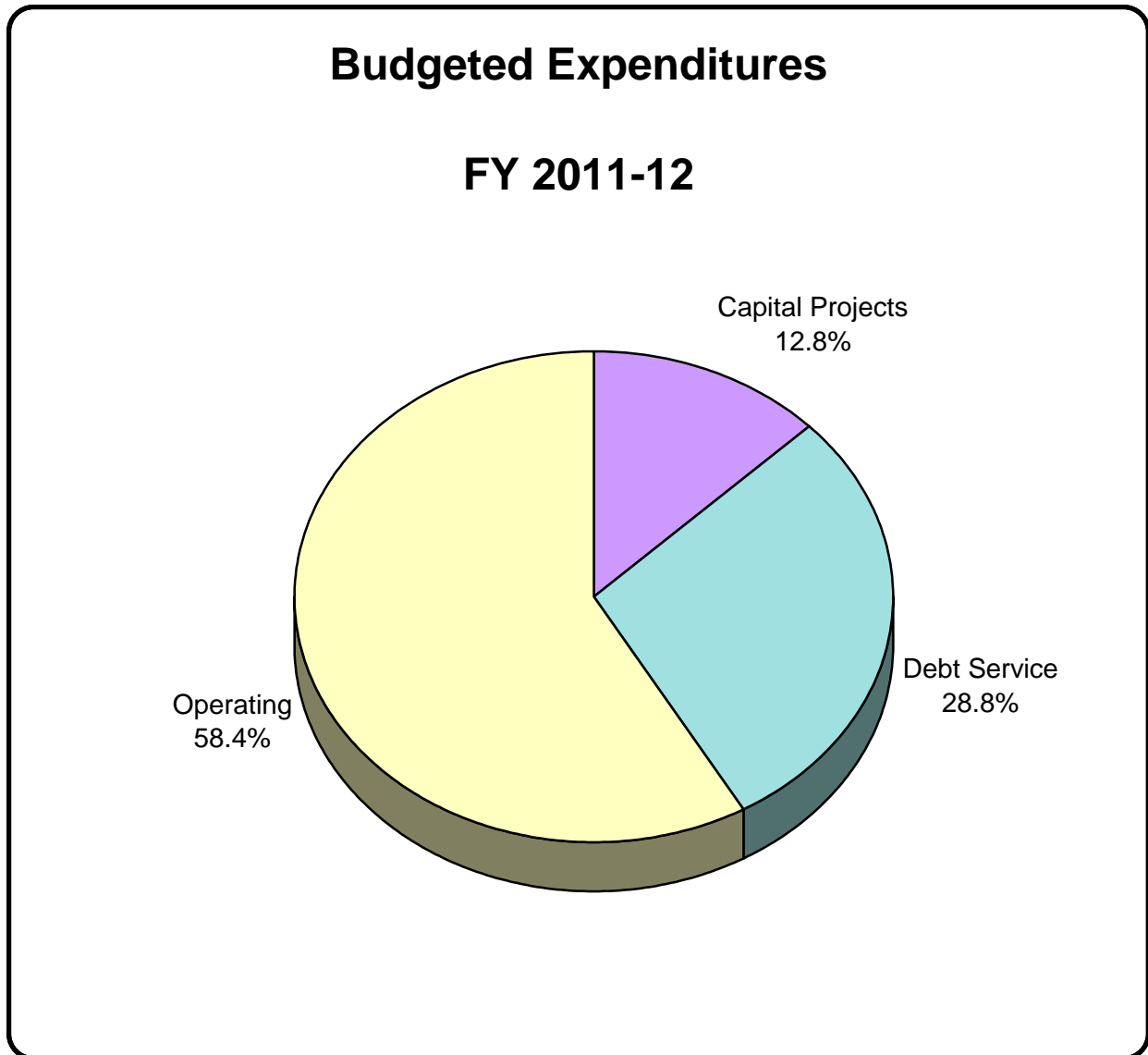


## SUMMARY OF THE FISCAL YEAR 2011-12 BUDGET

The total FY 2011-12 budgeted expenditures for the City, the Community Redevelopment Agency and the Palmdale Civic Authority amounts to \$165,269,650. The chart below shows that \$96,522,850 or 58.4% of this total is the operating budget. Capital Improvements projects total \$21,123,370 or 12.8% and Debt Service amounts to \$47,623,430 or 28.8%.

The Debt Service includes City, Community Redevelopment Agency, and Palmdale Civic Authority debt.



**Figure 7: Budgeted Expenditure Percentages**

**GENERAL FUND SUMMARY**

The General Fund includes all City operations with the exception of programs directly funded by grants.

**I. GENERAL FUND RESOURCES**

Total resources available for FY 2011-12 expenditures include an estimated beginning unappropriated fund balance of \$14,248,480, revenues of \$33,878,170, sales tax and miscellaneous transfers of \$8,465,220 from the CRA, and transfers in the amount of \$14,861,900 from other funds. Transfers to the General Fund cover expenditures that the General Fund makes on behalf of other funds for such programs as street maintenance and law enforcement.

Although transfers to the General Fund are not shown as revenue, they account for 32.65% of resources available to the General Fund. These transfers are from the restricted funds and can only be used for specific purposes. The following is a summary of the transfers to the General Fund:

<b>SPECIAL REVENUE FUNDS</b>	
Gas Tax	\$ 2,853,140
Public Safety	620,400
Park Assessments	2,098,870
Prop A	2,014,210
Prop C	1,454,800
Measure R	550,310
Park Development	225,000
Traffic Impact	805,950
Amargosa Drainage	33,750
Anaverde Drainage	21,640
Portal Ridge Drainage	26,830
Pearland Drainage	142,660
Federal Grant	135,550
LMD 97-1	65,220
Sewer Assessment District	50,000
Street Light Assessment District	10,000
Air Quality	75,000
State Grants	64,200
Local Trans-Article 8	<u>3,614,370</u>
Sub-Total	\$ 14,861,900
<b>COMMUNITY REDEVELOPMENT AGENCY</b>	
Housing Development	\$ 90,000
CRA Debt Service Area # 1	1,494,960
CRA Debt Service Area # 2A	<u>6,880,260</u>
Sub-Total	\$ 8,465,220
<b>Grand Total</b>	<b><u><u>\$ 23,327,120</u></u></b>

CITY OF PALMDALE AND COMMUNITY REDEVELOPMENT AGENCY REVENUES

The graph below details the revenue into categories. The graph gives a pictorial view of the revenue categories and the percentage of total revenue collected in each category.

