



STATE OF CALIFORNIA

**ADOPTED
ANNUAL BUDGET**

FISCAL YEAR 2012-13

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July 18, 2012

Honorable Mayor, Council Members, Members of the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, and Residents of Palmdale:

Attached is the FY 2012-13 Budget that includes appropriations for the City of Palmdale, Successor Agency to the Community Redevelopment Agency, Palmdale Civic Authority, Palmdale Housing Authority, Palmdale Airport Authority and the Industrial Development Authority.

One of the most significant ongoing challenges that the City faces has been mitigating the effects of rising costs against the lower level of ongoing revenues. Throughout the economic downturn, the City has reduced personnel and operating costs to bridge the gap between revenues and expenditures. For the current budget year, General Fund expenditures are down \$598,390, even with an anticipated increase in the L.A. County Sheriff's contract of \$693,020 and increases of \$1,405,850 of general fund expenditures as the result of State Legislature's elimination of the redevelopment agencies. Despite these efforts, the revenue declines have been severe and the City has had to draw on reserves to balance the budget for the past several years.

The U.S. economy is slowly emerging from the longest and deepest economic downturn since the 1930s. The City's General Fund revenues have been severely impacted and the sharp declines that we have seen over the past 4 years are projected to begin leveling off during FY 2012-13. Because we anticipate overall revenues will remain relatively flat for the foreseeable future, personnel and operating costs, which are currently increasing at a faster rate than our revenues, will need to be continually monitored and assessed for potential savings. As such, the City's budget focuses on providing core services with no new programs or program expansions and no additions to General Fund staffing. The FY 2012-13 Budget addresses the major goals and priorities identified by the City Council through the strategic planning process, while maintaining a 9.62% General Fund reserve.

BUDGET OVERVIEW

The budget is the formal document that provides the spending authority for the City's programs/projects during the next 12 months. By adopting the budget, the City Council formalizes our priorities and goals and provides the public with a clear picture of the services the City will provide. The City receives revenue from a wide variety of sources. Use of these funds is often restricted. To ensure that the revenue is spent properly, separate accounting funds are established to record the revenue and expenditures.

The recommended budget for FY 2012-13 is comprised of all City funds, including the General Fund, special revenue funds, and the legally separate Successor Agency to the Community Redevelopment Agency, Housing Authority and Palmdale Civic Authority funds. Each fund accounts for distinct and uniquely funded operations.

The recommended budget includes total combined expenditures of \$149.1 million, with \$128.3 million budgeted for operations and \$20.8 million budgeted for capital projects. This information is summarized in the table below by fund type.

The General Fund is the primary and largest individual fund in the City and is used to account for revenues not specifically levied or collected for the City's other separately distinct funds. City operations such as public safety, library, recreation, parks, development, and administrative services are provided from the General Fund. For FY 2012-13, the recommended General Fund operating budget totals \$64.4 million.

Summary of Fiscal Year 2012-13 Recommended Budget by Fund Type

	Operating Budget	Capital Program	Total	Percentage of Total
General Fund	\$ 64,421,660	\$ 285,000	\$ 64,706,660	43.4%
Special Revenue Fund	20,559,310	20,239,230	40,798,540	27.4%
Successor Agency Fund	34,091,410	-	34,091,410	22.9%
Housing Authority Fund	2,861,390	-	2,861,390	1.9%
Palmdale Civic Authority	6,355,480	283,770	6,639,250	4.4%
Total	\$128,289,250	\$ 20,808,000	\$149,097,250	100.00%

Special revenue funds account for restricted revenues and have a recommended operating budget of \$20.6 million and a capital budget of \$20.2 million.

The Successor Agency to the Community Redevelopment Agency, Housing Authority, and Palmdale Civic Authority make up the remaining \$43.3 million in the total combined recommended operating budget and \$0.3 million in the total combined recommended capital budget. Each of these separate legal entities were created for a distinct purpose: the Successor Agency to the Community Redevelopment Agency to pay, perform and enforce the enforceable obligations of the former redevelopment agency and winding down the affairs of the former redevelopment agency, the Housing Authority to work with mobile home parks and affordable housing efforts located in the City, and the Palmdale Civic Authority to finance various projects of the City and the Successor Agency to the Community Redevelopment Agency.

The total combined recommended budget for FY 2012-13 reflects a 9.8% decrease compared to the 2011-12 adopted budget and a 7.6% decrease compared to the 2011-12 revised budget. The decrease is attributed to the following items:

Decrease in Expenditures (in millions)
Fiscal Year 2012-13 Compared to Fiscal Year 2011-12 Revised & Adopted

Type of Expenditure	From 2011-12 Revised Budget		From 2011-12 Adopted Budget	
General Fund	\$0.60	Decrease	\$ 2.06	Increase
Library Program	0.17	Decrease	0.16	Decrease
Capital Improvement Projects	9.74	Decrease	0.32	Decrease
Additional Maintenance Districts	0.07	Increase	1.19	Increase
CRA Capital Project Funds	1.10	Decrease	1.66	Decrease
CRA Debt Service Funds	11.49	Increase	9.19	Decrease
Housing Development Fund	6.01	Decrease	5.43	Decrease
CDBG Fund	1.27	Decrease	0.05	Decrease
Federal Programs	2.88	Decrease	0.32	Decrease
Self Insurance Funds	0.08	Increase	0.04	Increase
Net Miscellaneous Funds	2.17	Decrease	2.35	Decrease
Net Decrease	\$12.30	Decrease	\$16.19	Decrease

ECONOMIC OUTLOOK

The principal factors that continue to impact Palmdale's finances include the lingering effects of the recent economic recession on the City's resources and the State of California's ongoing practice of plugging its structural budget deficits through seizure or diversion of local revenues.

While California's economic performance is expected to improve slightly in 2012, the state will continue to perform somewhat below the national average. National unemployment has declined to 8.2% from 9.0% a year ago, while California's unemployment rate has fallen to 10.8% from 11.9%. Compared to other states however, California has a high unemployment rate and a correspondingly very weak job market. Currently, only Rhode Island and Nevada have unemployment rates higher than California's. With job creation slowing and these rates remaining seriously elevated, a significant recovery in the job market is not expected until late 2014 or early 2015.

