



Item Number: 3

City Council / Board of Directors

Public Hearing(s)

Meeting of: June 6, 2023

Submitted By:

John Mendiola, Finance Director / City Treasurer

Subject:

Annual Budget for Fiscal Year 2023-2024

Recommendation:

That Your Honorable City Council, also sitting as the Victorville Library Board of Trustees, Southern California Logistics Airport Authority, Successor Agency to the Victorville Redevelopment Agency, Victorville Water District, and City of Victorville as Housing Asset Successor:

- (1) Open and conduct a Public Hearing;
- (2) Close the Public Hearing;
- (3) Accept the transmittal letter from the Measure P Oversight Committee (MPOC);
- (4) Adopt the attached Resolutions: No. 23-036, LBT 23-001, SCLAA 23-008, R-SA 23-002, VWD 23-008, and CHAS 23-002, respectively, for the Establishment and Adoption of the FY 2023-2024 Annual Budget;
- (5) That Your Honorable City Council adopt Resolution No. 23-037, establishing and adopting the Fiscal Year 2023-2024 Annual Appropriations Limit in the amount of \$1,426,094,231, pursuant to California State Constitution Article XIIIB Government Spending Limitation.

Fiscal Impact:

The total operating budget for the City is approximately \$345,055,842 including \$45,466,280 in capital. Revenue projections for the City are \$328,695,053. General Fund expenditures for City operations are projected to be \$97,762,379. The General Fund operating budget will be offset by a revenue projection of \$93,110,353. Given the annual payment of \$1,000,000 from the Victorville Municipal Services to the General Fund for repayment of a loan agreement, an appropriation is requested to balance the budget from the unencumbered fund balance in the amount of \$3,652,026 including one-time capital budget of \$1,871,891.

The fiscal impact for the Measure P (Fund 105) expenditures is \$24,733,735 as budgeted in the Fiscal Year (FY) 2023-2024 proposed budget and will be offset by a revenue projection of \$32,422,176. After including the Measure P Capital budget of \$8,410,550, Measure P is requesting an appropriation to balance the budget from the unencumbered fund balance in the amount of \$722,109. This results in \$33,144,285 in total expenditures for FY 2023-2024.

Strategic Plan Goal:

Staff proposes the attached budget for the Fiscal Year 2023-2024, which serves as a financial plan and operations guide to reflect the policies, goals, and priorities of the City Council, Board of Directors, and community while at the same time maintains fiscal stability.

This budget focuses on the following community and Council/Board priorities:

- A) Financial Sustainability – *foster disciplined long-term planning, cost control, increased revenues, and cost recovery.* Updated multi-year cash flows were presented to the Executive Team to ensure current year actions were sustainable and planning and forethought were put into the current and future, City needs. Staff continues thinking of ways to sustain and improve programs while protecting the City against unexpected expenses or economic fluctuations.
- B) Public Safety- *implement strategies to support a growing community.* Measure P funding continues to support the Public Safety Plan and increase staffing and resources for Police, Fire, Code Compliance and Animal Control. This includes setting aside funding for the continued replacement of aging fire apparatus, improvements to the fire stations, additional medical and fire equipment, reserve funding for the new police station, and continued funding of additional code compliance and animal control staff to support a pro-active approach for our community.
- C) Community and Economic Development – *support the preservation of the community for all its members.* Continued work per the Old Town Specific Plan includes continued planning, design, and restoration in the old town area of the city; continued work with establishing the State's first CRIA to fund development and improvement needs for the Old Town area; and working with community groups to promote the Old Town area.
- D) Reduce Homelessness – *implement effective solutions to reduce Homelessness.* The City continues to address the issues of homelessness through its assistance with the Interim Homeless Shelter and Wellness Center at the Westwinds Sports Center at SCLA as well as our Homelessness Solutions Task Force, working with external agencies towards integrated solutions for our business and residential communities. Work continues this year on building the Wellness Center which will be the first facility of its kind in

San Bernardino County to combine a low-barrier emergency shelter, recuperative care facility, medical clinic, interim and wrap-around services. The planned opening of the Wellness Center in FY 2023-2024 will offer the community, through the collaboration of many different organizations, much needed resources to improve and support the homelessness issues within the community.

