

City of Twentynine Palms

Twentynine Palms, California

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011



Prepared by the Finance Department

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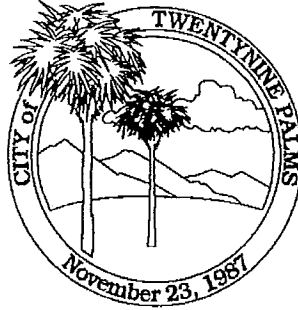
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INTRODUCTORY SECTION

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COUNCIL MEMBERS
Jim Harris, Mayor
John E. Cole, Mayor Pro Tem
Jay Corbin
Joel Klink
Daniel L. Mintz Sr.

CITY MANAGER
Richard N. Warne

November 22, 2011

To the Honorable Mayor and City Council
of the City of Twentynine Palms

We are pleased to present the comprehensive annual financial report (CAFR) of the City of Twentynine Palms (City) for the fiscal year ended June 30, 2011. It is submitted with this letter fulfilling the requirements of the State of California. The basic financial statements have been presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive system of internal controls that are designed to both protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal control systems have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by Rogers, Anderson, Malody and Scott, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures on the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall presentation of the financial statements. Based upon their audit, the independent auditor concluded that there was reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The City of Twentynine Palms' MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Twentynine Palms, California

The City of Twentynine Palms, California was incorporated as a general law city on November 23, 1987 and is located in south-central San Bernardino County (a part of the Morongo Basin). The City limits cover an area of approximately 58 square miles, with a population of approximately 30,000. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by City Council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in the City Council consisting of five members elected at large to four-year terms. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees or commissions, hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City provides a full range of services, including police (provided by the San Bernardino County Sheriff's Department); construction and maintenance of streets and other infrastructure; recreational activities and cultural events; sanitation services; street lighting; planning and zoning; and general administrative services. The Twentynine Palms Water District provides water and fire services for the City. Economic development activities are provided through a legally separate Twentynine Palms Redevelopment Agency (Agency). The activities of the Agency are included as an integral part of the City's basic financial statements. For additional information on the Agency, please see Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Twentynine Palms' financial planning and control. In March, department heads submit requests for the following year to the City Manager. The City Manager and Finance Director estimate revenue and determine how much is available to cover the requested expenditures. A preliminary draft budget is submitted to the City Council, the City Manager conducts a study session with the Council. Changes directed by the Council are incorporated into the final draft, and the budget is approved by the Council at one of their regular meetings in June.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors affecting financial condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the City operates.

Local economy

The local economy in general, shows a slow improvement over the last year along with the general economy throughout the country. The General Fund financial statements show a slight increase (.05%) in revenues this year. The economy of the City is affected by two major sources: 1) The Marine Corps Air Ground Combat Center "Base"; and 2) tourism, much of which is generated by the presence of Joshua Tree National Park which adjoins the City on the south. Tourists are also drawn to the area by the desert location with its clean air and moderate wintertime temperatures.

Long-term financial planning

The City has a capital improvement program that envisions necessary, as well as desired, improvements that the City is planning for the future. There are specific projects with their recommended funding sources laid out for the next five years, and more general plans beyond that period. This plan includes new infrastructure such as parks, roads, and additions and improvements to existing facilities.

The accomplishment of these plans depends on continuance of current Federal and State grant programs, private donations and unappropriated City Funds as they become available.

Relevant financial policies

The General Fund balance has increased by one million, two hundred thousand dollars for fiscal year 2010 - 2011. Some of the increase will be used in the next few years for improvements to the downtown area. Otherwise, the revenues for fiscal year 2011-2012 are expected to exceed expenditures. The City expects the economic problems affecting the State and Federal governments to also affect Twentynine Palms. The City has a policy to retain a General Fund balance of at least 50% of a normal year's expenditures. That policy is sustainable for the next two years.

The City participates in the California Public Employees Retirement System (PERS). The plan covers all full-time City employees, and provides 2.5% of salary for each year of service at age 55. The City also pays a portion of each employee's medical premiums under the PERS medical plan after retirement. For a full discussion of the pension plan, its cost and benefits see Note 8 to the financial statements. The City has begun to fund these post-employment benefits through PERS.