Experience from past recessions indicates that unless the pace of economic growth ranges from 4% to 8% during the first two to three years of recovery, which in turn speeds up the re-entry of the unemployed to the workplace, it will be several years before we return to a typical pre-recession growth path of near 3% and an unemployment rate consistent with full employment – defined as 5.5%. In addition, local governments traditionally recover one to three years after the general economy rebounds. In recent days and months, a number of government and private forecasters have reduced their forecasts for U.S. economic growth and have attributed this anticipated decline to, among other factors, the large spending cuts and tax increases scheduled to take effect in the new year, the possible effect on global debt markets that would result from a delay in raising the debt ceiling due to the November elections, the lingering foreclosure activity and declining home values, weak growth in real disposable income and constrained spending by federal, state, and local governments. On July 3, 2012, the International Monetary Fund, a global financial institution headquartered in Washington, DC, cut its U.S. 2012 and 2013 growth forecasts to 2% this year and 2.3% next year, while the Federal Reserve just last month lowered its estimate of 2012 growth to a range of 1.9% to 2.4%.

As in past years, the State is continuing its practice of seizing local revenues in an attempt to fix the continuing State budget deficit. During FY 2009-10 and FY 2010-11, the State raided redevelopment funds and Palmdale's Redevelopment Agency (RDA) was forced to pay \$11.6 million in May 2010, with another payment of \$2.4 million due by May 2011. This shift in RDA funds was not a loan – it was a direct take by the State of California.

This year, the State Legislature adopted ABX1 26, the Dissolution Act, which was found constitutional by the State Supreme Court and resulted in the elimination of all redevelopment agencies statewide effective January 31, 2012. Pursuant to ABX1 26, the ongoing commitments of the prior RDA that are deemed "enforceable obligations" will continue to be funded by a portion of the property tax increment previously allocated to the RDA. The elimination of the RDA has resulted in operating impacts to the General Fund of approximately \$1.9 million in FY 2011-12 and \$3.3 million in FY 2012-13 as some staff costs, administrative expenses, and other overhead and allocated services were not approved as enforceable obligations.

Moving forward, an even larger problem still needing resolution involves the accumulation of a \$7.4 million deficit in the RDA Successor Agency debt service funds that, absent this new legislation, would have been covered by receipt of the RDA's full allocation of tax increment for the year, as well as the return of a \$2.2 million property taxpayer refund due to some parcel splits on the Hospital property. The General Fund, with FY 2012-13 reserves of approximately \$6.1 million, does not have the ability to absorb this \$7.4 million deficit, but is nonetheless at risk due to the Sales Tax pledge associated with the Successor Agency bonds. As a result, additional expenditure reductions and other actions will be necessary prior to budget adoption in order to maintain a fund balance reserve as opposed to a \$1.3 million deficit in the General Fund. Staff is actively working on strategies to address this issue.

Status of General Fund Revenues, Expenditures, and Fund Balance Reserves

The clearest evidence of the recession's impact is in the City's General Fund ongoing tax revenue sources. General fund tax revenues peaked at \$60.1 million in FY 2006-07 and are expected to bottom out in FY 2012-13 at approximately \$43.5 million, representing the same level of ongoing General Fund revenue received in FY 2003-04. The change from the highest to the lowest point is a decline of almost \$16.6 million or 27.6% in General Fund revenue.

Beginning in FY 2007-08 and continuing through FY 2012-13, the City has taken significant measures in implementing revenue enhancements and reducing costs to address the recessionary impacts to our revenues. Revenue enhancements have included a voter approved hotel tax increase, administration fees for internal services to special funding sources, and fee increases to provide a more appropriate level of cost recovery on City services and programs.

In an ongoing effort to reduce expenditures, the City has reduced its workforce from a peak of 355 full-time employees in FY 2007-08 to 193 authorized in the FY 2012-13 budget. This is a reduction of 162 full-time employees representing a 45.6% decline in our workforce. This substantial reduction in our workforce has resulted in adjustments to the organizational structure, including the elimination of layers of management. The resulting structure addresses the changes in volume and focus of employee workloads without jeopardizing service levels to our citizens.

Other substantial expenditure decreases have included employee benefit reductions, suspending non-essential programs, delaying capital projects, reallocating costs to special funding sources, and curtailing department expenditures for operations and contractual services. Despite the ongoing reductions being made throughout the organization, the City still has a gap between expenditures and available revenues that will be bridged through the use of reserves. The following table provides a history of the actual and estimated use of reserves since the economic downturn began in FY 2007-08.

	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
General Fund Reserves	\$31,454,885	\$29,005,677	\$23,420,706	\$18,761,870	\$20,516,100	\$12,806,130
Use of Reserves	(2,449,208)	(5,584,971)	(4,658,836)	1,754,230	(7,709,970)	(6,606,300)
Ending Total Reserves	\$29,005,677	\$23,420,706	\$18,761,870	\$20,516,100	\$12,806,130	\$ 6,199,830

It is estimated that reserves will go from \$31.5 million on June 30, 2007 to \$6.2 million on June 30, 2013. The FY 2012-13 budget draws on reserves by \$6.6 million resulting in an estimated \$6.2 million remaining in reserves as of June 30, 2013. Additional work to create a more sustainable budget picture is underway and it is hoped that in FY2013-14 and beyond that the City can further slow the use of reserves and actually begin to rebuild fund balance and to make needed investments in long term capital and infrastructure needs.

It is City policy to maintain a minimum general fund reserve of 10 percent of operating expenditures. This reserve policy protects the general fund, the main source of revenue for City operations, by providing a cushion for temporary revenue short falls or unpredictable one-time expenditures. As discussed, the City will again use a portion of this reserve as intended to mitigate the dramatic reduction in revenue in order to continue providing necessary service levels for our citizens. The FY 2012-13 budget projects a year-end fund balance reserve of \$6,199,830, which is 9.62 percent of operating expenditures.

