to Council for consideration and Council's desire to hold additional budget workshops, passage of a temporary spending resolution was necessary. This spending resolution is currently in effect through the end of August, 2011 or until such time as it is superseded by passage of a resolution adopting the Fiscal Year 2011-12 budget.

(Continued)

Recommended Action:

That the Town Council:

- 1) Adopt Resolution No. 2011-25, approving a budget appropriation and adopting the budget, including the Operating and Capital Improvement Budget for Fiscal Year 2011-12, and
- 2) Adopt Resolution No. 2011-26 establishing the Fiscal Year 2011-12 Appropriation Limit for the Town of Apple Valley, and

That the Redevelopment Agency:

- 3) Adopt Resolution No. RDA 2011-02 approving a budget appropriation and adopting the Agency budget for Fiscal Year 2011-12, and
- 4) Adopt Resolution No. RDA 2011-03 approving use of a portion of the Housing Fund Budget for planning and administration expenses for the production, improvement, or preservation of low and moderate housing during the 2011-12 Fiscal Year.

Proposed by: Marc Puckett, Finance Director Item Number _____

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

Council Meeting Date: 8/09/11

The discussions at Council's four budget workshops focused primarily on the proposed budget balancing strategies and the alternative budget balancing strategies presented for Council's consideration in order to determine what adjustments, if any, were necessary to the proposed budget document as submitted. These adjustments have been summarized in the attached resolution as they have adjusted the fund totals within each departmental budget.

Due to the budgetary pressures existing in the General Fund, Council acknowledged the need to bring back additional proposals in the near term to reduce spending further. Also, Council acknowledged the importance of performing a full review of the Town's revenue structure and the need to consider new sources of funding.

Additional discussions regarding the proposed budget occurred at Council's August 2 Special Meeting with respect to the potential loss of Redevelopment Agency tax increment funding and its impact upon the General Fund.

As a result of discussions at the budget workshops, Council determined that the following budget balancing strategies and adjustments would be made to close the initial General Fund structural imbalance of \$831,000 in the proposed budget and provide for a \$220,000 reduction in the cost allocation transfer from the RDA Fund into the General Fund to help offset the potential loss of tax increment revenue:

• Transfer 1 Deputy position to a grant funded position.	\$142,000
• Eliminate funding for IT Blade Server	100,000
• Reinstate Emergency Preparedness funding	(60,475)
• Reduce Vehicle License Fee estimated revenues	(110,366)
• Adjustment to Sheriff's Contract	65,377
• Early Retirement Incentive (based on preliminary indications)	140,000
• Temporary hiring freeze (Associate Planner & Records Tech)	142,000
• Eliminate GIS Software funding	106,000
• Reduce Charles Abbott contract services	240,000
• Adoption of two-tier retirement formula (1 st year savings)	30,000
• Reduce travel and educational reimbursements by 50%	38,500
• Reduce funding for State and Federal lobbyists by 50%	50,000
• Contract out Parks Maintenance	200,000
• Increase Parks & Recreation User Fees	20,000
• Miscellaneous other adjustments	42,000
Total adjustments	<u>\$1,145,036</u>

Adjustments to the Parks & Recreation Fund proposed above will reduce the General Fund transfer to the fund by \$220,000. The cost allocation transfer from the RDA Funds to the General Fund is proposed to be reduced in a like amount. Further adjustments to the RDA and General Fund budgets may be necessary and will be made as more information regarding pending litigation affecting the RDA tax increment revenues becomes known.

The attached resolution No. 2011-25 will, if approved, adopt the Fiscal Year 2011-12 proposed Operating and Capital Improvement Budget for the Town and its component units (including the Apple Valley Redevelopment Agency) as amended by the adjustments summarized above.

The second action item recommended for Council's approval is adoption of the attached resolution No. 2011-26 which, if approved, will establish the Fiscal Year 2011-12 Appropriation Limit for the Town. Since the addition of Article XIII-B to the Constitution of California in November 1979, the Town has been required to annually establish an Appropriations Limit. The ideology behind establishing an annual appropriation limit is that if an agency's ability to spend tax proceeds each year is controlled, then the growth in tax revenues can be systematically and incrementally managed to lessen the impact or tax burden upon taxpayers throughout the State.

In June 1990, Article XIII-B and its implementing legislation Chapter 1205/80 were modified by Proposition 111 and SB 88. The modifications changed the annual adjustment factors for determining the Appropriations Limit. Beginning with the calculation of the Appropriations Limit for FY 90-91, the Town may choose one of the following factors to use for inflationary adjustment:

- The growth in California per capita income; or
- The growth in the non-residential assessed valuation due to new construction within the Town.

In addition, the Town may choose to use either the population growth of the Town or the population growth within the County. These two adjustment factors, one for inflation and one for population, are both annual elections for the Town in determining its Appropriations Limit.