Major initiatives

The City is moving forward and the future is bright for Twentynine Palms. In response to the State's actions to either eliminate redevelopment and/or reallocate local redevelopment funds, the Agency and the City have undertaken various actions since January of this year to protect redevelopment funds. These actions have included encumbering future tax increment revenue through the sale of \$8,575,000 in Tax Allocation 2011 Bonds Series A and \$3,000,000 Tax Allocation Bonds 2011S Series B by the Twentynine Palms Redevelopment Agency for Project Phoenix. Staff has formulated a \$15.6 million development program and financing plan for the project. It includes a civic plaza, 39,519 square-foot community center that has 21,789 square feet in recreation and special event space and 17,730 square feet in theatre space. The project will also include burying and upgrading utilities, parking improvements, construction of a wastewater treatment package plant and the construction of 40 work force housing units.

In addition to Project Phoenix, the City will spend approximately \$2.7 million on road paving, chip sealing and crack sealing projects during FY2011-2012. Major street overlay projects include Base Line Road from Utah Trail to Adobe Road and Adobe Road from Highway 62 to Baseline. The City is also working on the environmental document for curb, gutter and sidewalks improvements on Highway 62 from Encelia Avenue to Split Rock Avenue. This document should be ready for public review in early 2012. Sidewalks will also be constructed on National Park Drive from Highway 62 to the National Park Headquarters in the Spring of 2012 and near Oasis Elementary School along Sun Valley Drive and Sunnyvale Drive.

To allow residential areas north of the City better access to the commercial areas along Highway 62, the city will spend \$200,000 from the General Capital Projects Fund to construct 0.25 miles of two-lane road on Encelia Drive from Sunnyslope Avenue to Two-Mile Road. Backup batteries will also be installed at all of the City traffic lights during FY2011-2012.

During the coming fiscal year, the City will drill a new well in Luckie Park, upgrade the swimming pool to meet new San Bernardino County Health Department standards and work with the Twentynine Palms Water District to develop a groundwater protection plan and a wastewater master plan.

Respectfully Submitted,

Richard N. Warne
City Manager

Ronald Peck
Finance Director

City of Twentynine Palms

Directory of City Officials

Elected Officials

Jim Harris
John E. Cole
Jay Corbin
Joel Klink
Daniel L. Mintz Sr.

Mayor
Mayor Pro Tem
Council Member
Council Member
Council Member

Charlene Sherwood

City Clerk

Management

Richard N. Warne
Cindy Villegas
Charles LaClaire
Ron Peck
Jose Nieves
Randy Councill

City Manager
Administrative Assistant to City Manager
Community Development Director
Finance Director
Public Works Superintendent
Community Services Director