The proposed FY 2012-13 Budget establishes a spending plan that apportions available financial resources strategically, while ensuring both the short-term and long-term financial sustainability of the City. The proposed budget continues to fund services and programs implementing the top six (6) priorities identified under the Strategic Plan: Youth Engagement, Public Safety, Water, Transportation, Economic Development/Job Creation, and Housing.

The Strategic Plan was adopted in 2008 following considerable public outreach and community input. Although many of the actions and efforts initially adopted in the plan have been implemented or completed, the priorities established through that strategic planning effort continue to influence the

funding priorities reflected in this budget. In addition, since we are nearing the end of the 5-year strategic plan, it will be important to revisit the goals and objectives in the coming months in order to chart a clear path for the City operation in the next 5 years.

The proposed FY 2012-13 Budget establishes a spending plan that apportions available financial resources strategically, while ensuring both the short-term and long-term financial sustainability of the City. The proposed budget continues to fund services and programs implementing the top six (6) priorities identified under the Strategic Plan: Youth Engagement, Public Safety, Water, Transportation, Economic Development/Job Creation, and Housing.

I. YOUTH ENGAGEMENT AND PUBLIC SAFETY

Public Safety continues to be the highest priority for the City. This is reflected in the investment of 35.34% of the General Fund budget to public safety efforts.

For the past 20 years, Partners Against Crime has been the city's guiding philosophy in our policing approach. City, law enforcement, and residents – working together – is the strongest tool we have in creating and maintaining a safe community.

Palmdale residents have enjoyed several years of declining crime, with reported Part I crimes dropping 27.15% from 2006 to 2011. For 2011, the crime rate was at 266.91 crimes per 10,000 residents. However, staff anticipates that there may be a slight up tick in the crime rate for 2012. This is due in part, to the Antelope Valley being the largest recipient of parolees released from State incarceration due to prison overcrowding. In the Palmdale Sheriff's Station area, there have been 253 inmates released to the county for an intermediate supervision program formerly handled by state parole since November 2011. This has had impact on burglaries and other property crimes in the City. The Sheriff's Department will continue to implement strategies to focus on suppressing these types of crimes. The FY 2012-13 budget contains minor reductions in our staffing to patrol, traffic, and special teams, but maintains a strong commitment to public safety in the community.

Provide quality law enforcement services

The City of Palmdale has the second largest Sheriff's contract of the 44 cities that contract with the Los Angeles County Sheriff's Department for services.

In 2011, deputies made 10,138 arrests. From the patrol deputy on the street, to the many specialized details such as the Partners Against Crime and Career Criminal Apprehension teams, Community Deputies, Narcotics and Gang units – everyone works towards the same goal of reducing crime in the community. The City will maintain high level of support toward these efforts in the current fiscal year.

Safety on our roadways is another priority of the Palmdale Sheriff's Station. In 2011 traffic deputies issued 12,303 hazardous citations and 2,398 non-hazardous citations. Injury and non-injury collisions were up with 634 injury collisions compared to 507 in 2010 and 1,132 non-injury collisions compared to 1,151 the year before. Palmdale Deputies also made 397 DUI arrests and had a DUI index of 12.8, well above the state recommendation of 10.1. In 2012, the City received a grant from the State of California office of traffic safety to enhance the City's DUI enforcement efforts. The City will continue to fund a high level of traffic enforcement to preserve the safety of our streets.

Engage community partners in crime prevention strategies

The City's crime prevention unit is on the forefront in engaging the community in the City's public safety efforts. Crime prevention staff meets with community members on a daily basis to solve problems and address concerns and conditions impacting neighborhoods. Paired with Community Deputies, the Crime Prevention Officers work to develop long-term community partnerships and establish trusting relationships between residents and law enforcement that will inspire the confidence to report suspicious behavior and crime. This relationship keeps residents actively engaged in working to keep their community free from crime and blight. The City currently has 420 active Neighborhood Watch groups citywide. On a nightly basis, crime prevention staff and Deputies are out meeting and educating residents

in their neighborhoods, teaching them how to report crime and giving them strategies to avoid being a victim of crime. Staff also engages the business community in similar fashion and in conjunction with the Parks and Recreation department launched a Park Watch program in all city parks.

In FY 2012-13, staff will continue to engage the community through these programs and other outreach activities, such as tri-annual block captain forums and community-wide Neighborhood Watch orientation meetings, Staff will continue to conduct community education seminars on fraud prevention, identity theft, burglary prevention, personal safety, senior safety, emergency preparedness and our 8-hour Landlord Training Class.

Ensure the City's readiness for disasters

The City realizes that the potential for disasters is not an 'if' scenario but 'when.' The Antelope Valley area is vulnerable to many natural disasters such as earthquakes, fires, and floods and it is imperative that we maintain a state of readiness to prepare for, respond to, and recover from any type of incident that comes our way.

In June, the City Council adopted an updated all-hazards emergency operation plan that will serve as the roadmap for the City's response and recovery efforts. Earlier this year, the City entered into an agreement with the American Red Cross to allow them the use of City facilities for shelter and other disaster related operations. Annually, the Public Safety staff conducts an emergency preparedness workshop for area residents to help them increase their family's preparedness. The City will continue to engage in planning and training activities with other public safety and community organizations as well as for emergency responders on City staff.

Engage community in graffiti eradicating efforts

Eradication of graffiti will remain a priority in the coming year. Rapid removal of graffiti is essential to maintaining a sense of neighborhood safety and personal security. Graffiti remaining on walls gives the impression of gang activity and if left unchecked, makes the entire City look blighted and makes residents fearful. Addressing the problem of graffiti is a joint effort by staff in Maintenance, Public Safety, Community Preservation, City Attorney's office, the Sheriff's Department and the community, and we will continue our commitment to address this problem. Annually, City maintenance crews remove over 500,000 square feet of graffiti. The City funds a dedicated detective to investigate graffiti vandalism cases. On average, 100 criminal graffiti cases are filed each year and the City's investigator has a 100% conviction rate on all cases presented for prosecution. Public Safety staff will continue to pursue restitution for damage done to city property and will continue to be aggressive in identifying and bringing to justice graffiti vandals. Staff's efforts are augmented by community support through the Adopt-a-Wall program and through volunteer participation in the City's annual Community Graffiti Clean Up days.