- E) Invest in infrastructure – *create a healthy-livable community by investing in infrastructure and innovations.* With the recent completion of the Green Tree Extension and the soon to be complete Bear Valley Widening over the BNSF railway project, the City is focusing on other infrastructure projects for FY 2023-2024 including the Golden Triangle Slurry Seal project, the Mojave Drive improvements between La Paz Drive and El Evado, and a much needed traffic signal at Mojave and Condor.
- F) Communications and Outreach – *build strong connections with community partners, residents, and employees.* The City continues to plan multiple events throughout the year and looks forward to all the opportunities to connect with its residents and business owners including Concerts in the Park/Victorville Sings, July 4th Fireworks Festival, Fall Festival, National Night Out, Halloween-Boo event, Veterans Parade, Festival of Lights, Spring Festival and our new Victorville 101 Bus Tours.
- G) Organizational Effectiveness and Sustainability – *provide high-quality services utilizing local government best practices, employee development, support, and retention.* The City continues to focus on its employees through promotion of the core values of customer service, transparency, integrity, and accountability. Additionally, a 3% cost of living adjustment as well as a focus on training and education, reflect the continued desire to invest in the development, support, and retention of our growing staff. This enables the City to continue our priorities to provide the best access to city services as well as continuous improvements in customer service for our residents and businesses.

Discussion:

General Fund (GF)

In June of 2021, City Council approved a revision to the City's General Fund Reserve Policy from 15% to 17% based on the City's improved cash flow as a result of the City's conservative spending initiative city-wide during the COVID-19 pandemic. The City's GF reserve level continued to grow to the tune of over \$42 million dollars at the start of FY 2022-2023. City management was able to utilize one-time restricted Federal funding during this time period to offset budgeted GF capital expenditures, thus saving the City's GF resources for much needed improvements throughout the City, along with building the City's reserves for a rainy-day fund. As one-time Federal funding is slowly dissipating and the nation's inflation rate is hovering around 5% and the City's sales tax revenues

have stabilized, the City will need to reach into our rainy-day fund to balance the budget. The City's current GF reserve level is 42%, well above our 17% policy. With this request from the GF fund balance in the amount of \$3,652,026, the City is projected to have a GF reserve level of 38% at the end of Fiscal Year 2023-2024, again, well above our required 17% reserve policy.

Measure P

On July 21, 2020, the City Council passed Resolution No. 20-065, authorizing the submittal of a one percent General Transaction and Use Tax Measure to be submitted to the voters at the November 3, 2020, General Municipal Election. On October 6, 2020, Council adopted Resolution No. 20-083, establishing the Measure P Oversight Committee (MPOC). The voters approved Measure P enabling the City to expand essential services and increase public safety for the City's growing population. The one percent transactions tax which became effective on April 1, 2021, is projected by HdL Companies to bring in revenues of \$29.96 million dollars in the Fiscal Year 2023-2024.

On May 25, 2023, staff presented to the MPOC the Year 3 Allocation plan, which included expected revenues for the upcoming fiscal year and proposed expenditures for the Police, Fire, Code Compliance and Animal Control, Community Services, and Planning departments. The proposed allocations for FY 2023-2024 are directed at enhancing public safety, community improvements, homelessness solutions, and improving fiscal target reserves. The allocations align with the Measure P Policy Document that the Measure P Oversight Committee adopted on May 20, 2021, and allow for the budget and expenditures to be clearly defined with the intent of Measure P.

Details on all Measure P activity for this fiscal budget can be viewed in Attachment I, which contains the Measure P Oversight Committee Transmittal Letter.

Changes Since May 31, 2023 Budget Workshop

A few changes have been made since the presentation by staff at the Budget Workshop held on May 31, 2023. The following is a summary of the changes:

- \$30,500 was added for Animal Control, General Fund (1005020-52220-45017) for Animal Kennels
- \$40,736 was added to Facilities, General Fund (1006016F-52410) for Sunset Ridge Tennis Court Repairs
- \$314,398 was added to Engineering, General Fund Capital (1004500-55330-60141) for Tract 16792 Improvements
- Cost Allocations were added to the Following Funds:
 - Fund 111 Tech Reserve Fund - \$25,323
 - Fund 120 Fueling Stations - \$60,846
 - Fund 205 CHAS - \$13,347
 - Fund 240 State Asset Seizure - \$996
 - Fund 660 Foxborough Lead Track - \$1,604
 - Resulted in a General Fund Cost Allocation Revenue increase to \$9,974,463

- 3% COLA was added to various Part-Time Wage related accounts for an increase of \$90,226 across multiple funds

These changes have been incorporated into the final budget totals and recommendations being presented in this report.