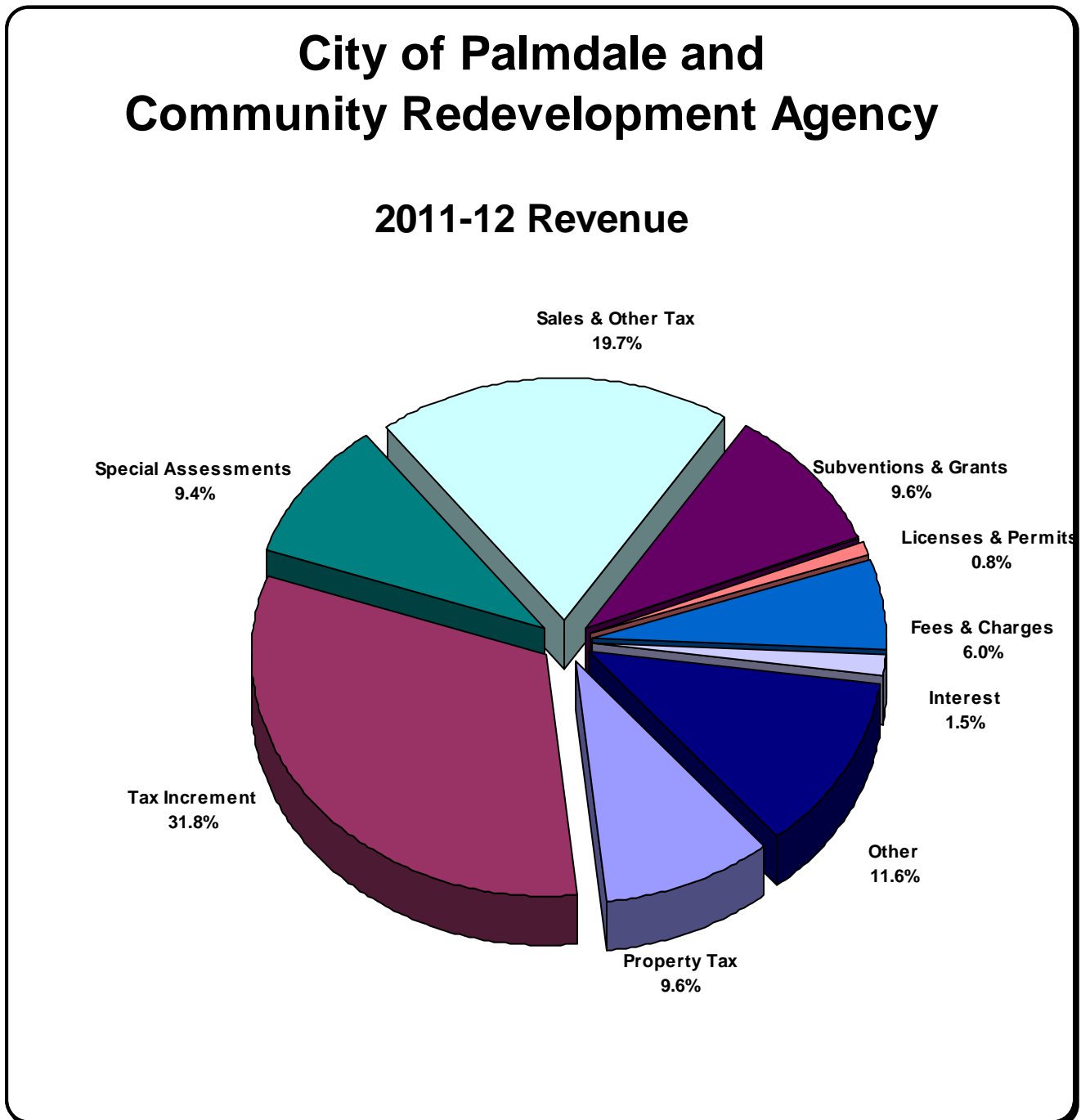


Figure 8: Fiscal Year 2011-12 Revenues by Category

## GENERAL INFORMATION

The following narrative describes the Funds represented in each revenue category depicted in the graph on the preceding page.

1. Tax Increment is the largest category and includes property tax on parcels in Community Redevelopment Area No. 1 and No. 2A, as well as the 20 percent tax increment set aside by these funds into the Housing Development Fund.
2. Sales and Other Taxes is the second largest portion of the budget. This category includes General Fund and Community Redevelopment Agency Debt Service Area No. 2A sales tax, General Fund property transfer, franchise, transient occupancy, gas tax and business license taxes.
3. Other Revenue is the third largest and includes General Fund and Library donations, miscellaneous revenue such as healthcare contributions, facility rents and concessions, Lease Proceeds and General Fund special event revenues.
4. Subventions and Grants is the fourth largest category and include General Fund, Restricted Revenue Funds, and Special Revenue Funds subventions and grants.
5. Property Tax is the fifth largest category and represents revenue generated for the General Fund.
6. Special Assessments is the sixth largest category and includes Landscape Maintenance, Assessment District, and Community Facilities District special assessment revenues.
7. Fees and Charges is the seventh largest category and include Restricted Revenue from developer fees, fines, and forfeitures; General Fund motor vehicle fees, property use charges, fines, charges for services and administrative fees, and Special Fund property use charges.
8. Interest is the eighth largest category and includes revenue earned on the investment of idle General Funds, Restricted Revenue Funds, Special Funds, and Community Redevelopment Agency Funds.
9. Licenses and Permits is the smallest category of the budget and represents revenue generated for the General Fund.

The narrative that follows describes the different revenues and the changes reflected in the FY 2011-12 budget.

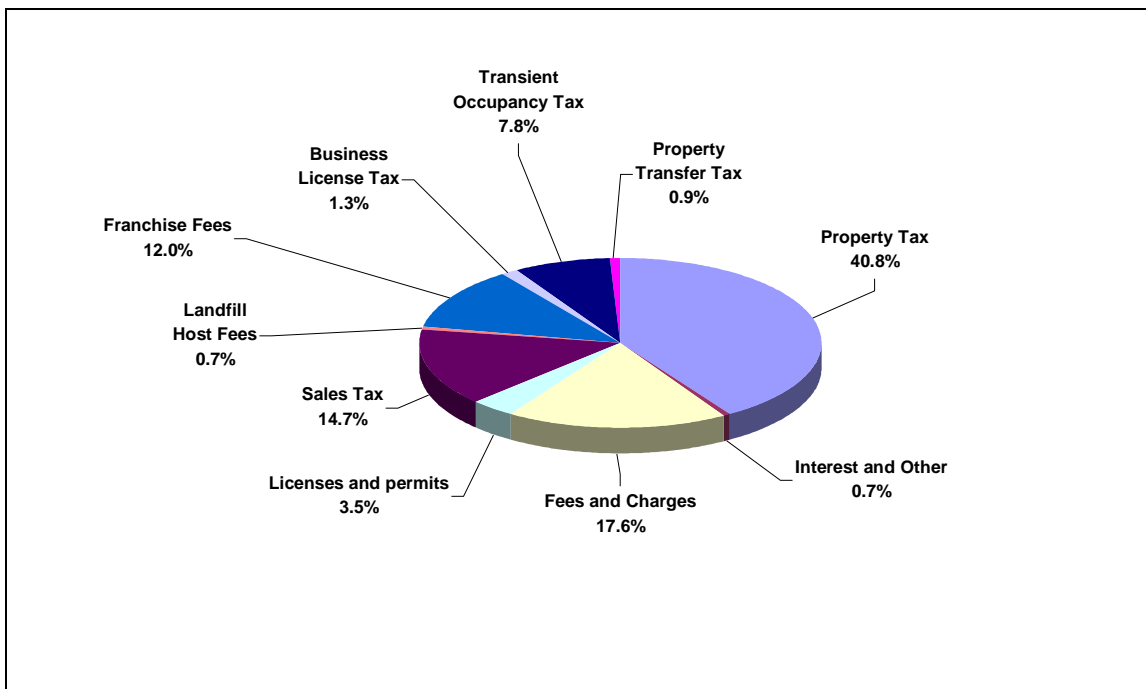
I. GENERAL FUND

The General Fund revenues for FY 2011-12 are projected to decrease \$6,631,990 or 16.37 percent, when compared to the FY 2010-11 estimated. The City cautiously forecasts FY 2011-12 revenues and project to see a general decrease in key revenues including a decrease of \$722,410 in property taxes, \$5,561,520 in Fees and Charges, and \$340,000 in Licenses and Permits.

**General Fund Revenues Annual Comparisons**

Revenue Description	Actual FY 2009-10	Estimated Budget FY 2010-11	Projected Budget FY 2011-12	FY 2010-11 compared to 2011-12 Budget Increase (Decrease)	% Change
Property Tax	\$16,593,705	\$14,541,220	\$13,818,810	(\$722,410)	(4.97%)
Fees and Charges	8,561,733	11,590,060	5,974,540	(5,615,520)	(48.45%)
Sales Tax	4,887,975	4,888,300	4,986,070	97,770	2.00%
Franchise Fees	3,959,444	3,784,000	4,048,200	264,200	6.98%
Transient Occupancy Tax	2,581,658	2,600,000	2,625,000	25,000	0.96%
Licenses and Permits	1,933,821	1,535,000	1,195,000	(340,000)	(22.15%)
Interest and Other	506,438	253,330	245,550	(7,780)	(3.07%)
Business Licenses Tax	428,916	425,000	430,000	5,000	1.18%
Property Transfer Tax	439,863	300,000	300,000	-	-
Landfill Host Fees	348,942	245,000	255,000	10,000	4.08%
Other	2,226,740	348,250	-	(348,250)	(100%)
<b>Total</b>	<b>\$42,469,235</b>	<b>\$40,510,160</b>	<b>\$33,878,170</b>	<b>(\$6,631,990)</b>	<b>(16.37%)</b>

**General Fund – Sources of Revenue**



- A. **PROPERTY TAX** – Property tax is a primary source of funding for general City services and represents 40.8 percent of General Fund revenues. Property tax consists of County allocated property tax (AB1197), Property Tax in-lieu of Vehicle License Fees, Homeowner Property Tax and Tax Increment pass through from the Redevelopment Agency.