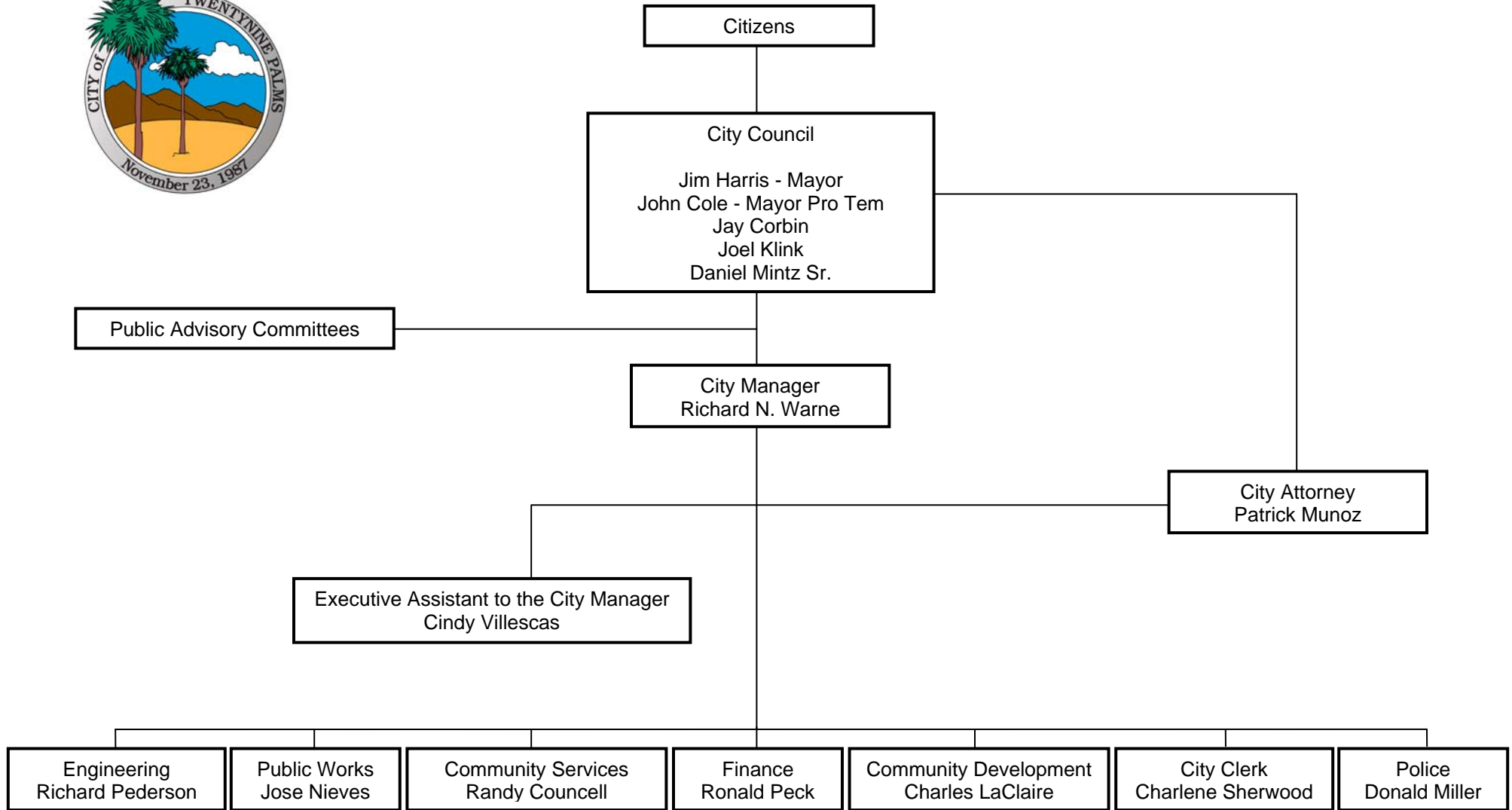
Contractors

Patrick Munoz
Richard Pedersen
Donald Miller

City Attorney
City Engineer
Police Captain

City of Twentynine Palms

Organizational Chart



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FINANCIAL SECTION

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ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

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Independent Auditor's Report

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Matthew B. Wilson, CPA, MSA
Scott W. Manno, CPA
Leena Shanbhag, CPA, MST
Jay H. Zercher, CPA (Retired)

MANAGERS / STAFF

Nancy O'Rafferty, CPA, MBA
Bradferd A. Welebir, CPA, MBA
Jenny Liu, CPA, MST
Katie L. Millsom, CPA
Papa Matar Thiaw, CPA, MBA
Maya S. Ivanova, CPA, MBA
Danielle E. Odgers, CPA
William C. Clayton, CPA
Scott Millsom, CPA
Peter E. Murray, CPA
Genivive Schwarzkopf, CPA
Megan Hackney, CPA

The Honorable City Council City of Twentynine Palms, California

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of the City of Twentynine Palms (City), California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the City of Twentynine Palms. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles issued and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Twentynine Palms, California, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in the basic notes to the financial statements, it is uncertain as to the future continuation of redevelopment agencies (a material component in the City's financial statements) in the State of California as a result of certain legislative actions enacted by the California State Legislature.

As discussed in the basic notes to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

California Society of
Certified Public Accountants

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Twentynine Palms, California's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Rogers Anderson Maloney & Scott, LLP

November 22, 2011

Management's Discussion and Analysis

As management of the City of Twentynine Palms, we offer readers of the City of Twentynine Palms' financial statements this narrative overview and analysis of the financial activities of the City of Twentynine Palms for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iii of this report.

