

HOW TO USE THIS DOCUMENT EFFECTIVELY

The budget document serves two distinct purposes. One purpose is to present the City Council and public with a clear picture of the services that the City provides. The other purpose is to provide City Management and Staff with a financial and operating plan that conforms to the City's accounting system.

The **Table of Contents** lists the major sections of the budget as well as information detailed in each section.

The **Budget Message** from the City Manager summarizes the major changes in the budget. This section also includes Budget Adoption, Appropriation Limit, Continuation of Spending Resolutions, and the Budget Awards.

The **Community Profile** section provides historical data and information about the City. This section assists both residents and non-residents in putting Palmdale's budget in perspective.

The **Budget Guide** tells how to use the budget and summarizes the budget process, policies, and procedures.

The **Budget Summary** section provides an overview of the City's organization and provides a summary of the major changes in the revenues and programs proposed for the City and the Community Redevelopment Agency.

The **Fiscal Summary** shows in summary form the financial status of the City and the Community Redevelopment Agency.

The **Revenue Section** includes a detailed listing of the individual revenue accounts by fund.

The **City Wide Objectives** outline the City's values, vision, mission, and long-term objectives identified through the development of the City's Strategic Plan.

The **Capital Improvement Program** section provide information on capital projects over \$5,000. The section lists the FY 2009-10 portion of the ten-year Capital Improvement Plan.

The **Department Budget Summary** provide information on the department and describes its mission, program activities and objectives, performance measures, budget trends, funding sources, and staffing level for each program.

The **Glossary** helps translate budget jargon into more understandable English.

The **Appendix Section** provides information on the financial policies of the City of Palmdale. This section also includes information on projected fund balances and interfund transfers for FY 2008-09 classification and pay plans, insurance coverage, historical data, general fund projections, and trend information for the City.

The **Index Section** assists the reader in finding information in the budget document. This section provides the page numbers where specific information can be found.

For a copy of the budget document, or for any information not covered here, please call the City of Palmdale's Finance Department at (661) 267-5440 or visit the City's website www.cityofpalmdale.org.

BUDGET POLICIES AND PROCEDURES

By Palmdale Municipal Code Section 3.04.020, the City Manager shall submit a proposed budget to the City Council each year

BUDGET BASIS

The budgets of general government type funds (for example, the general fund itself, and street and transit funds) are prepared on a modified accrual basis. Briefly, this means that obligations of the City are budgeted as expenditures, but revenues are recognized only when actually received.

The Enterprise Funds (proprietary funds) also recognize expenditures as encumbrances when a commitment is made (e.g., through a purchase order). Revenues, on the other hand, are recognized when they are obligated to the City (for example, water user fees are recognized as revenue when service is provided). The City of Palmdale does not currently have any Enterprise Funds.

The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of "Generally Accepted Accounting Principles" (GAAP) which conforms to the way the City prepares the budget.

RESPONSIBILITY

The department heads are responsible for preparing their budgets in accordance with the guidelines provided by the Finance Department or other special budget instructions that may be provided by the City Manager.

The Finance Department will provide cost experience data as may be required by any City departments. The Director of Finance will prepare all revenue, debt service and reserve estimates. The Finance Department will check and confirm the completeness of all departmental budgets. If a budget is found to be in error or is incomplete, the budget will be returned to the originating department head for correction and will be returned corrected by that department in one workday. The Finance Department will not change any departmental request without written consent of the affected department.

BUDGET PREPARATION

The process of developing the operating budget begins officially in January of each year. The budget preparation process provides department heads an opportunity to examine program(s), to propose changes in current services, to recommend revisions in organizations and methods and to outline requirements for capital outlay items.

OPERATING BUDGET

- A. Ongoing operating costs should be supported by ongoing stable revenue sources. This protects the City from fluctuating service levels and avoids crises when one-time revenues are reduced or removed. Listed below are some corollaries to this policy:
 1. Cash balances should be used only for one-time expenditures, such as capital equipment and improvements or contingency accounts.
 2. Ongoing maintenance costs, such as street resurfacing or swimming pool replastering, should be financed through recurring operating revenues rather than through bond issuances.
 3. Fluctuating federal grants should not be used to fund ongoing programs.

B. Revenue Policies:

1. A diversified and stable revenue system will be maintained to ensure fiscal health and absorb short run fluctuations in any one revenue source.
2. User fees for all operations will be examined annually to ensure that fees cover direct and indirect costs of service.
3. Development fees for one-time capital expenditures attributable to new development will be reviewed annually to ensure that fees match development related expenditures.