Engage youth

Overwhelmingly, youth engagement was the top priority identified in the City's five-year strategic plan. It is essential for youth to have opportunities to participate in positive activities and programs that enrich them educationally, emotionally, and physically.

According to the National Recreation and Parks Association, parks and recreation programs contribute to the reduction of juvenile delinquency, increase civic responsibility and participation and contribute to increasing positive and reducing negative behaviors. On school days the peak time for teens to become involved in illegal activity is between 3:00-7:00 p.m. There are a variety of recreation programs and facilities youth can take advantage of after-school. Offering recreation opportunities, as an alternative to negative behavior is a continued priority.

Collaborate with stakeholders to assess and build capacity for youth programs

The economic challenges of the past few years have forced the City to scale back its program offerings, as well as to develop new partnerships to meet the needs of our youth. This past year saw the origination of the Youth Master Plan Project Group, an eight-member committee of residents and professionals who are assisting with the development of the Youth Master Plan process. The group is working with various

community resources to assess the current state of our youth community, identify our strengths and assist in developing strategies for the future. This year the group will host the final community meetings and begin the process of compiling the community's feedback.

We will continue to develop new and strengthen existing partnerships with community organizations, churches, and school districts in an effort to offer a diverse variety of opportunities to youth and families. Examples of these partnerships include community groups providing tutoring and recreational activities at the Neighborhood Houses, Youth Build involvement in the Neighborhood Stabilization program, and collaboration with schools to enhance opportunities for youth engagement. These collaborations allow the City and these organizations to maximize the impact of diminishing resources.

Provide employment training and job opportunities to eligible youth

Palmdale Department of Parks and Recreation remains one of the largest employers of youth in the Antelope Valley. In the off-season, approximately 170 part-time seasonal positions are filled and in the summer months, this number increases by over a 140 seasonal part-time positions.

Work experience with the City of Palmdale continues to be highly sought after, with more than 380 applications being received for summer positions. Recreation positions are customer service-based and offer job experience that is transferable to future employment.

The Public Safety and Community Relations Department will continue to provide the Youth Job Academy three times in this fiscal year to help the young people of our community be prepared to enter the workforce. Additionally, the City continues to partner with the Antelope Valley Union High School District to facilitate internships for students within City departments. This year, we will also focus on expanding prospects within the overall community for service learning opportunities by mentoring local organizations and assisting them in identifying possible placements within their organization.

Continue to provide recreational programs for youth

The Department of Parks and Recreation continues to work closely with a variety of youth organizations to facilitate park access and support within existing resources. The Boys and Girls Club of the Antelope Valley has continued to have access to City's Hammack Activity Center to provide services to local youth and the City is pleased to support their efforts.

After a routine audit by the IRS of several cities in California, the City of Palmdale temporarily suspended its contract program for those instructors that were not incorporated businesses. IRS findings were later overturned; therefore, our contract class programs will be reinstated over the next six months. We expect to begin advertising new classes in the winter/spring issue of the Palmdale Magazine due out in late December.

Parks and recreation will continue to offer a variety of structured recreation and other programs for youth to include aquatics, athletics, visual and performing arts, early childhood education, after-school and day camp programs. Parks and recreation also coordinates health, fitness and enrichment programs for youth with contracted organizations such as Young Champions, Kids Love Soccer and Tennis.

The City of Palmdale continues to support the recreation and leisure interests of our youth by providing access to structured programs, community events, trails, more than 333 developed park acres, specialty use facilities such as a water park, community pools, recreation centers, and a softball complex.

The Public Safety and Community Relations Department augments the programs provided by parks and recreation by facilitating the Next Generation Youth Council youth video contest, "Celebrate Youth" summit, and coordinating community service days such as the annual Global Youth Service Day. Staff additionally coordinates programs from the City's neighborhood houses to support youth such as tutoring, homework help, arts and crafts, and other activities.

This budget also acknowledges implementation of youth engagement priorities through the funding of youth-related programming at the Palmdale Playhouse, including a variety of classes such as theater, dance and orchestra classes geared towards different age groups for a safe, fun, and affordable

education in the arts. Palmdale Library programs for youth include 'Homework Help' an online tutoring program and 'Mango Languages' a program to assist the user in learning a new language. Use of 'Homework Help' by youth surged significantly, and the City expanded this service for youth by adding additional features such as assistance with foreign languages, resume critique and exam preparation.

Collaborate with Stakeholders to encourage youth engagement

The Department of Parks and Recreation is working with High Desert Runners to repair the Pelona Vista Park running trail that was damaged by a flash flood storm on September 10, 2011. The course is widely used by local high schools during their cross-country season and by groups such as the High Desert Runners for their annual Antelope Valley Summer Cross Country Series. The City graded portions of the trail and assisted in engineering services and drilling holes for the fencing, while the High Desert Runners club paid for the fencing of undeveloped areas of the course as a safety measure

II. INFRASTRUCTURE

The Strategic Plan also identified water conservation and delivery, and transportation enhancements as high priorities. The implementation of these priorities is evident in the Capital Improvement section of the Budget.

Recognizing the state budget crises and economic challenges that face the nation as a whole, the City is working diligently to implement infrastructure improvements using a variety of grants and restricted funding sources. The proposed budget reflects the extraordinary efforts of the City to provide the services and amenities identified as a priority by the community through the strategic planning process, while remaining fiscally responsible to all of its stakeholders. The City's efforts are highlighted by the following projects:

Amargosa Creek Aquifer Recharge Project

The project directly addresses several of the water conservation and water banking priorities identified in the Strategic Plan. Beyond capturing water supplies from the California State Water Project (aqueduct) and storm flows by allowing the water to percolate into the Antelope Valley aquifer, it will also provide a precedent-setting creek-side nature park for use by residents. After demonstrating project feasibility and identifying project funding the project now enters the design phase.