Financial highlights

- The assets of the City of Twentynine Palms exceeded its liabilities at the close of the most recent fiscal year by \$39,976,099 (*net assets*). Of this amount, \$9,620,967 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,995,468. Over one half of this increase is attributable to increased revenues.
- As of the close of the current fiscal year, the City of Twentynine Palms' governmental funds reported combined ending fund balances of \$30,028,038 an increase of \$12,160,095 in comparison with the prior year. Approximately 32% of this total amount, \$9,705,935, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,417,781.
- The City of Twentynine Palms' total debt increased by \$11,321,852 (2600 percent) during the current fiscal year due to the issuance of debt by the Redevelopment Agency.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to the City of Twentynine Palms' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Twentynine Palms that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development, and culture and recreation. The City of Twentynine Palms does not have any activities that recover a significant part of their cost through user fees.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Twentynine Palms, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Twentynine Palms maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Article 8 fund, the Redevelopment Agency special revenue fund, capital projects fund, and debt service fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Twentynine Palms adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-17 of this report.

Proprietary fund. The City of Twentynine Palms maintains one proprietary fund. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for its risk management activities and to charge the cost to the various governmental funds. Because these services benefit the governmental funds, they have been included within the *governmental activities* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget versus actual results. Required supplementary information can be found on pages 46-50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53-58 of this report.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Twentynine Palms, assets exceeded liabilities by \$39,976,099 at the close of the most recent fiscal year.

A large portion of the City's net assets (53 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets		
	Governmental Activities	
	2011	2010
Current and other assets	\$ 32,807,978	\$20,988,985
Capital assets	21,392,796	19,415,747
Total assets	54,200,774	40,404,732
Long-term liabilities	11,771,252	449,400
Other liabilities	2,453,423	2,974,701
Total liabilities	14,224,675	3,424,101
Net assets:		
Invested in capital assets, net of related debt	21,357,417	19,366,537
Restricted	8,997,715	5,756,152
Unrestricted	9,620,967	11,857,942
Total net assets	\$ 39,976,099	\$36,980,631

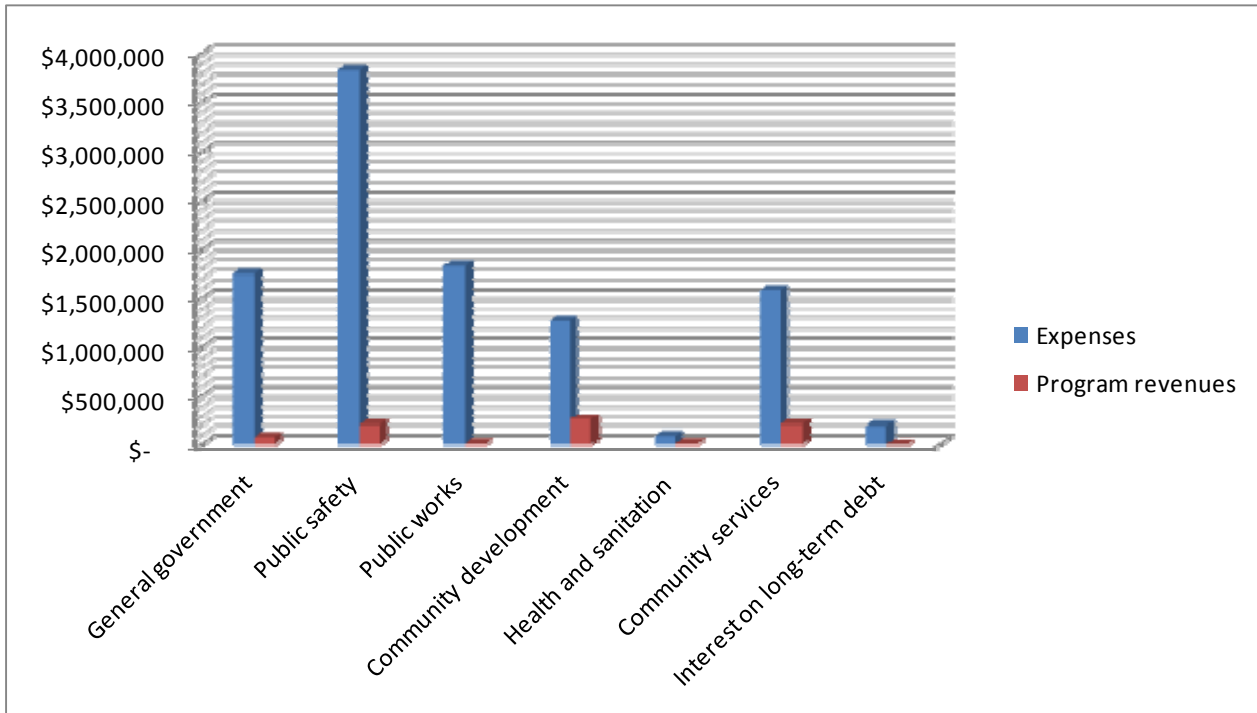
An additional portion of the City of Twentynine Palms' net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,620,967) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Twentynine Palms is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