C. General Fund unappropriated reserves should be equal to at least ten percent of appropriations. However, the City Council will have the authority to lower the unappropriated reserves below ten percent. Staff will submit a budget and strive for an unappropriated fund balance of 10 percent of General Fund appropriations, subject to City Council approval.

D. The Director of Finance, with the approval of the City Manager, shall approve the encumbrances and continuing appropriations from one fiscal year to the next fiscal year. These encumbrances and continuing appropriations shall become part of the City and CRA budgets.

E. Debt Management:

Short term borrowing or lease/purchase contracts should be considered for financing major operating capital equipment when the Director of Finance along with the City's financial advisor determines that this is in the City's best financial interest. Lease/purchase decisions should have the concurrence of the appropriate department head.

CAPITAL BUDGET

- A. The long-range capital improvement plan shall be prepared and updated each year. Although this plan may include "unfunded" projects that carry out the City's strategic and general plans, it must also include a capital-spending plan that identifies projects that can be completed with known funding sources.
- B. Each department must, when planning capital projects, estimate the project's impact on the City's operating budget.
- B. Amendments to capital appropriations fall under the same guidelines as changes to the operating budget, with one exception: any project change exceeding 20 percent of the original contract price or \$100,000 must receive specific City Council or Agency approval. This approval can be by motion rather than resolution and may accompany a recommendation for award of bid, change order, or other Council action. While this approval is not a strict legal requirement, it serves to keep the Council informed on capital project activity and funding, and ensures that revisions of project priorities are in line with Council expectations.

BUDGET REVIEW

During the budget review phase, the Finance Department analyzes new positions, operating requests and capital budget requests. This information is then compiled and presented to the City Manager. The Budget Team, comprised of the City Manager, Assistant City Manager, Deputy City Manager, Director of Finance, Assistant Director of Finance, and the Budget Manager conduct meetings with each department to review their estimated expenditures for the current fiscal year and the proposed base line requests and enhancements for the proposed budget year. At the completion of these meetings, the Finance Department again compiles all the financial data and presents the proposed budget to the City Manager for final review.

BUDGET ADOPTION

The City Manager presents the proposed budget to the City Council, Community Redevelopment Agency, Palmdale Civic Authority, Housing Authority Industrial Development Authority, and the Palmdale Airport Authority for review.

A public hearing is held and after all changes, modifications and revisions are made the budget is adopted by resolution.

BUDGET IMPLEMENTATION

A budgetary control system will be maintained to ensure compliance with the budget.

The Finance Department is responsible for setting up the budget for tracking purposes and is charged with making sure the funds are available during the year to cover expenditures and appropriations.

BUDGET REVISION

- A. Any changes in total fund appropriations, except relating to sub-section "D", must be approved by the City Council.
- B. Uses of unappropriated reserves must be specifically approved by the City Council. This may be by Council motion rather than Resolution.
- C. Shifts in appropriations within funds that total up to \$25,000, except relating to sub-section "D", may be done administratively on the authority of the City Manager. Procedures for appropriation transfers and delegation of budget responsibility will be set by the City Manager.
- D. As per Section 7 of the Human Resources Rules and Regulations, the appointing authority may transfer, demote, suspend, or reinstate employees. Per this authority, shifts in appropriations relating to personnel changes may be done administratively by the City Manager.

BUDGET CALENDAR

The annual budget preparation process is initiated with the issuance of the operating budget preparation instructions in January. The instructions include assumptions on cost increases in the coming fiscal year, direction from the City Manager on budget policies and clarification for preparing budget requests. The steps in preparing the FY 2011-12 budget are as follows:

- December 2010** - Preliminary short term revenue projections, update long range Capital Improvement Plan
- December 2010** - Current year 6-month budget status review meetings held with departments
- January 2011** - Budget preparation instructions distributed and departments trained
- February 2011** - Budget requests (base and enhancement budgets) submitted to Finance Department
- February 2011** - Budget presentations to the Budget Team by Departments
- March 2011** - Budget discussions between the City Manager and the Budget Team
- March 2011** - Preliminary budget distributed to the City Council and made available for public review.
- April 6, 2011** - City Council Workshop and public hearing on the proposed budget at a joint meeting of the City Council, the Community Redevelopment Agency, the Palmdale Civic Authority, the Housing Authority and the Industrial Development Authority.

Adoption of the Fiscal Year 2011-12 Budget by the City Council, Community Redevelopment Agency, the Palmdale Civic Authority, the Housing Authority of the City of Palmdale and the Industrial Development Authority.
- July 1, 2011** - Beginning of the new fiscal year

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