Street Resurfacing Program

This annual Program implements the City's commitment to sound pavement management by resurfacing roadway infrastructure based upon consultant recommendations in the City's Pavement Management Survey and maintenance field inspections. Resurfacing by asphalt overlay is utilized for those streets in need of immediate attention. Slurry sealing streets in advance of significant distress is employed where possible to reduce future costs and the need for more expensive overlay.

Rancho Vista Boulevard /10th Street East Intersection (Phase 1 of Grade Separation)

As directly identified in the Transportation portion of the Strategic Plan, Phase 1 includes a traffic signal and intersection upgrade of 10th Street East and Rancho Vista Boulevard. The project will allow better traffic movement and will reduce idle times at these intersections. This preliminary phase prepares the way for the grade separation of the intersection of Sierra Highway, Southern Pacific Rail Road, Metrolink, High Speed Rail and Rancho Vista Boulevard.

Avenue R/10th Street East Intersection Improvements

Approximately 90% of this project is funded through a Federal Highway Safety Improvement Project (HISP) grant. At completion this project will enhance the safety at this busy intersection. Improvements include new traffic signal, turn pockets, utility relocations and minor drainage improvements.

Public Works Maintenance Yard Upgrade

The Public Works Department has been working on a Maintenance Center Master Plan Facility document for the last several years. A Conditional Use Permit (CUP 11-004) was approved by the Planning Department in June 2011 to allow for construction of a 57,020 square foot phased expansion to the City

of Palmdale Department of Public Works Central Maintenance Yard, located at 39110 3rd Street East.

The intended Phase 1 of the design build project was to include the following: an approximately 20,000 square foot steel warehouse building; a 6,300 square foot Administration Building; removal of two existing modular buildings; underground utilities including fire line with three hydrants; electrical and fiber line; minimal site improvements; and removal of cargo containers to be in compliance with the City of Palmdale's Zoning Ordinance. This project will satisfy a vital need for housing the maintenance staff and maintenance equipment including the expanding Utilities Division for many years.

In addition to the water and transportation enhancements described above, several park improvement projects are also funded in this year's budget. These park improvements will assist in fulfilling the priorities described for youth engagement.

DryTown Waterpark New Slide

The project was directly identified in the Recreation section of the Strategic Plan. Funded by the Park Development Fund, the exciting new four-lane "octopus" slide will ensure that DryTown remains a fun and exciting destination. This construction also enhances and expands the concession capabilities at the Waterpark.

Yellen Park Frontage Improvements and Park Development

The project will provide a 24.3-acre multi-purpose park and drainage basin. Future park amenities will include a soccer field, softball field, tennis courts, playground, activity building, and restrooms.

III. ECONOMIC DEVELOPMENT, JOB CREATION AND HOUSING

The Strategic Plan reflects the concerns the community of Palmdale has with respect to a number of economic development, job creation and housing development actions. This FY 2012-13 budget continues to fund efforts to attract jobs, and develop and diversify our local economy.

The City's primary revenue source for funding these activities was our Community Redevelopment Agency; however, this was eliminated by the State of California in a desperate attempt to divert local money to Sacramento. In one fell swoop, the City lost its most effective and flexible tool for reinvesting in the community and providing assistance in creating new jobs, affordable housing and new amenities for its residents.

This budget continues to provide for meeting some of the goals as outlined in the Strategic plan as well as provide funding for the City to work through the mandated process to recapture a portion of the money we were scheduled to receive from the former redevelopment project areas.

Redevelopment and Job Creation

Fiscal Year 2011-12 saw the opening of Yard House and G by Guess at the Antelope Valley Mall. Jamba Juice also opened a second store on the east side of the community in the Target Center at 47th Street East and Avenue R. Additionally, there have been other retail outlets opening on the east side of the community, bringing additional amenities to those residents.

In addition to the much-anticipated Palmdale Regional Medical Center, several new medical office buildings have been built, bringing new opportunities for doctors and their office staff to locate adjacent to the state-of-the-art medical facility.

In FY 2011-12, staff of the former Community Redevelopment Agency continued to explore different opportunities to finance the construction of the Conference Center. This will bolster the City's efforts to attract additional tourism and hotel revenues to Palmdale by having a state-of-the-art conference capabilities and new hotels immediately adjacent to it.

Staff continues to work with the County of Los Angeles and the City of Lancaster to convince the State of California to allow us to offer Enterprise Zone benefits to all businesses located within bounds of the Enterprise Zone within all three jurisdictions. The Zone expired in early 2012 but the State Department of Finance has yet to issue any new guidelines for the application process to allow us to work

cooperatively to reestablish the Enterprise Zone on our area.

Palmdale Hybrid Power Project

In FY 2011-12, the Palmdale Hybrid Power Project (PHPP) made significant progress. It obtained a permit from the California Energy Commission in August 2011 and the United States Environmental Protection Agency issued a Prevention of Significant Deterioration permit to the project in October 2011. Staff is currently working on securing construction financing and/or a financing partner. Because this project offers unique economic development and community benefits, the City will continue to explore the viability of forming a Community Choice Aggregation to provide power to local electricity utility customers at below-retail rates.

Workforce Development

In order to better prepare our workforce and provide employers with ready access to that workforce, the City of Palmdale has contracted with Goodwill Southern California to operate the WorkSource Center, which provides comprehensive employment, training and educational services to employers and job seekers. The Center brings employers and qualified job applicants together, assists in building a better workforce through education and training programs, provides access to skills training for increased competitiveness in the job market, provides vocational counseling for persons with disabilities who are seeking training and employment, provides access to labor market information, promotes self-sufficiency through the Welfare-to-Work program and supports economic development through hiring incentives.

In April 2011, the WorkSource Center moved into the newly renovated former Youth Library, doubling its size and parking. This move has allowed the Center to expand its offerings and accommodate additional patrons as well as to provide a convenient downtown location accessible to its clients.