Below is the calculation of the Town's Appropriations Limit for FY 2011-12:

Step 1 - Appropriations Limit for FY 2010-11	\$ 27,603,375
Step 2 - Multiply the FY 2010-11 Appropriations Limit by the cumulative growth factors for San Bernardino County	<u>1.0335</u>
Appropriations Limit FY 2011-12	<u>\$ 28,528,249</u>

The estimated proceeds from general tax revenues in FY 2011-12 equal \$13.1 million, which is \$15.4 million or 45.96% under the limit.

After approval of the budget resolution, an adopted FY 2011-12 Operating and Capital Improvement budget document, inclusive of the changes summarized herein, will be finalized, bound, posted on the Town's website and available for public distribution to interested parties.

The development of the annual budget takes an enormous amount of staff time and effort, and has to be completed within a compressed timeline. Staff sincerely appreciates all

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Assistant Town Managers, Department Directors, Division Managers, and other departmental staff for their contributions. Staff would also like to express their gratitude to the Town Council for their continued support in making Apple Valley a financially stable and well-balanced community committed to continuing to provide a high level of service to the community.

Attachments:

- Attachment 1- Resolution No. 2011-25
- Attachment 2- Resolution No. 2011-26
- Attachment 3- Resolution No. RDA 2011-02
- Attachment 4- Resolution No. RDA 2011-03

RESOLUTION NO. 2011-25

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 2011-12

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 Council of the Town of Apple Valley adopted a new employee classification plan and to better represent the cost to each department rather than funding all from one fund, and

WHEREAS, the Town Manager and Director of Finance have heretofore submitted to the Town Council a proposed budget for the Town for Fiscal Year 2011-12, 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 2011-12 is \$28,528,429 (Twenty Eight Million Five Hundred Twenty Eight Thousand Four Hundred Twenty Nine Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2011-12 are estimated to be \$13,093,000; 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. This system will apply to Operating and Capital Improvement Budget expenditures as intended for use in Fiscal Year 2011-12.

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 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 2011-12, 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 2011-12 is hereby approved and adopted, and the amounts of proposed expenditure as specified are appropriated for the budget programs and units as herein specified.

A. The 2011-12 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

DEPARTMENT	2011-12 ADOPTED BUDGET
1. Town Council	\$ 173,798
2. Town Attorney	325,000
3. Town Manager	563,043
4. Finance	1,084,149
5. Town Clerk	377,163
6. Public Information	411,831
7. Human Resources	469,516
8. Information Systems	531,261
9. General Government	1,854,329
10. Public Facilities	2,415,035
11. Public Safety/Police	10,837,583
12. Emergency Preparedness	67,275
13. Animal Control Services	1,618,668
14. Public Services	511,457
15. Code Enforcement	1,058,776
16. Building & Safety	300,965

17. Engineering Service	353,600
18. Planning Services	808,294
19. Street Maintenance Fund (Gas Tax)	2,159,851
20. Local Transportation Fund	275,394
21. Capital Improvement Projects Fund	23,220,158
22. Waste Management Fund	10,234,484
23. Wastewater Enterprise Fund	6,046,775
24. General Gov't Facilities	60,000
25. Debt Service Fund	1,576,849
26. Golf Course Fund	1,415,860
27. Parks & Recreation	3,606,607

TOTAL OPERATING & CAPITAL EXPENDITURES \$72,357,721

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

1. General Funds	\$22,706,445
2. Street Maintenance Funds (Gas Tax)	2,159,851
3. Transportation Funds	534,936
4. Capital Improvement Projects Funds	19,026,964
5. Waste Management Fund	9,879,500
6. Wastewater Enterprise Fund	4,393,500
7. General Gov't Facilities	30,000
8. Debt Service Fund	1,576,849
9. Golf Course Fund	809,400
10. Parks & Recreation	3,612,607
TOTAL OPERATING AND CAPITAL REVENUES	\$64,730,052

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 9th day of August, 2011.

MAYOR

ATTEST:

TOWN CLERK

RESOLUTION NO. 2011- 26

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY ESTABLISHING THE 2011-12 FISCAL YEAR APPROPRIATION LIMIT FOR THE TOWN OF APPLE VALLEY

WHEREAS, Article XIII B of the California Constitution and Section 7910 of the California Government Code require that each year the Town of Apple Valley shall, by resolution, establish an appropriations limit for the Town for the following fiscal year; and

WHEREAS, the Assistant Town Manager of the Town has heretofore prepared and submitted data and documentation required for and to be used in the determination of an appropriations limit for the Town for Fiscal Year 2011-12 and such data and documentation has been available to the public for at least fifteen days prior to adoption of this Resolution; and

WHEREAS, the Town of Apple Valley established its 2010-11 Fiscal Year Appropriation Limit of \$27,603,375 (Twenty Seven Million, Six Hundred Three Thousand, Three Hundred Seventy Five Dollars) and

Whereas, to the best of the Town's knowledge and belief the State Department of Finance figures reflect the following statistics relevant to the calculation of the Fiscal Year 2011-12 Appropriation Limit:

Per Capita Personal Income Change for Fiscal Year 2011-12: 2.51%

Population Adjustment for 2011: .82%

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

Section 1. Based on the foregoing figures and the provisions of Article XIII B of the Constitution of the State of California, the following figure accurately represents the Fiscal Year 2011-12 Appropriation Limit of the Town of Apple Valley to be \$28,528,249 (and said sum is hereby determined and established as the appropriation limit for the Town of Apple Valley for Fiscal Year 2011-12).