With the passage of AB1197, the City of Palmdale became a low property tax City. The first payment of taxes occurred in FY 1989-90. This program was to be phased in over a seven-year period with an increase each year to a maximum of .07 percent. The tax rate for FY 2011-12 is at .0663 percent of the 1 percent assessed value. The Los Angeles County Assessor office assesses all real and personal property (except where exempt by law) at 100% of the property's fair market value but cannot increase the property tax base by more than 2 percent annually. The major tax base of the City's property tax consists of residential property making up of 69.2% and commercial property making up of 13.6% of the total tax base. The City of Palmdale has experienced a net taxable value decrease of 12.07% or \$1.3 billion for the 2010-11 tax roll and an additional 5 percent decline is expected to continue for FY 2011-12. The City projects Property Tax (AB1197) revenues to be \$4,180,000 for FY 2011-12 a decrease of \$220,000.

As a result of the Budget Act of 2004-05, the State took portions of the motor Vehicle License fee and swapped it with Property Taxes. The Property Tax in Lieu of VLF is based on gross assessed values and is tied to property value change between tax years. The tax values are expected to decline in FY 2011-12. The projected Property Tax in Lieu of VLF for FY 2011-12 is \$9,466,420 a decrease of \$498,230 as compared to FY 2010-11.

As a result of Assembly Bill 1389 approval on January 29, 2009, the Redevelopment Agency is required to pay statutory pass through payments to the City of Palmdale. The projected Property Tax Increment merged Project Area for FY 2011-12 is \$131,620.

- B. **FEES AND CHARGES** – City fees and charges represent approximately 17.6 percent of the General fund and is a major source of revenue that consists of the following type of fees:

**Fees and Charges Annual Revenue Comparisons**

Revenue Description	Actual FY 2009-10	Estimated Budget FY 2010-11	Projected Budget FY 2011-12	FY 2010-11 compared to 2011-12 Budget Increase (Decrease)	% Change
Administrative Fees	\$ 4,127,080	\$ 7,869,870	\$ 2,335,640	\$ (5,534,230)	(70.32%)
Cultural and Recreation	1,760,268	1,319,430	1,293,750	(25,680)	(1.95%)
Parking Citations	627,080	550,050	533,500	(16,550)	(3.01%)
Public Safety Programs	500,668	484,550	490,030	5,480	1.13%
Planning Fees	661,430	526,910	513,800	(13,110)	(2.49%)
Engineering Fees	440,365	464,250	407,820	(56,430)	(12.16%)
Motor Vehicle License Fee	444,842	375,000	400,000	25,000	6.67%
<b>Total</b>	<b>\$ 8,561,733</b>	<b>\$ 11,590,060</b>	<b>\$ 5,974,540</b>	<b>\$ (5,615,520)</b>	<b>(48.45%)</b>

**ADMINISTRATIVE FEES** - The City's General Fund charges administrative services performed for the Housing Fund, the Landscape Maintenance Fund, the Sewer Maintenance Fund, the Street Lighting Fund, the Drainage Funds, the Redevelopment Fund, and various bond issues. These fees are projected to decrease 70.32 percent in FY 2011-12 when compared to the estimated FY 2010-11. Various administrative fees are projected to total \$2,335,640 in FY 2011-12.

CULTURAL AND RECREATION FEES – The City charges Cultural and Recreation program fees and facility rental charges for recreation services, programs and events held at various Palmdale sites. Fees are expected to decrease by \$25,680 or 1.95 percent in FY 2011-12 when compared to the estimated revenues for FY 2010-11 due to suspended programs that generated revenues.

PARKING CITATIONS/ADMINISTRATIVE CITATIONS - The City took over the administration of parking citations from the County in FY 1993-94. During FY 2006-07, the City approved to establish administrative penalties to violations of the City Code. Parking citation and Administrative Citation revenue is projected to be approximately \$533,500 in FY 2011-12.

PUBLIC SAFETY PROGRAMS – The City charges for code enforcement civil fines for safety violations and fees for development and support programs for parents, youth adolescents, and couples. Fees are projected to be approximately \$490,030 in FY 2011-12.

PLANNING FEES - Planning fees are based on proposed development. The City budgeted conservatively based on the decline of development in the City and projects planning fee revenues of \$513,800 in FY 2011-12 a decrease of \$13,110 as compared to FY 2010-11.

ENGINEERING FEES - Engineering fees are also based on development, and are expected to decrease \$56,430 during FY 2011-12 when compared to FY 2010-11 estimated revenue. The decrease is due primarily to the decrease in Vacant Property Registration revenues as the result of the decline of the overall development in the City.

MOTOR VEHICLE LICENSE FEE - The Budget Act of 2004 changed the allocation method of Motor Vehicle License fee and made a “swap” of city Vehicle License Fee (VLF) revenues for property tax revenues effective for the FY 2004-05 budget year. The City still receives a portion of the 0.65% vehicle license fee charged by the Department of Motor Vehicle. However, from this fee the State Department of Motor Vehicles and other state agencies take administrative charges and Counties receive a portion to pay for debt financing obligations. The City is allocated a portion of what is left of the 0.65% fee collected. The City projects to receive \$400,000 in FY 2011-12.

- C. SALES TAX – Sales tax represents approximately 14.7 percent of the General Fund revenue and is a major source of revenue for the City of Palmdale. The sales tax within the City of Palmdale is 9.75 percent. Of the 9.75 percent, 1 percent is returned to the City with the remainder being distributed to the State and other public agencies. Sales tax is levied on activity related to the sale of general consumer goods, restaurants and hotels, autos and transportation, building and construction, business and industry, food and drugs and fuel and service stations. Palmdale’s activity related to the sale of general consumer goods is the largest generator of sales tax totaling approximately 41 percent of the total sales tax.

The City has projected a 2 percent increase in its sales tax base for FY 2011-12 when compared to the FY 2010-11 estimated base. This would result in an increase of approximately \$261,940. Sales taxes generated, as a result of the Regional Shopping Mall, Auto Center, and the Palmdale Promenade, will be reported in the Community Redevelopment Agency Budget. The sales tax revenue projected for FY 2011-12 for the Redevelopment Agency Project Area #1 and Project Area #2A is \$8,375,220. When the Redevelopment Agency sales tax revenues are included with the General Fund sales tax revenues of \$4,986,070, the combined Citywide FY 2011-12 sales tax revenues are projected to be \$13,361,290.

The graph below shows the sales tax revenue for the City and the Community Redevelopment Agency:

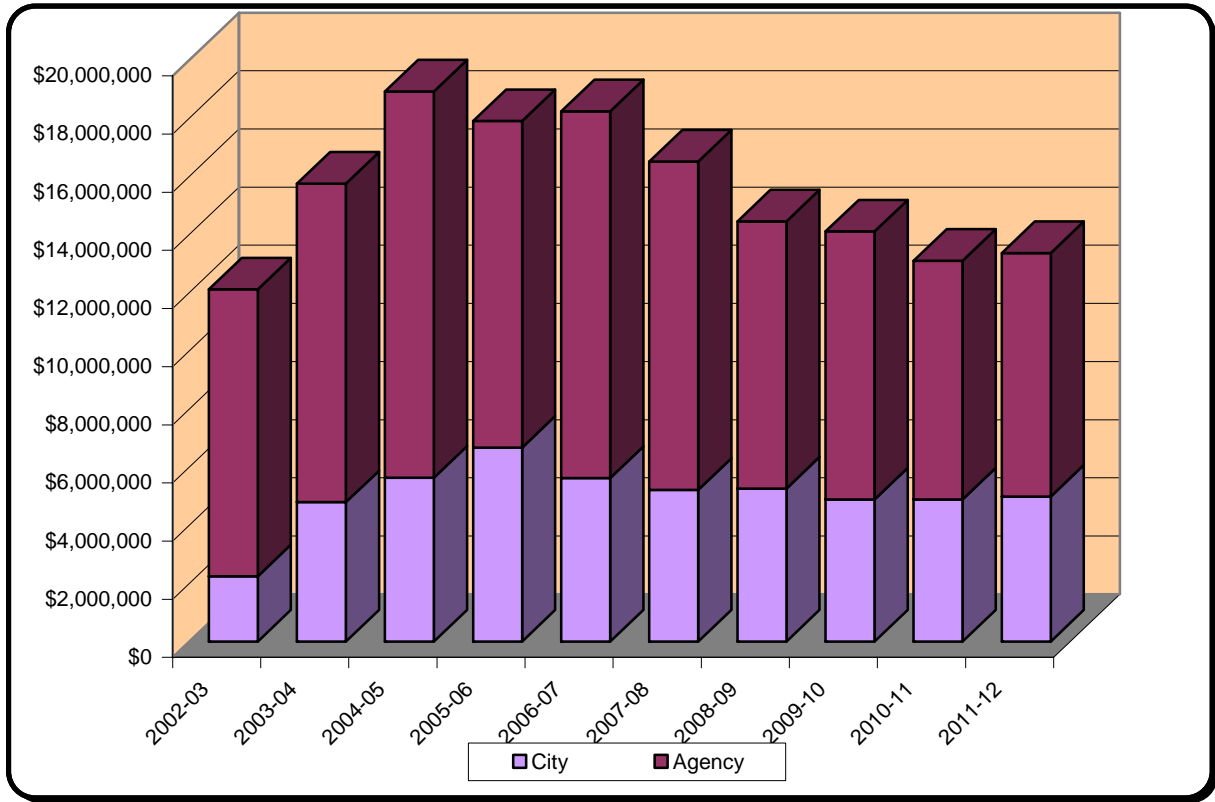


Figure 9: Sales Tax Revenue

- D. **FRANCHISE FEES** - The City collects franchise fees for electricity, natural gas, waste disposal, and cable television for the use of public right-of-ways. Southern California Edison Company and Southern California Gas Company pays 2 percent of gross annual receipts derived from sale of electricity and natural gas within limits of the City. Time Warner Cable pays 5 percent of gross revenues from cable services and Waste Management pays 10 percent of its gross receipts. The proposed FY 2011-12 fees represent an average increase of 6.98 percent from the FY 2010-11 estimated. Franchise Fees represent 12.0 percent of General Fund revenues.

The following table lists each franchise and their corresponding revenues:

	<u>Actual FY 2009-10</u>	<u>Estimated FY 2010-11</u>	<u>Projected FY 2011-12</u>
So. Calif. Edison	\$ 1,059,463	\$ 1,000,000	1,000,000
So. Calif. Gas Co.	386,174	380,000	380,000
Time Warner Cable	1,037,051	1,060,000	1,070,000
PEG Access Fees	-	4,000	176,000
Waste Management	<u>1,476,756</u>	<u>1,340,000</u>	<u>1,422,200</u>
<b>Total</b>	<b><u>\$ 3,959,444</u></b>	<b><u>\$ 3,784,000</u></b>	<b><u>\$4,048,200</u></b>

E. TRANSIENT OCCUPANCY TAX – Visitors staying at one of the 17 hotels within the City area pays a local tax called the transient occupancy tax (TOT) or hotel bed tax. The TOT rate approved by City residents is set at 10 percent and is paid on the room rate charged by the hotel. The TOT revenue represents approximately 7.8 percent of the General Fund revenue and is projected to be \$2,625,000 for FY 2011-12.

F. LICENSES AND PERMITS – Licenses and permits represent approximately 3.5 percent of the General Fund revenue and consists of Animal Licenses, Planning and Building Permits.

ANIMAL LICENSES - Animal licenses are collected by Los Angeles County for licensing of dog and cats within the City limits. The fees are set by the City Council annually with the Fee Resolution. The actual revenue figures are not known until June of each year. FY 2011-12 is expected to be the same when compared to the FY 2010-11 estimated.

PERMITS - Building permits generate a substantial portion of the revenue in this category. The City estimates a decline in the number of permits that will be issued in FY 2011-12 as compared to FY 2010-11. The estimated FY 2011-12 revenues are projected to be \$800,000.

G. INTEREST INCOME - Revenue from this source is derived from the investment of idle City funds and is estimated by the level of cash balances available for investment. Interest Income for FY 2011-12 is expected to decrease by approximately \$128,070 when compared to the FY 2010-11 estimated based on an overall decrease in interest rates.

H. BUSINESS LICENSE TAX - A business license tax is a flat fee based on the type of business. The number of businesses in the City is projected to be approximately 6,000 during FY 2010-11 estimated and FY 2011-12.

I. PROPERTY TRANSFER TAX - This tax is imposed on each deed or instrument by which real property is transferred within the City. The tax is levied at the rate of \$1.10 for each \$1,000 of sales price adjusted by any existing loan of record on the property. The projected revenue for FY 2011-12 is expected to be the approximately the same as compared to the FY 2010-11 estimated.

J. LANDFILL HOST FEES – Landfill host fees represent less than 1 percent of the General Fund revenues. A fee of \$1.74/ton up to 1400 tonnage per day and \$2.33/ton exceeding 1400 tonnage per day is charged to Waste Management for waste brought to the Antelope Valley Recycling and Disposal Facility. The Landfill Host Fee is projected to approximately the same in FY 2011-12 as compared to FY 2010-11.

## II. OTHER SPECIAL REVENUE SOURCES

PUBLIC LIABILITY SELF INSURANCE - The revenue sources for this fund are interest earnings and contributions from the City. Revenues for FY 2011-12 are expected to be approximately \$457,000.

MEDICAL SELF INSURANCE - The revenues for this fund are City contributions for employee dental/vision coverage and employee contributions for dependent dental/vision coverage. Revenues for FY 2011-12 are expected to be the same as compared to FY 2010-11.

HEALTH SELF INSURANCE - The revenues for this fund are City and Special Fund contributions for employees health coverage and employee contributions for dependent health coverage. The revenues are expected to be \$2,964,500 for FY 2011-12.

GAS TAX – The State imposes an 18-cent per gallon tax on gasoline and funds are apportioned to cities and counties, primarily on the basis of their populations. These funds are restricted for research, planning, construction, improvement and maintenance of public streets,

highways and mass transit purposes only. There is a decrease of \$1,139,990 or 31.2 percent projected for FY 2011-12 when compared to FY 2010-11 estimated.

PUBLIC SAFETY - Fines and forfeitures are imposed for civil violations of local ordinances and are restricted for law enforcement programs. The revenues are projected to be approximately the same in FY 2011-12 as compared to FY 2010-11 estimated.

PROP A - Proposition A programs are funded by a half-cent sales tax measure approved by L.A. County voters in 1980 to finance a Transit Development program. Twenty-five percent of the tax is designated for the Local programs and is distributed to the City based on population. The funds are to be used in developing and/or improving public transit, Para transit, and related transportation infrastructure. The Los Angeles County Metropolitan Transportation Authority projects the sales tax allocation for FY 2011-12 to total \$2,047,580.

PROP C - Proposition C programs are funded by a half-cent sales tax measure approved by L.A. County voters in 1980 to finance a Transit Development program. Twenty-five percent of the tax is designated for the Local programs and is distributed to the City based on population. The funds are to be used in developing and/or improving public transit, Para transit, and related transportation infrastructure. Prop C provides an expanded list of eligible project expenditures including, congestion management programs, bikeways and bike lanes, street improvement supporting public transit service and pavement management system projects. The Los Angeles County Metropolitan Transportation Authority projects the sales tax allocation to be \$1,698,420 for FY 2011-12.

AIR QUALITY IMPROVEMENT FUND - Fees received from the Southern California Air Quality Management District are restricted for air quality improvement programs and projects. Air quality improvement revenues are projected at \$75,000 in FY 2011-12 and FY 2010-11.

LOCAL TRANSPORTATION - ARTICLE 3 AND BIKEWAY - Article 3 revenues are restricted for bikeways and pedestrian projects only. The Los Angeles County Metropolitan Transportation Authority projects the Cities allocation to be \$61,040 in Article 3 funding for FY 2011-12.

LOCAL TRANSPORTATION - ARTICLE 8 - Article 8 revenues are restricted for transit and street use only. The Los Angeles County Metropolitan Transportation Authority projects the Cities allocation to be \$3,614,370 in Article 8 funding for FY 2011-12.