Affordable Housing

With the elimination of Redevelopment Agencies in the State of California effective February 1, 2012, the City of Palmdale Housing Authority became the Successor Housing Agency to the former Community Redevelopment Agency of the City of Palmdale and assumed the responsibilities of all of the former Agency's Affordable Housing assets. The former Housing Division staff assumed their roles under the Housing Authority and has continued to move forward with existing projects.

Currently the Housing Authority manages three mobile home parks comprising of 750 individual spaces. Proceeds from the mobile home parks are utilized for the preservation and development of affordable housing throughout the City. The Housing Authority staff is responsible for the overall operation of the mobile home parks and identifies specific capital improvement projects in an effort to maintain the level of quality that exists in the mobile home parks today.

Over the past several years the downturn in the economy has had an impact on our local housing market. In an effort to counter the adverse financial affects to the local housing market, the Housing Authority will take steps to approve and revise certain former programs and move forward with the development of new affordable housing. These programs and projects not only help to preserve and create affordable housing within our community but also provide the opportunity to create and preserve local jobs.

In FY 2011-12, the former Agency entered into an Owner Participation Agreement with Paving the Way Foundation to develop affordable transitional housing for emancipated youth enrolled in the AV Youth Build Charter School Program. The Housing Authority has assumed responsibility for this project and is currently under construction with a completion date set for June of 2013. When completed, the complex will house up to 19 students and will include a community center for local residents to utilize for various activities.

The Neighborhood Stabilization Program was also implemented with the purchase of 33 bank-owned single-family homes within the City. These homes, once acquired, are completely rehabilitated and presented for sale to the public through local realtors. As a part of the program, "bridge financing" is available to assist very low- and low-income homebuyers with the purchase of their home. The rehabilitation and resale of these units will continue into FY 2012-13.

The Transit Village project, consisting of 156 apartment units and 122 owner-occupied townhome units, received financing and has begun construction. The project is located adjacent to the City's Transportation Center. The apartments and townhomes will be part of a common homeowners association that will offer after school programs for local children within the general community. This development is the first step in moving forward with the City's Transit Village Specific Plan. It is anticipated that the apartment units will be completed in the summer of 2013 and the townhomes will begin construction in the spring of 2013.

In FY 2012-13, the Housing Authority will continue to provide on-going compliance monitoring of the former Agency programs and assets and process Demand for Pay-Off requests and Assumption Agreements.

IV. ONGOING SUPPORT OF OPERATIONS

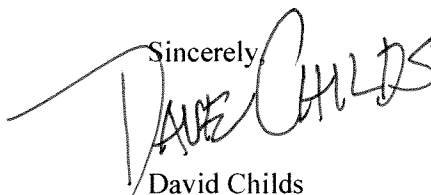
Implementation of the strategic priorities described above requires an administrative and operational framework. Functions such as Administration, Finance, City Clerk, Maintenance, City Attorney/Risk Management, Human Resources, Information Services, and Communications contribute to and support development and delivery of the services and programs set forth in the Strategic Plan. In light of the financial challenges facing the City, budgeted funds for these activities have been reduced; however, in order to assure compliance with state and federal laws, provide for mandatory disclosure and reporting requirements, and see to the day-to-day needs of the communities, these functions cannot be eliminated.

CONCLUSION

While the City of Palmdale has continued to be affected by declining revenues and the weak economy, due to a series of cost cutting measures included in the FY 2012-13 budget, the City's economic outlook remains positive and represents another step toward the achievement of a sustainable financial future for the City. The staff and I remain committed to providing excellent services to Palmdale's 153,708, residents, and we are confident that this year's budget provides the necessary funding to continue to meet our goals.

Staff is committed to continuing to develop the Partners for a Better Palmdale program this year and collaborating with numerous stakeholders to make a positive difference in our community. We know that engaging our citizens and expanding our volunteer corps will help us to achieve success. We look forward to working together with our energies focused on making Palmdale the safest, healthiest, and most vibrant city possible.

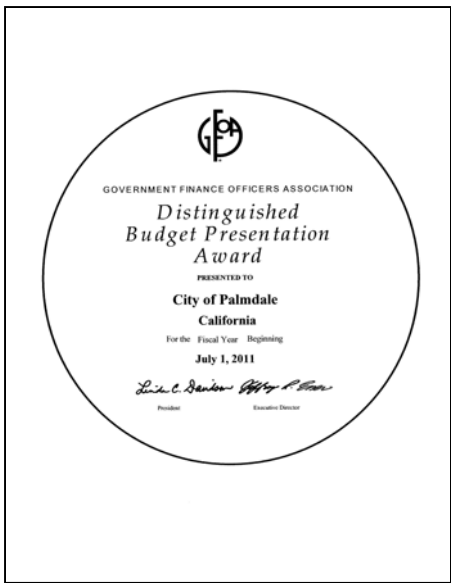
Sincerely,



David Childs
City Manager



The above award for *Excellence in Operational Budgeting* was presented to the City of Palmdale by the California Society of Municipal Finance Officers for its fiscal year 2011-12 budget document.



The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for *Distinguished Budget Presentation* to the City of Palmdale for its annual budget for the fiscal year beginning July 1, 2011.

In order to receive this award, governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

CITY OF PALMDALE
NOTICE OF JOINT PUBLIC HEARING
REGARDING THE ADOPTION OF
THE BUDGETS FOR THE CITY OF PALMDALE,
SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY,
PALMDALE CIVIC AUTHORITY,
HOUSING AUTHORITY,
INDUSTRIAL DEVELOPMENT AUTHORITY, and
PALMDALE AIRPORT AUTHORITY
FOR THE FISCAL YEAR 2012-13

Notice is hereby given that the City Council of the City of Palmdale, Successor Agency to the Community Redevelopment Agency, Palmdale Civic Authority, Housing Authority, Industrial Development Authority, and Palmdale Airport Authority propose to adopt a budget for the fiscal year beginning July 1, 2012, and ending June 30, 2013. Accordingly, a joint public hearing relating to the proposed adoption of a budget for Fiscal Year 2012-2013 will be held in the Council Chambers at City Hall, 38300 Sierra Highway, Suite B, Palmdale, California, Wednesday, July 18, 2012 at 7:00 P.M.

