

gradually widened over the last ten years. New programs and services have been added over the last several years with no new revenues or 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 any budgetary flexibility that had existed previously. As a result, unlike in previous years when the focus was on expanding programs and services, the focus in this year's budget process was on scaling back expectations and services to a level that is supportable within existing fiscal constraints. As a result, the Fiscal Year 2012-2013 proposed budget represents the largest single-year reduction in operating costs in the Town's history.

As submitted, the proposed budget on an all funds basis is summarized in the following table:

TABLE 1

<u>PROPOSED BUDGET - ALL FUNDS</u>				
Appropriations/ <u>All Funds</u>	Proposed <u>FY 12-13</u>	Adopted <u>FY 11-12</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Operating Budget	\$ 53,088,446	\$ 64,360,625	\$(11,272,179)	-17.51%
Transfers Out	18,392,905	23,534,946	(5,142,041)	-21.85%
Capital Budget	20,876,070	38,601,274	(17,725,204)	-45.92%
Total	<u>\$ 92,357,421</u>	<u>\$ 126,496,845</u>	<u>\$(34,139,424)</u>	<u>- 26.99%</u>

The total proposed appropriations for all funds are \$92,357,421 on an all funds basis. Compared to the prior Fiscal Year 2011-2012 adopted budget, the Fiscal Year 2012-2013 proposed budget represents a decrease of \$34.1 million or (26.99%). The proposed budget includes the operating and capital improvement budgets for the following funds: General Fund, Special Revenue, Capital Projects, and Enterprise Funds.

The total proposed General Fund budget is \$23,214,010, a decrease of more than \$600,000 as compared to the adopted budget in Fiscal Year 2011-2012. This net decrease resulted from the various budget reduction strategies necessary to eliminate the structural imbalance that has existed in the General Fund in previous years. Major expenditure reduction strategies included in the proposed budget are discussed herein.

At the beginning of the FY 12-13 budget development process, an \$800,000 structural budget gap existed in the General Fund which was carried over from the FY 11-12 budget year. This gap increased by \$900,000 due to the loss of funding from the RDA to reimburse the General Fund for administrative costs provided to the RDA in the current and prior fiscal years. The

budget gap increased further by an additional \$109,000 as a result of the State taking Motor Vehicle In-Lieu Tax subventions away from local government and diverting those funds to help offset the State's budget deficits. The gap widened even further due to a \$600,000 proposed increase in the Sheriff's contract with the Town for police services. In addition, all remaining accounts increased by about \$400,000 due to normal inflationary increases such as increased utility costs for water and electricity, benefit cost increases, and merit wage step increases given to employees. All told, after the budget impacts listed above were taken into account, the current funding gap had increased to \$2.8 million.

Working with staff from every department, I have proposed a spending plan which addresses the funding gap through utilization of a variety of on-going and one time budget balancing strategies. A summary of some of the strategies (budget savings represented are across all funds) is listed below:

- Sales tax revenue estimates were increased by \$260,000 due to the improving economy.
- Proposed contract with the County to provide animal services - \$270,000
- Increased Animal Shelter budget by \$128,000
- Obtained COPS grant - \$90,000
- Proposed billing VVEDA and MDMIWM JPA for staff support services- \$111,000
- Sale of Town Property - \$450,000
- Building and Safety revenues - \$170,000
- Franchise fee revenues - \$300,000
- Parks Maintenance concessions - \$485,000
- 4% Employee contribution to CalPERS - \$158,000
- Reduced staffing by 14 FTE positions across all departments - \$300,000 General Fund savings (\$900,000 across all funds) through early retirement incentive and reductions in force.
- Implemented PARS program for part-time employees - \$17,000
- Eliminated PIO Citizen Survey - \$23,000
- Deferred Human Resources salary survey and software - \$37,000
- Eliminated I.T. hardware/software - \$53,000
- Adopted two-tier retirement formula for future new-hires
- Various other adjustments to line accounts - \$93,000 net.

These proposed budget balancing strategies include approximately \$1,965,000 in on-going solutions and \$600,000 in one-time solutions as submitted to Council. After consideration of the sum total of the budget strategies listed above, the remaining General Fund structural budget gap was \$265,895.

In addition to the budget balancing strategies listed above, the Sheriff's department has submitted a proposal to save \$240,663 annually which, as proposed, can be accomplished without impacting service delivery. Also, the Fire Protection District has submitted a proposal to reduce emergency preparedness funding by \$42,000. Sheriff Captain Tomlin and Fire Chief Bishop presented these proposals during the budget hearing on May 31.

The General Fund budget as proposed includes the two expenditure reduction proposals outlined by Captain Tomlin and Chief Bishop during the budget hearings. With these additional reductions, the proposed General Fund budget for Fiscal Year 2012-2013 is balanced with no utilization of fund balance. The following table is a summary of the total resources and requirements for the proposed FY 12-13 General Fund budget:

TABLE 2

General Fund Summary	
Estimated Revenues	\$ 18,121,010
Transfers In	5,287,299
Use of Fund Balance	-0-
Total Resources	<hr/> \$ 23,408,309
Proposed Budget	23,214,010
Balance	<hr/> <hr/> \$ 194,299

The proposed budget includes a number of new elements again this year. The intended goal of including this information is to increase the understandability and transparency of the budget process. These new elements also demonstrate staff's continued focus on implementation of a "best practices" approach throughout the budget cycle and preparation of the proposed budget document. New elements this year include reformatting the entire document into eight tabbed sections.