MEASURE R FUND - The City is allocated 15% of revenues from the half-cent sales tax increase passed in 2008 for comprehensive county transportation improvements. The Measure R revenues are restricted for projects such as pothole repairs, bikeways, major street resurfacing, left-turn signals, pedestrian improvements, streetscapes, traffic signal synchronization, and local transit services. The City is projecting to receive \$1,273,820 in Measure R revenues for FY 2011-12.

PARK DEVELOPMENT - Park impact fees are received from developers to mitigate the impacts on the City's park system and to assist with development and rehabilitation of City's parks. The revenue is directly tied to development activity and development outlook remains sluggish. The development and project park fees are projected to be \$500,000 for FY 2011-12 a decline from FY 2010-11 estimated by \$120,000

TRAFFIC IMPACT - Traffic impact fees are collected from developers to mitigate the impacts on the City's traffic control and safety systems. These fees are used for signals and street improvements identified in the Traffic Impact Fee Assessment and Master Traffic Level Maintenance Plan. The revenue is directly tied to development activity and development outlook remains sluggish. The City does not anticipate an increase in development and project the impact fees to decline to \$350,000 in FY 2011-12.

DRAINAGE - Drainage impact fees are collected from developers to mitigate the impact on drainage systems within five major contributory drainage areas in the City. The five separate funds for collecting drainage fees are Amargosa, Anaverde, Portal Ridge, Pearland, and Littlerock. The monies collected in each area can only be used for drainage improvements in that area as set forth in the Master Plan for Drainage. The City projects a combined decline in revenue to \$86,550 from all Drainage areas for FY 2011-12.

FIRE FACILITIES IMPACT FEES - Fire facilities impact fees are collected from developers to mitigate the impacts of new development on fire protection facilities. The revenue is directly tied to development activity and development outlook remains sluggish. Revenues for FY 2011-12 are projected to be the same as FY 2010-11 estimated of \$100,000.

SEWER UPGRADE FUND - Sewer upgrade fees are collected from developers to mitigate the impact of new development on the existing sewer facilities and are used for expanding sewer system capacity in existing sewer mains and for constructing new sewer lines to service new development. Sewer upgrade fees are projected to be \$2,000 for FY 2011-12 and FY 2010-11 estimated.

PUBLIC FACILITY FUND - Revenue from this source is derived from developer fees. The funds can only be used to assist with the development and rehabilitation of City buildings. Revenue is projected to be \$70,000 for FY 2011-12 and FY 2010-11 estimated.

FEDERAL GRANTS - Federal Grants are projected to increase by \$2,005,350 for FY 2011-12 as compared to FY 2010-11 estimated. The increase is primarily due to Grants received for road improvements and various projects continuing through FY 2011-12.

STATE GRANTS - State grants are received for specific projects. State Grants are projected to decrease by \$3,962,760 for FY 2011-12 due to various Grants received for road improvement projects that will be completed in FY2010-11 and a Housing assistant program BEGIN that was funded in FY 2010-11 by the State that will not be funded in FY 2011-12.

MISC GRANTS/DEVELOPER CONTRIBUTIONS - Miscellaneous Grants/Developer Contributions are revenues received either from the County, a Developer or another district to fund specific capital projects. Revenues for FY 2011-12 are projected to decrease \$1,039,940 when compared to the FY 2010-11 estimated due to a County Contributions for the widening of Tierra Subida in FY 2010-11.

FEDERAL HOME PROGRAM - This fund tracks all HOME Investment Partnership Act (HOME) federal funds and the required matching funds from the Redevelopment Agency. Any payments or repayments associated with both the HOME and CRA Housing Development funds must be returned to this HOME fund for the purpose of establishing a revolving loan fund. Funds returned to this fund do not have to be used for the same program, but must be used for an approved HOME funded program. Revenues are projected to be \$599,550 in FY 2011-12.

FEDERAL JOBS PROGRAMS - Revenues associated with the City's position as fiscal agent for the Antelope Valley Workforce Development Consortium. Grants are collected and disbursed

to our consortium partners for the Workforce Investment Act, and Cal Works Youth Program. Revenues are projected to be \$779,990 in FY 2011-12.

PARK ASSESSMENTS - The Park Assessment fund collects citywide property assessments for debt service payments for the 2002 Certificates of Participation (COP) financing and new Parks and Recreation projects.

LANDSCAPE MAINTENANCE DISTRICT 97-1 - Revenues are derived from voter approved assessments levied against properties within the landscape maintenance districts and are collected by Los Angeles County through the tax rolls. Revenues are projected to be \$5,400,000 in FY 2011-12.

STREET LIGHTING ASSESSMENT DISTRICT - Revenues consist of assessments levied against properties and are collected by Los Angeles County through the tax rolls. The properties assessed receive benefits from street lighting within their neighborhoods. Assessments are projected to be \$614,960 in FY 2011-12.

DRAINAGE BENEFIT ASSESSMENT DISTRICT - Revenues consist of assessments levied against properties in the Anaverde development and are collected by Los Angeles County through the tax rolls. The properties assessed receive benefits for the maintenance and repair of regional basins within the Anaverde development. Assessments are projected to be \$52,000 in FY 2011-12.

SEWER MAINTENANCE ASSESSMENT DISTRICT - Beginning July 2008, the City became directly responsible for the operation, maintenance, and capacity needs of the collection system. The Consolidated Sewer Maintenance District was providing the service prior to July 2008. Revenues are derived from voter-approved assessments levied against properties within the City of Palmdale and are collected by Los Angeles County through the tax rolls. Assessments are projected to be \$5,000,000 for FY 2011-12.

LIBRARY - Revenues consist of library user fees, donations, and various special grants. Revenues are projected to be \$35,000 for FY 2011-12.

CDBG - The Community Development Block Grant Program is a federally funded program of the U.S. Department of Housing and Urban Development (HUD). These funds are used for HUD approved projects that meet the requirements for federal funding in low-income areas, such as infrastructure improvements and Americans with Disability Act (ADA) compliance. The City is projecting \$1,660,640 will be received during FY 2011-12. The FY 2011-12 budget includes projects for ADA compliance in Focus Neighborhood, for the Senior Housing Development and Infrastructure, Section 108 Loan Guarantee Program, and Neighborhood Stabilization Program.

SAVES GRANT - This grant is received from the Federal Emergency Management Agency (FEMA) and is controlled by the United Way. This revenue source can only be used for food and shelter. It is anticipated that the City will receive \$55,000 in FY 2011-12.

SAVES PROGRAM ASSISTANCE PROGRAM - The South Antelope Valley Emergency Services (SAVES) program provides assistance to low-income families and individuals. Donations received from local businesses, non-profits, fundraisers, and members of the community provide funding for services and items distributed to eligible households. Revenues are projected to be \$55,500 in FY 2011-12.

WATER PARK - The Water Park revenues for FY 2011-12 are projected to be \$988,000. Revenues consist of general admission fees, concession revenue, and facility rental charges.

### III. COMMUNITY REDEVELOPMENT AGENCY

The Community Redevelopment Agency of the City of Palmdale was established March 25, 1975. Redevelopment is a local government tool used to eliminate blighted conditions or revitalize deteriorating areas. The Agency has the authority to create redevelopment project areas. A redevelopment plan must be adopted for each area. Currently, two project areas exist within the City of Palmdale.

By using tax increment financing, the Agency can borrow money to redevelop a project area. Property tax revenue from parcels in this area is then transferred from other public entities to the Redevelopment Agency. Only the increase in property tax attributed to the new investment made in the project area is received by the Agency.

HOUSING AUTHORITY - This fund is used to account for compliance monitoring expenditures and Bond Issuer's Fees collected for the Housing Authority.

HOUSING AUTHORITY MOBILE HOME PARKS - This fund was created to account for the operations of the three Boulders mobile home parks acquired by the Housing Authority through a Cooperation Agreement with the Community Redevelopment Agency. The parks will be operated as affordable housing in accordance with the covenants recorded against the Parks when they were purchased through a \$19.1M Tax Allocation Bond in 1997. The revenues represent rental income, utility income, laundry income, parking fees, and late charges.