Section 2. The Town Clerk shall certify to the passage of the Resolution.

APPROVED and ADOPTED by the Town Council of the Town of Apple Valley this 9th day of August, 2011.

MAYOR

ATTEST:

TOWN CLERK

RDA RESOLUTION NO. 2011-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY, CALIFORNIA APPROVING A BUDGET APPROPRIATION AND ADOPTING THE AGENCY BUDGET FOR FISCAL YEAR 2011-12

WHEREAS, the Town Manager, Executive Director of the Redevelopment Agency (Agency), and Finance Director have heretofore submitted to the Board of Directors a proposed budget for the Redevelopment Agency for Fiscal Year 2011-12, as the same may have been revised by the Board of Directors, a copy of which is attached, and copies of which are in the possession of and in the office of the Secretary and the Finance Director; 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 Agency; and

WHEREAS, the Board of Directors has reviewed the proposed budget and made such revisions to the proposed budget as appears to be desirable; and

WHEREAS, the proposed budget, as herein approved, will enable the Board of Directors to make adequate financial plans and will ensure that Agency members and staff can administer their respective functions in accordance with such plans,

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY AS FOLLOWS:

SECTION 1: The Executive Director, upon approval of the Town Manager, is authorized to transfer Operating Budget Appropriation Balances between functions and/or programs when he deems it necessary to do so.

A. The Executive Director of the Agency and the Assistant Town Manager shall be responsible for constant monitoring of the budget and shall establish and implement appropriate control mechanisms necessary for said purpose, with such mechanisms to be approval by the Town Manager.

B. A monthly status report will be provided to the Agency Board reflecting budget, year-to-date expenditures, and percentage used by each project and fund of the Agency.

SECTION 2: The proposed budget for the Redevelopment Agency of the Town of Apple Valley for the Fiscal Year 2011-12 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 2011-12 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

DEPARTMENT 2011-12
ADOPTED BUDGET

Redevelopment Agency/CDBG \$54,178,823

TOTAL OPERATING & CAPITAL EXPENDITURES \$54,178,823

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

Redevelopment Agency/CDBG \$27,323,424

TOTAL OPERATING AND CAPITAL REVENUES \$27,323,424

SECTION 3: Pursuant to Section 53901 of the California Government Code, within 60 days after the adoption hereof, the Agency 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 Agency Board 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 Board of Directors of the Redevelopment Agency of the Town of Apple Valley this 9th day of August, 2011.

MAYOR

ATTEST:

TOWN CLERK

RDA RESOLUTION NO. 2011-03

A RESOLUTION OF THE TOWN OF APPLE VALLEY REDEVELOPMENT AGENCY DETERMINING THAT THE PLANNING AND ADMINISTRATION EXPENSES BUDGETED FOR FISCAL YEAR 2011-12 BY THE HOUSING FUNDS WERE NECESSARY FOR THE PRODUCTION, IMPROVEMENT AND/OR PRESERVATION OF AFFORDABLE HOUSING FOR THE LOW AND MODERATE INCOME HOUSEHOLDS

WHEREAS, On October 26, 1993 by Ordinance No.127 of the Town Council of the Town of Apple Valley adopted the redevelopment plan for the Apple Valley Redevelopment Project Area ("The Original Project Area"); and

WHEREAS, The Redevelopment Plan has been amended two (2) times to among other things, add area to the Original Project Area, and eliminate and amend certain time limits; and

WHEREAS, Under Section 33334.2(a) of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.), not less than 20% of all taxes allocated to the Apple Valley Redevelopment Agency ("Agency") must be set aside by the Agency in a Housing Reserve Fund and used for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing available at affordable housing costs to people and families of low and moderate income, and

WHEREAS, Under Section 33334.3(d) of the California Community Redevelopment Law (Health and Safety Section 33000 et seq.), the amount of money spent for planning and general administration from the Housing Reserve Fund must not be disproportionate to the amount actually spent for the cost of production.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

The Agency hereby determines that it is necessary to use a portion of the Housing Fund Budget for planning and administration expenses for the production, improvement, or preservation of low and moderate housing during the 2011-12 Fiscal Year.

APPROVED and ADOPTED by the Apple Valley Redevelopment Agency Board this 9th day of August, 2011.

MAYOR

ATTEST:

TOWN CLERK