Each section includes additional documents, financial tables and financial schedules. To highlight some of the changes within the budget overview section, there is a new history of Apple Valley document, Budget Guide, Budget Process explanation, Budget Process Flow Chart, description of the funds and fund types, and a flow of funds structure document. Within the financial summary section, there is a new schedule of fund balance projections, schedule of Interfund Transfers, budget comparisons by fund/by department, a summary of appropriations by account, and a four-year personnel summary. With the supplemental information section, there is a new summary of miscellaneous statistics, financial policies, glossary of budget terms, and budget acronyms. Within the Capital Improvement Program section, there are new project detail worksheets for every capital improvement project proposed in the Fiscal Year 2012-2013 budget document. Collectively, these changes have added 70 pages of new data and information in the last two years increasing the size of the budget document by over 40%.

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 \$92,357,421 to fund anticipated expenditures in all budgetary funds for Fiscal Year 2012-2013.

LEGAL REVIEW

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

CONCLUSION

Adoption of the attached Resolution No. 2012-32 will approve the Operating and Capital Improvement budget for all budgetary funds for Fiscal Year 2012-13.

MARC R. PUCKETT
Director of Finance

ATTACHMENTS: 1) Resolution Number 2012-32

RESOLUTION NO. 2012-32

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 2012-13

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 and Director of Finance have heretofore submitted to the Town Council a proposed budget for the Town for Fiscal Year 2012-13, 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 2012-13 is \$29,860,518 (Twenty Nine Million Eight Hundred Sixty Thousand Five Hundred Eighteen Dollars), and the total annual tax revenues subject to such limitation for Fiscal Year 2012-13 are estimated to be \$14,795,000; 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 2012-13.

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 2012-13, the amount of Total Operating and Capital Budget Appropriations 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 2012-13 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 2012-13 Operating and Capital Improvement Budget programs are hereby adopted, establishing the following expenditure levels:

<u>DEPARTMENT</u>	<u>2012-13 ADOPTED BUDGET</u>
1. Town Council	\$ 184,715
2. Town Attorney	464,000
3. Town Manager	438,696
4. Finance	1,007,851
5. Town Clerk	388,565
6. Public Information	431,199
7. Human Resources	340,900
8. Information Systems	480,034
9. General Government	1,464,712
10. Public Facilities	2,390,910
11. Public Safety/Police	11,160,976
12. Emergency Preparedness	25,275
13. Animal Control Services	1,714,127
14. Public Services	460,628
15. Code Enforcement	916,320
16. Building & Safety	188,465
17. Engineering Service	350,600
18. Planning Services	727,203
19. Economic Development	78,834
20. Street Maintenance Fund (Gas Tax)	1,927,213
21. Local Transportation Fund	275,394

22. Measure I	3,922,500
23. Air Pollution Control	47,320
24. CDBG	581,334
25. NSP3	1,382,226
26. Apple Valley Home	697,773
27. Victorville Home	298,112
28. Cal Home	900,000
29. Parks & Recreation	3,272,598
30. Police Grants	295,497
31. Assessment District LL	160,250
32. Capital Improvement TIF Fund	13,530,000
33. Storm Drains	400,000
34. Project Manager Grants	782,609
35. Waste Management Fund	10,624,554
36. Wastewater Enterprise Fund	8,629,976
37. Apple Valley Golf Course	1,178,400
38. Debt Service Funds	1,615,100
39. Redevelopment Agency	<u>18,622,555</u>

TOTAL OPERATING & CAPITAL EXPENDITURES \$92,357,421

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

1. General Fund	\$23,408,309
2. Street Maintenance Funds (Gas Tax)	2,105,407
3. Transportation Fund	275,394
4. Measure I	1,756,325
5. Air Pollution Control	47,410

6. CDBG	581,334
7. NSP3	1,382,226
8. Apple Valley Home	697,773
9. Victorville Home	298,112
10. Cal Home	900,000
11. Parks & Recreation	3,272,598
12. Quimby	10,500
13. Police Grants	295,497
14. Assessment District LL	325,200
15. Capital Improvement Projects Funds	13,992,309
16. Waste Management Fund	10,921,500
17. Wastewater Enterprise Fund	4,293,500
18. Apple Valley Golf Course	861,600
19. Debt Service Fund	1,615,100
20. Redevelopment Agency	<u>6,222,555</u>
TOTAL OPERATING AND CAPITAL REVENUES	<u>\$73,262,649</u>

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 12th day of June, 2012.

Barb Stanton
Mayor

ATTEST:

La Vonda M-Pearson Town Clerk