CRA HOUSING DEVELOPMENT - This fund was established in FY 1990-91. The revenue received is used for housing development and improvements for citizens with low and moderate income. Project Areas No. 1 and 2A contribute 20 percent of the tax increment into the fund. Revenues projected for FY 2011-12 are \$7,979,930. Budgeted planning and administrative expenditures are necessary for the production, improvement, and preservation of low and moderate-income housing.

CRA REDEVELOPMENT - In FY 1989-90 this fund was created to account for revenues generated by the sale of land and Mortgage Revenue Bonds. Revenue projected during FY 2011-12 includes interest earnings, Enterprise Zone administrative costs reimbursement, and Foreign Trade Zone Fees.

CRA CAPITAL PROJECTS #1 AND #2A - During FY 2011-12 revenue projected in these funds include interest earnings which will be used for capital projects, rental income, and reimbursements from development.

CRA HOUSING CAPITAL - Projects Bond Funds 2003 Series D and F 2005 Series received by the Community Redevelopment Agency (CRA) from the Series D and F used for the Medical Facility Series Housing at Tierra Subida and Courson.

CRA DEBT SERVICE AREA #1 - Tax increment revenue is expected to decrease \$58,850 in FY 2011-12 when compared to the FY 2010-11 estimated. Sales tax revenue of \$1,494,960 is expected for FY 2011-12 and will be transferred to the City's General Fund. There is a 2.0 percent increase in sales tax revenue expected for FY 2011-12 when compared to FY 2010-11 estimated. There will also be interest earnings on funds held by the CRA and the Trustee.

CRA DEBT SERVICE AREA #2A - Tax increment revenue is expected to decrease \$2,180,680 in FY 2011-12 when compared to the FY 2010-11 estimated. The decrease is due to relocation of new business and a decline in property values in area #2A. Sales tax revenue of \$6,880,260 is expected for FY 2011-12 and will be transferred to the City's General Fund. This represents a increase of 2.0 percent in sales tax over the FY 2010-11 estimated and will be generated by the

Regional Shopping Mall, Auto Center and other businesses in Project Area #2A. There will also be interest earnings on funds held by the CRA and the Trustee.

MOBILE HOME PARK DEBT SERVICE - The main source of revenue into this fund is a pledge, in accordance with the various bond agreements, of Set-Aside Funds from the Housing Fund for the repayment of the \$19.1 million Tax Allocation Bonds issued in May 1997. Additional revenue is interest earned on the reserve funds. Revenue sources for FY 2011-12 are \$1,357,040 from the Housing Authority Special Revenue Fund, including interest earnings.

CRA HOUSING SET ASIDE DEBT SERVICE FUND - Housing Development Set-Aside Funds are used to pay the 2003 Series D and 2005 Series F Bonds from the Community Redevelopment Agency refinanced Tax Allocation Bonds. Revenue sources for FY 2011-12 total \$524,520 and is received from the CRA Housing Development Fund.

PARK DEVELOPMENT CAPITAL PROJECT - This fund was set up as a result of the 2002 Certificates of Participation (COP) financing for Park and Recreation projects and the Avenue S widening. No revenues projected to be received in FY 2011-12.

SIGNAL & STREET CAPITAL PROJECT - This fund was set up as a result of the 2004 Certificates of Participation (COP) financing for traffic signals and street improvements throughout the City. All revenues are interest earnings from construction fund investments.

LAND ACQUISITION FUND - This fund was set up as the result of \$19.9M Certificates of Participation (COP) financing for land acquisition for the Power Plant Project. No revenues projected to be received in FY 2011-12.

DEBT SERVICE FUND - PCA 1999 COP \$12.3M - This fund represents the amount of debt service due in FY 2011-12 on the Certificates of Participation for the construction, installation, and equipping of a new courthouse building and new City Hall Building.

DEBT SERVICE - PARK DEVELOPMENT 2002 COP \$43.2M - This fund represents interest earnings on the lease payment reserve fund for the 2002 Certificates of Participation financing for Park and Recreation improvements and the Avenue S widening.

DEBT SERVICE - SIGNAL & STREET 2004 COP \$12M - This fund represents the amount of debt service due in FY 2011-12 on the Certificates of Participation for signal and street improvements.

DEBT SERVICE - LAND ACQUISITION 2007 COP \$19.9M - This fund represents the amount of debt service due in FY 2011-12 on the Certificates of Participation for Land Acquisitions Project.

ASSESSMENT/COMMUNITY FACILITIES DISTRICT REDEMPTION FUNDS - There are five Assessment Districts and five Community Facilities Districts. Each of these districts has a redemption fund. The Redemption fund revenue comes from special assessments and special taxes levied on the properties in the Assessment/Community Facilities Districts and from interest earnings. These funds are used to make semi-annual debt service payments on the respective outstanding bonds.

ASSESSMENT DISTRICT 88-1 IMPROVEMENT - The Improvement Fund is for construction of improvements related to the Regional Shopping Mall and Trade and Commerce Center as described in Assessment District 88-1 Bond documents. All construction has been completed.

ASSESSMENT DISTRICT 90-2 IMPROVEMENT - The Improvement Fund is for construction of improvements and land acquisition in the Palmdale Trade and Commerce Center as set forth in Assessment District 90-2 Bond documents. All construction has been completed.

COMMUNITY FACILITIES DISTRICT 2003-1 IMPROVEMENT - The improvement fund is for the construction of drainage, sewer, water, roadway, parks, and landscaping within Improvement Area A, the first of four phases being developed in the proposed Anaverde master-planned community in Palmdale. The improvement fund's source of revenue for FY 2011-12 is interest earnings.

COMMUNITY FACILITIES DISTRICT 91-1 IMPROVEMENT - The Improvement Fund is for acquisition and construction of public improvements related to the Sierra Gateway Center Business Park as set forth in the Community Facilities District 91-1 Bond documents. The improvement fund's source of revenue for FY 2011-12 is interest earnings. Some construction items, including a traffic light, are not scheduled for completion until additional development occurs in the district.

COMMUNITY FACILITIES DISTRICT 93-1 IMPROVEMENT - The Improvement Fund is for design, acquisition, and construction of certain public facilities in connection with the Ritter Ranch planned residential community as set forth in Community Facilities District 93-1 Bond documents. The improvement fund's source of revenue for FY 2011-12 is interest earnings.

COMMUNITY FACILITIES DISTRICT 2006-1 IMPROVEMENT - On November 8, 2006, bonds were sold for Assessment District 2006-1, to provide funds for sewer improvements for Godde Hill Estates. The funds will be used for the construction of sewer improvements within the District. The following graph shows total projected Community Redevelopment Agency tax increment revenue and the corresponding 20 percent set aside Housing portion for FY 2011-12:

## Community Redevelopment Agency Projected Tax Increment Revenue Fiscal Year 2011-12

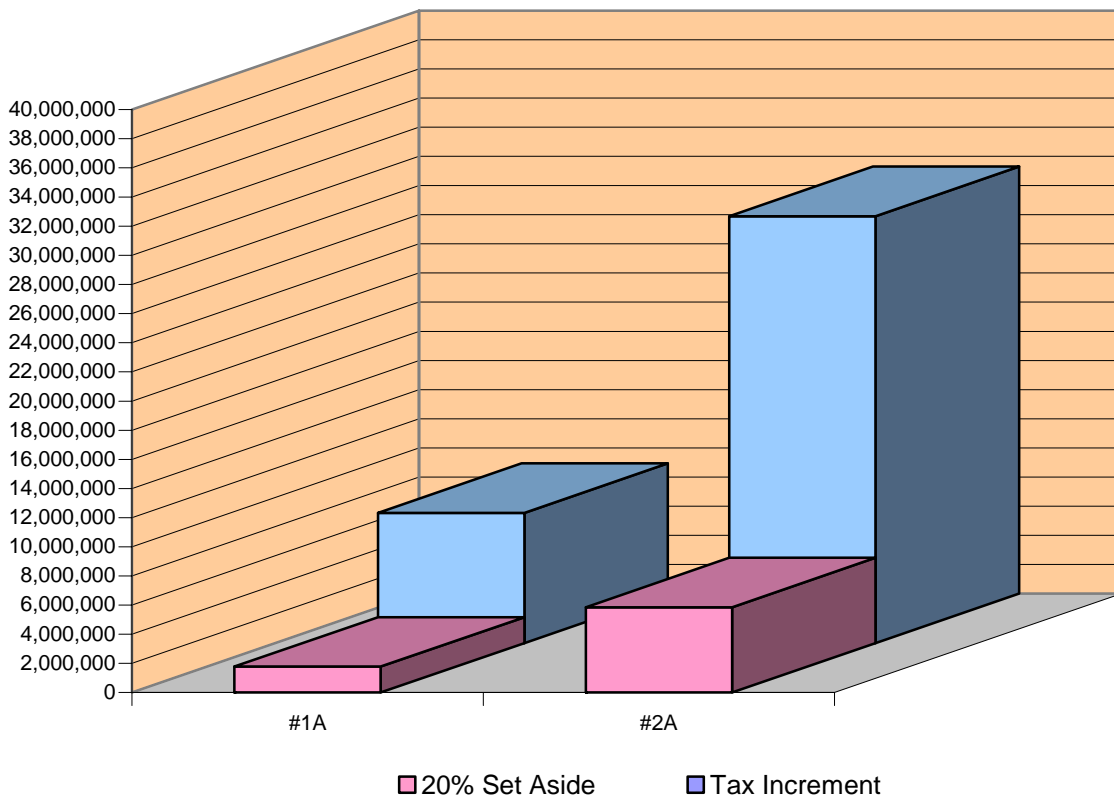


Figure 10: Projected Tax Increment

## I. GENERAL INFORMATION

The chart on the following page divides the combined City and Community Redevelopment Agency budgets into categories.

Fund totals are not a reflection of the emphasis the City places on its programs. The following narrative describes the Funds represented in each expenditure category.

1. Debt Service is the largest and includes two Community Redevelopment Agency Project Areas, the PCA Construction of City Hall/Courthouse, Park Development, Avenue S, and Mobile Home Park Debt Service.
2. Capital Outlay is the second largest portion of the budget. Funds have been appropriated in this category for Community Redevelopment Agency, PCA Construction, Park Development, and Avenue S Capital Improvements, and Citywide capital improvement projects.
3. General Government is the third largest category and covers the administrative expenditures of the City Council, City Manager, City Clerk, Human Resources, Legal, Finance, Information Services, Planning, General City, Communications, Housing, and Economic Development Departments.
4. Public Services is the fourth largest and includes Public Works, Engineering, Street Maintenance, Transit Services, Government Facility Services, Landscape and Parkway Maintenance, Assessment Districts, South Antelope Valley Emergency Services (SAVES), HOME Programs, Federal Job Program, and Community Development Block Grant (CDBG) administration.
5. Public Safety is the fifth largest and includes Law Enforcement, Families in Action, Community Service Officers, Parking Enforcement, and Public Safety Officers.
6. Cultural and Recreation is the smallest portion of the budget and includes the Parks and Recreation, Palmdale Playhouse, and Library programs.

# City of Palmdale and Community Redevelopment Agency

## 2011-12 Percent Expenditures By Type

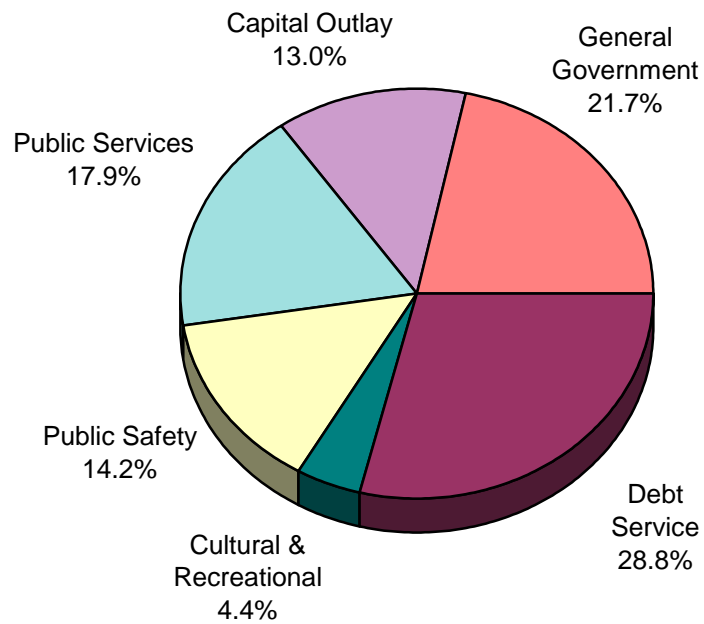


Figure 11: Fiscal Year 2011-12 Expenditures By Type

## II. HUMAN RESOURCES

FRINGE BENEFITS - Fringe benefits for full-time, regular part-time, and temporary/seasonal part time employees were calculated by applying specific percentages or costs for each position. Employee benefits include:

- Twelve paid holidays per year and a minimum ten vacation days for regular full-time employees.
- Administrative employees receive an additional twelve days of leave per year.
- The City allows twelve sick days per year. A sick leave buy-back program is available to eligible employees at retirement.
- Retirement - The City is a member of the Public Employees' Retirement System. All current employees fall under the 2.7% at age 55 formula and pay 4% of the regular employee contribution towards their Public Retirement System and the City contributes 4%. Employees hired after April 1, 2011 will fall under the 2.0% formula at age 60 and pay 3% of the regular employee contribution towards their Public Employees Retirement System and the City contributes 4%. Temporary and seasonal employees are covered under the Public Agency Retirement System. The employee contributes 7.00% of their salary.
- Insurance - The City provides group health, dental/vision, long-term disability, and a \$50,000 life insurance policy for regular full-time employees. The city also contributes approximately 37% to 100% per month towards dependent medical insurance.
- Deferred Compensation - The City participates in the International City Management Association Deferred Compensation Plan that enables regular full-time employees to save salary and earn interest on a tax-deferred basis.
- Overtime Compensation - Compensatory time is accrued at time and a half for eligible employees for time physically worked in excess of the regular forty-hour workweek. An employee may accumulate a maximum of 240 hours of compensatory time. Once they reach this limit, the employee shall be paid cash for all additional overtime worked until the time accumulated falls below 240 hours.

SALARIES AND BENEFITS - In FY 2011-12, the City will continue to make necessary adjustments within the organization to address the changes in the volume and focus of employee workloads. At the same time, it will be necessary to keep operating costs in check without jeopardizing service delivery. The following chart shows the authorized full-time positions for FY 2011-12 at 203.

**AUTHORIZED FULL TIME POSITIONS**  
 FISCAL YEARS 2007-2008 THROUGH 2011-12

	<u>Authorized 2007-08</u>	<u>Authorized 2008-09</u>	<u>Authorized 2009-10</u>	<u>Authorized 2010-11</u>	<u>Authorized 2011-12</u>
<b>GENERAL GOVERNMENT</b>					
City Manager	10.00	8.00	7.00	6.00	6.00
City Clerk	5.00	4.00	4.00	3.00	3.00
Records Management	1.00	1.00	0.00	0.00	0.00
Human Resources	7.00	6.00	6.00	3.00	3.00
City Attorney	6.00	5.00	5.00	4.00	4.00
Finance	18.00	15.00	15.00	12.00	12.00
Planning	21.00	16.00	14.00	10.00	10.00
Communications	3.00	2.00	2.00	2.00	2.00
Public Safety	23.00	16.00	16.00	15.00	15.00
Park Rangers	1.00	1.00	1.00	1.00	1.00
Families in <i>Action</i>	4.00	3.00	3.00	0.00	0.00
Building and Safety	18.00	13.00	11.00	8.00	8.00
Palmdale Playhouse	4.00	4.00	2.00	0.00	0.00
CDBG Saves	2.00	2.00	2.00	2.00	2.00
<b>PUBLIC WORKS</b>					
Public Works Administration	13.00	8.00	8.00	5.00	5.00
Engineering	14.00	10.00	6.00	2.00	2.00
Drainage Administration	3.00	2.00	2.00	1.00	1.00
Traffic Engineering	11.00	9.00	8.00	8.00	8.00
GIS	2.00	2.00	2.00	2.00	2.00
Street Maintenance	38.00	35.00	33.00	30.00	30.00
Transit	3.00	2.00	2.00	2.00	1.00
Park and Ride	1.00	0.00	0.00	0.00	0.00
Government Facilities	25.00	21.00	15.00	12.00	12.00
Park Maintenance	26.00	24.00	22.00	12.00	12.00
Sewer Maintenance	0.00	0.00	1.00	8.00	8.00
Landscape Maint General Benefit	7.00	5.00	5.00	4.00	4.00
Landscape Maint District 97-1	21.00	19.00	17.00	17.00	18.00
<b>PARKS AND RECREATION</b>					
Parks Administration	7.00	7.00	7.00	3.00	3.00
Special Events	5.00	4.00	4.00	3.00	3.00
Cultural Center	2.00	1.00	1.00	0.00	0.00
Senior Center	1.00	0.00	0.00	1.00	1.00
Recreation	2.00	2.00	2.00	2.00	2.00
Aquatics	1.00	1.00	1.00	1.00	1.00
Youth/Adult Sports	2.00	2.00	2.00	2.00	2.00
Oasis Park Rec Ctr	1.00	1.00	1.00	1.00	1.00
Water Park	4.00	3.00	3.00	2.00	2.00
<b>LIBRARY</b>	24.00	19.00	11.00	7.00	7.00
<b>COMMUNITY REDEVELOPMENT</b>					
Economic Development	6.00	6.00	5.00	4.00	4.00
Housing	13.00	10.00	10.00	8.00	8.00
<b>TOTALS:</b>	<b>355.00</b>	<b>289.00</b>	<b>256.00</b>	<b>203.00</b>	<b>203.00</b>