Appropriations Limit

California's State Appropriations Limit places a "ceiling" each year on the amount of monies that can be spent from local government tax proceeds. Most appropriations are subject to the Appropriations Limit; however, the law does allow exemptions for capital outlay, debt service and subventions. Tax proceeds in excess of the limit over a two-year period must be rebated to taxpayers. For Fiscal Year 2023-2024, the City's appropriations limit is calculated to be \$1,426,094,231. Based on tax proceeds budgeted for Fiscal Year 2023-2024 in the amount of \$87,487,507 and State subventions received in the amount of \$4,400,000, the City appropriations are \$1,334,206,724 below the limit.

The adoption of the Gann Spending Limitation Initiative (Proposition 4) in 1979, later amended by Proposition 111 in 1990, established Article XIIIB of the State Constitution, the requirement and procedure for establishing an appropriations limit for local agencies. Each year, the State and local governments must adopt a resolution establishing an appropriations limit. The annual calculation of the appropriations limit must be reviewed as part of the City's annual financial audit.

In brief, the amount of tax revenue the City is annually authorized to appropriate is limited by factors relating to changes in population and the economy. The population factor selected may either be the rate of change in population for the City or for the County. The economic factor selected may either be the percentage change in California's per capita personal income or the percentage change in non-residential assessed property valuation due to new construction; however, the change in non-residential assessed property valuation is not available from the County of San Bernardino Assessor's Office until after fiscal year end and after the adoption of the budget. The City's auditors and management prefer the appropriations limit to be calculated in a timely manner and in correlation with the annual budget; therefore, the change in per capita personal income is used for this factor. The changes in population and the change in per capita personal income are provided by the California Department of Finance in May of each year (Attachment H).

The formula works as follows:

$$\frac{(\% \text{ change in population (City or County)} + 100)}{100}$$

TIMES (multiplied by)

$$\frac{(\% \text{ change in California per capita personal income} + 100)}{100}$$

The value determined by the formula set forth above is then applied to the previous year's limit to yield the new appropriations limit for the fiscal year.

For Fiscal Year 2023-2024, the percentage increase in City population growth was used since it was greater than the County's (0.90% vs. 0.12%). With respect to the economy criterion, the percentage change in California's per capita personal income is 4.44%. Therefore, the appropriations limit for Fiscal Year 2023-2024 may be set at \$1,426,094,231 ($1.0090 \times 1.0444 \times$ Fiscal Year 2022-2023 Appropriations Limit of \$1,353,287,884). For complete calculation, please see Attachment G (Resolution 23-037 with Attachments 1, 2 and 3).

Summary:

This budget represents a continuing and concerted effort to develop a balanced budget that meets the community and Council goals. It includes investments in our community programs, infrastructure, public safety, and our city workforce. This budget provides funding to maintain current services and fund new critical expenditures. Although there may be unforeseen challenges ahead, our commitment to sound fiscal policies and a healthy general fund reserve will enable us to identify new revenue sources to continue to move this City and our community successfully forward.

Staff remains available for any questions Council may have.

Attachments:

- A. Resolution No. 23-036 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the City of Victorville
- B. Resolution No. LBT 23-001 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the Victorville Library
- C. Resolution No. SCLAA 23-008 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the Southern California Logistics Airport Authority
- D. Resolution No. R-SA 23-002 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the Successor Agency to the Victorville Redevelopment Agency
- E. Resolution No. VWD 23-008 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the Victorville Water District
- F. Resolution No. CHAS 23-002 Establishing and Adopting the Annual Budget for Fiscal Year 2023-2024 for the City as Housing Assets Successor
- G. Resolution No. 23-037 Adopting the Fiscal Year 2023-2024 Appropriations Limit Calculation Attachments 1, 2 and 3
- H. California Department of Finance Price Factor and Population Information
- I. Measure P Oversight Committee Transmittal Letter
- J. 2023-2024 Proposed Fiscal Year Budget