A copy of the proposed budget is available for review at the City Library, 700 East Palmdale Boulevard and the lobby of City Hall, 38300 Sierra Highway, Suite A.

Any person wishing to give testimony at this hearing may appear at that time or may submit written testimony. Any individual who intends to submit written testimony should submit such written statement to the following person prior to the date of the hearing:

Rebecca J. Smith, City Clerk
City of Palmdale
38300 Sierra Highway, Suite C
Palmdale, California 93550

Rebecca J. Smith, City Clerk and Agency Secretary

Publish: July 9, 2012, July 10, 2012, and July 11, 2012

CITY COUNCIL OF
THE CITY OF PALMDALE,
SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF PALMDALE,
PALMDALE CIVIC AUTHORITY,
THE HOUSING AUTHORITY OF
THE CITY OF PALMDALE,
THE INDUSTRIAL DEVELOPMENT AUTHORITY,
AND
PALMDALE AIRPORT AUTHORITY
OF THE CITY OF PALMDALE
COUNTY OF LOS ANGELES, CALIFORNIA

JOINT RESOLUTION NO. CC 2012-073
SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF PALMDALE RESOLUTION NO. SA 2012-013
PALMDALE CIVIC AUTHORITY RESOLUTION NO. PCA 2012-003
HOUSING AUTHORITY RESOLUTION NO. HA 2012-009
INDUSTRIAL DEVELOPMENT AUTHORITY
RESOLUTION NO. IDA 2012-002
PALMDALE AIRPORT AUTHORITY RESOLUTION NO. PAA 2012-002

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALMDALE, THE SUCCESSOR AGENCY TO THE CITY COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALMDALE, THE PALMDALE CIVIC AUTHORITY, THE HOUSING AUTHORITY OF THE CITY OF PALMDALE, THE INDUSTRIAL DEVELOPMENT AUTHORITY, AND THE PALMDALE AIRPORT AUTHORITY OF THE CITY OF PALMDALE, APPROVING AND ADOPTING THE CITY OF PALMDALE'S BUDGET FOR FISCAL YEAR 2012-13 AND APPROVING REVENUE AND EXPENDITURE ADJUSTMENTS TO FISCAL YEAR 2011-12.

WHEREAS, the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority presented and reviewed the proposed Budget for fiscal year 2012-13 on July 18, 2012 in the City Hall Council Chamber, at which time said proposed Budget as modified, revised, corrected, amended and changed, and matters pertaining thereto, were heard and considered; and,

WHEREAS, the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority considered the proposed budget as submitted and made all changes and amendments thereto which said City Council, Community Redevelopment Agency, Palmdale Civic Authority, Housing Authority, Industrial Development Authority, and Palmdale Airport Authority desired to make therein; and,

WHEREAS, the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority considered the adjustments to revenues and expenditures for fiscal year 2011-12 as presented in the fiscal year 2012-13 Budget document.

WHEREAS, individual project costs have been proportionately budgeted to the respective project areas based upon the benefit attributable to the targeted project area including improving inadequate public improvements and public facilities, improving and correcting depreciated values; and,

WHEREAS, the City Council has approved a General Fund Reserve Policy of 10% of operating expenditures, progressively increasing to 20% of operating expenditures, without regard to transfers; and that this Reserve Policy may fall below 10% in emergency situations such as economic down turns or natural disasters; and,

WHEREAS, the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority have heretofore, or hereafter will, raise sufficient revenues to finance and balance said budget.

NOW, THEREFORE, THE CITY COUNCIL, THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALMDALE, THE PALMDALE CIVIC AUTHORITY, THE HOUSING AUTHORITY, THE INDUSTRIAL DEVELOPMENT AUTHORITY, AND THE PALMDALE AIRPORT AUTHORITY DO HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The original of the Budget of the City of Palmdale, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority for the fiscal year 2012-13, as amended, modified, revised and corrected by the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority shall be placed on file in the office of the City Clerk and shall be open to public inspection.

SECTION 2. The City of Palmdale, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority are approving all the adjustments to the fiscal year 2011-12 revenues and expenditures as presented in the fiscal year 2012-13 budget document.

SECTION 3. The Director of Finance shall have the authority to receive, on behalf of the City, any and all donations and make the appropriate entries into the City's financial records to enable the City to spend the donation on the purpose for which it was intended without presenting each item to the City Council for approval. These

donations, received throughout the fiscal year by various departments from members of the community for a variety of purposes are obligated and not discretionary.

SECTION 4. The Successor Agency to the Community Redevelopment Agency of the City of Palmdale and the Housing Authority of the City of Palmdale, in its capacity as the entity assuming the housing functions of the former Redevelopment Agency, find and determine that the planning and administrative expenses set forth in the Budget to be paid from the Authority's Low and moderate Income Housing Asset Fund, which was established pursuant to Section 9 of Assembly Bill 1484 (Health and Safety Code section 34176(d)), are necessary for the production, improvement or preservation of low- and moderate-income housing.

SECTION 5. The Budget of the City of Palmdale, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority for fiscal year 2012-13 as amended, modified, revised, and corrected by the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority is hereby approved and adopted.

In adopting said budget the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority approved the specified amounts for each of the various funds, departments, programs and accounts set forth. In addition, the Budget includes Library appropriations approved and adopted by the Palmdale Board of Library Trustees on July 17, 2012. Department Directors shall certify or approve departmental payrolls and attendance records as being in conformance with this budget. The Director of Finance shall certify or approve payrolls and attendance records of Department Directors and other officers.

SECTION 6. The Director of Finance is hereby authorized and instructed to take all steps necessary to implement this resolution in accordance with the provisions of the budget document.