### III. BUDGET NOTES

#### Information Services (1600)

The Information Services Department will continue to address the needs of the City's computer networking system. Throughout the fiscal year, Information Services will also provide citywide computer training.

#### Assessment and Community Facilities Districts

Assessment and Community Facilities Districts have been formed in designated areas of the City to provide the financing mechanism to construct necessary utilities, drainage, irrigation, landscaping, traffic signal, and roadway improvements. The Assessment and Community Facilities Districts enable the City to provide the infrastructure for areas that can be developed.

A number of Assessment and Community Facilities District budgets appear in the FY 2011-12 budget and reflect the administrative, contractual, and capital costs associated with each District. This year, the City will continue to provide landscape maintenance services to those areas voting to continue the upkeep of common landscape areas.

#### Capital Improvement Projects (Departments 3900)

The capital improvement projects for FY 2011-12 are part of the 2011 Ten-Year Capital Improvement Plan. The Public Works Department prepares the ten-year plan using input from all City Departments. Projects and corresponding funding sources were identified and then capital improvement expenditures were scheduled by fund and prioritized.

The costs associated with the number of capital projects identified for FY 2011-12 exceed the amount of available funds. It is anticipated that the number of capital projects identified will continue to be numerous for the next several years as the City continues to grow and mature. Therefore, recommended expenditures are for the completion of projects started in FY 2010-11 and the implementation of projects of highest priority in FY 2011-12.

The following projects are included in this year's budget to increase recreational and cultural opportunities in the community:

- \$10,000 for Park Development – Westside (P0002)
- \$500,000 for Sam Yellen Park (P0009)
- \$2,760,000 for Drytown Water Park Slide (P0023)
- \$250,000 for Recycled Water Pump Station (P0025)
- \$250,000 for McAdam Park Conversion & Upgrade (P0026)
- \$12,730 for Bikeway Improvements (B0004)

The following projects are included in this year's budget to maintain safe streets and facilitate traffic flow in the community:

- \$300,000 for Tierra Subida Widening-Rayburn-Q-8 (S0019)
- \$800,000 for Ave S Widen-30<sup>th</sup> E to 47<sup>th</sup> E (S0028)
- \$1,099,100 for Ave R/10<sup>th</sup> St East Intersection Upgrade (S0034)
- \$1,320,000 for RVB Grade Separation Phase II (S0039)
- \$1,675,000 for RVB Grade Separation Phase II (S0040)
- \$250,000 for Elizabeth Lake Road Repairs (S0042)
- \$1,591,240 for Street Resurfacing (S0043, S0044, S0045)
- \$1,091,440 for Traffic Signals/Improvements (T0006, T0020)

The following capital projects are scheduled in this year's budget to improve drainage areas:

- \$10,000 for studies and drainage improvements in the Amargosa drainage area (D0001)
- \$10,000 for studies and minor projects in the Anaverde drainage area (D0002)
- \$10,000 for studies and minor projects in the Portal Ridge drainage area (D0003)
- \$10,000 for studies and minor projects in the Pearland drainage area (D0004)
- \$3,340,000 for 35<sup>th</sup>/27<sup>th</sup> Storm Drain (D0017)
- \$221,240 for Ave Q 15<sup>th</sup> St E Storm Drain (D0018)

The following additional capital projects are scheduled in this year's budget to benefit the general city.

- \$2,910,000 for Public Works Maintenance Facility Improvements (F0005)
- \$25,000 for Transportation Center Enhancements (F0019)
- \$245,000 for Pave PTC Dirt Parking Lot (F0033)
- \$550,000 for Boulders at the Lake Electrical (F0040)
- \$200,000 for Turf Removal (L0007)
- \$1,324,620 for Sewer Upgrades (U0001, U0002)
- \$174,710 for Pavement Management (G0007)
- \$183,290 for ELR Lazy T Entrance (G0016)

Not only do capital improvement projects have a significant initial impact to the City's Capital Improvement Budget, but most capital projects have long-term impacts to the City's annual operations and maintenance budget as well. For instance, when a park is constructed, the City must expend significant funds on an annual basis to provide adequate maintenance of the park. Maintenance expenditures include the cost of utilities (electricity, water, sewer, telephone, gas etc.) that provide services to the property as well as labor (maintenance crews), materials (fertilizer, irrigation parts, etc.) and equipment (lawn mowers, vehicles, small tools, etc.) required to adequately maintain the property to a level of service acceptable to the City. The level of maintenance at each individual facility dictates these annual expenditures; however, average unit costs based upon past expenditures for various City facilities are as follows:

<u>Category of Improvement</u>	<u>Average Annual Unit Cost for Maintenance Operations</u>
Streets	\$9,000 per mile of collector or arterial street
Buildings	\$8.60 per square foot of building area
Traffic Signals	\$9,990 per traffic signal
Traffic Signing & Marking	\$1,300 per mile of collector or arterial street
Drainage Basins	\$1,100 per drainage basin
Drainage Systems	\$0.25 per linear-foot of drainage system
Parks	\$6,200 per acre of Park
Landscape Parkways	\$1.10 per square-foot of landscaped parkway

<u>Maintenance Category</u>	<u>Budget</u>
City Facility Maintenance	\$2,257,290
Park Maintenance	\$3,438,870
Street and Drainage Maintenance	\$4,695,670
Transit Service Maintenance	\$2,745,510
Park N' Ride Maintenance	\$ 75,300
Landscape Maintenance	\$5,959,540
Sewer Maintenance	\$3,174,510
Street Light Maintenance	\$ 684,370

Additionally, the City spends funds for operational expenditures for labor, materials, equipment, and security to provide programs at parks and City buildings. The level of programming at each individual facility dictates these annual expenditures; however, average unit costs based upon past expenditures are as follows:

<u>Category of Improvement</u>	<u>Unit Cost for Programming Operations</u>
Buildings	\$65 per square foot of building
Parks	\$31,360 per developed acre of Park

A copy of the Ten-Year Capital Improvement Plan may be obtained at the Public Works Department, 38250 N. Sierra Highway.

#### IV. CONCLUSION

Palmdale has experienced substantial growth since 1980, growing from a population of 12,227 to an estimated population of 152,622 today. The City's greatest challenge revolves around maintaining high service levels, providing cultural and recreational facilities, attracting commercial and industrial business to balance Palmdale's economic base, and providing jobs for the thousands of residents commuting to the San Fernando Valley and the Los Angeles Basin.

This budget summary encompasses many of the highlights in the FY 2011-12 budget. Detail on revenue, departmental appropriations, staffing, and capital projects can be found in the pages that follow. For specific detail, narratives, or information, please refer to the Table of Contents or the Index. A copy of the adopted budget is available for review at the City Library located at 700 E. Palmdale Boulevard and in the lobby of City Hall located at 38300 Sierra Highway, Suite A, or on the City's website at [www.cityofpalmdale.org](http://www.cityofpalmdale.org).

THIS PAGE INTENTIONALLY LEFT BLANK