SECTION 7. Without prior approval of the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, Industrial Development Authority, or the Palmdale Airport Authority, the City Manager/Executive Director/Secretary shall have authority to transfer up to \$25,000.00 from program to program, but not from fund to fund, except for shifts in appropriations relating to personnel. Any transfer of more than such amount shall be approved by the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority. A transfer from fund to fund in any amount, except as relates to personnel, shall be likewise approved by the City Council, the Successor Agency to the Community

Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, Industrial Development Authority, or the Palmdale Airport Authority.

SECTION 8. The Director of Finance, with the approval of the City Manager, shall approve the Encumbrances and Continuing Appropriations from fiscal year 2011-12, which shall become part of the City of Palmdale, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority's budget for fiscal year 2012-13.

SECTION 9. The Budget for fiscal year 2012-13, as submitted, amended, modified, revised, corrected, adopted, and filed by the City Council, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority, shall be the fiscal year 2012-13 Budget for the City of Palmdale, the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, the Palmdale Civic Authority, the Housing Authority, the Industrial Development Authority, and the Palmdale Airport Authority. The Budget is subject to the requirements of Article XIII B of the California Constitution.

SECTION 10. The appropriate officers shall certify to the passage and adoption of this joint resolution.

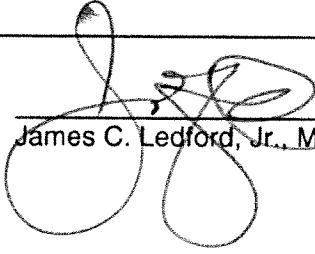
PASSED, APPROVED and ADOPTED this 18th day of July, 2012 by the following vote:

AYES: Hofbauer, Lackey, Bettencourt, and Dispenza

NOES: None

ABSTAIN: None

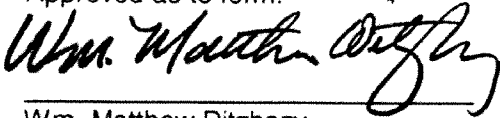
ABSENT: Ledford


James C. Ledford, Jr., Mayor

ATTEST:


Rebecca J. Smith
City Clerk and Agency Secretary

Approved as to form:


Wm. Matthew Ditzhazy,
City Attorney and Agency Counsel

CITY OF PALMDALE

PUBLIC NOTICE

July 1, 2012

APPROPRIATIONS LIMITATION FOR 2012-13

California per capita personal income change times population change converted to a ratio:

$$(1.0377 \times 1.0035) = 1.0413$$

2011-12 limitation time's ratio of change:

$$(\$100,157,791 \times 1.0413) = 2012-13 \text{ Appropriation} \\ \text{Limitation} = \$104,294,308$$

(1) Price Factor:

Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. Local jurisdictions may select either the percentage change in California per capita personal income or the percentage change in the local assessment roll due to the addition of local non-residential new construction. The percent change used in setting the 2012-13 limit is:

California per capita personal income: 3.77% change

(2) Population Factor:

The population percentage change was prepared pursuant to Sections 2227 and 2228 of the Revenue and Taxation Code and is calculated as of January 1. The change from January 1, 2011, to January 1, 2012, is used in setting the fiscal year 2012-13 appropriation limit.

State of California - Department of Finance

Population 1/1/11 - 153,167

Population 1/1/12 - 153,708

1.0035% change

Publish: May 20, 2012, May 21, 2012, and May 22, 2012

City of Palmdale

Appropriations Limit Discussion

For the Fiscal Year 2012-13

Article XIII B of the California State Constitution, more commonly referred to as the Gann Initiative or Gann Appropriations Limit, was adopted by California voters in 1980. The Gann Appropriations Limit places restrictions on the amount of tax proceeds that state and local governmental agencies can receive and appropriate each fiscal year.

The Limit changes each fiscal year and is different for each governmental agency. The Limit is calculated based on the actual amount of tax proceeds appropriated during the 1978-79 fiscal year, and is increased each year for inflation and population growth. Inflationary adjustments are, by law, based on the growth in the California Per Capita Income or the growth in non-residential assessed valuation due to new construction within the City. Population adjustments are based on the population growth of the City or the population growth within the City's county. The decision as to which of the options to select is made annually by a recorded vote of the City Council.

For fiscal year 2012-13, the City of Palmdale estimates that tax proceeds to be received, as well as tax proceeds appropriated by the City Council, will, as in prior years, continue to be under the legal limit. The City's appropriations limit for fiscal year 2012-13 is established at \$104,294,308 a 4.13 percent increase over the fiscal year 2011-12 limit. This is the maximum amount of tax proceeds the City will be able to receive and appropriate in the coming fiscal year. The City's appropriations subject to the limit for fiscal year 2012-13 are estimated to be \$39,054,547. Therefore the City's fiscal year 2012-13 adopted budget appropriations subject to the limit are \$65,239,761 less than the appropriations limit.

The statutes regarding the adoption of the Appropriations Limit, contained in Government Code Section 7910, require the governing body to annually adopt, by resolution, an appropriations limit prior to the beginning of the fiscal year in question. The City's fiscal year 2012-13 appropriations limit was presented for adoption at the June 6, 2012 City Council Meeting.

Resolution No. CC 2012-067
June 6, 2012
Page 2

FURTHER RESOLVED, that all supporting documentation used in the determination of said appropriations limit be made available at the Finance Department during normal business hours for inspection by the public; and

FURTHER RESOLVED, that Resolution No. CC 2011-069 is hereby repealed in its entirety.


PASSED, APPROVED, and ADOPTED this 6th of June 2012, by the following vote:

AYES: Hofbauer, Lackey, Bettencourt, and Dispenza

NOES: None

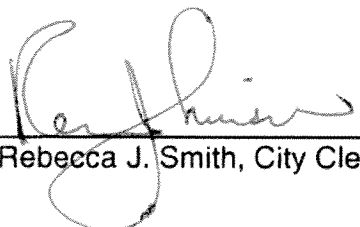
ABSTAIN: None

ABSENT: Ledford



James C. Ledford, Jr., Mayor

ATTEST:



Rebecca J. Smith, City Clerk

Approved as to form:



Wm. Matthew Ditzhazy, City Attorney