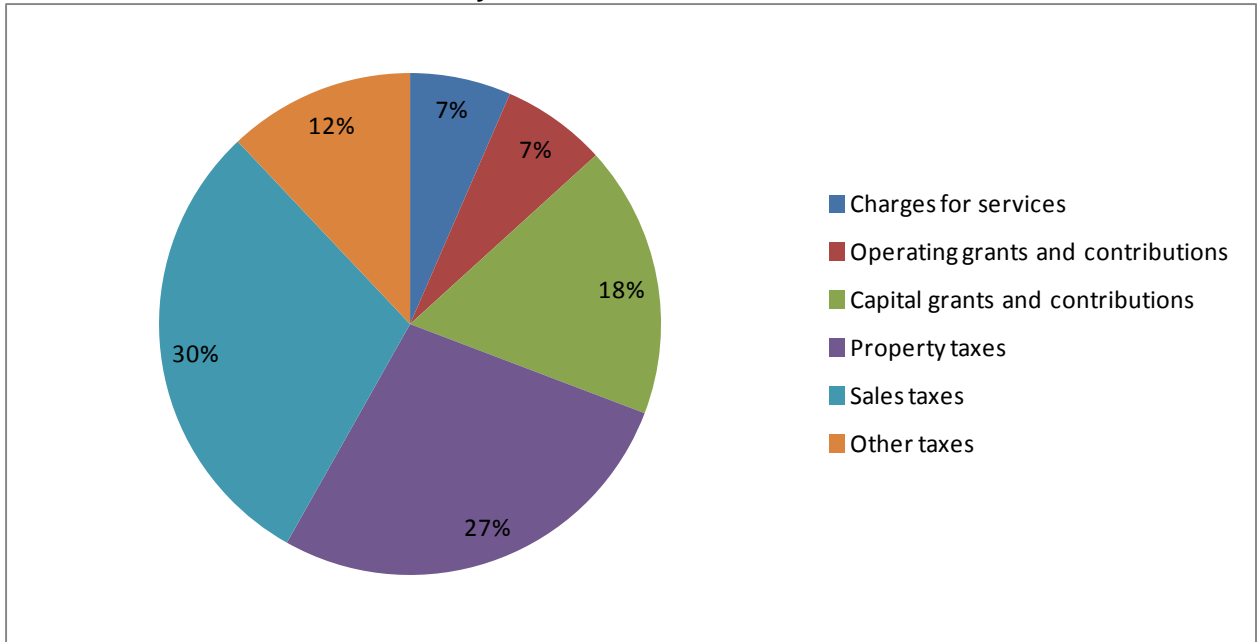
The city's net assets increased by \$2,995,468 during the current fiscal year. Most of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

Change in Net Assets		
	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 744,065	\$ 1,299,427
Operating grants and contributions	909,008	781,965
Capital grants and contributions	2,363,942	5,438,184
Property taxes	3,648,685	3,771,308
Other taxes	5,685,948	5,550,305
Investment earnings	111,695	160,876
Other	32,776	99,044
Total revenues	<u>13,496,119</u>	<u>17,101,109</u>
Expenses:		
General government	1,742,040	2,105,167
Public safety	3,827,697	3,373,130
Public works	1,823,536	1,502,859
Community development	1,256,874	1,891,653
Health and sanitation	84,726	62,153
Community services	1,580,237	1,461,915
Interest on long-term debt	185,541	62,927
Total expenses	<u>10,500,651</u>	<u>10,459,804</u>
Change in net assets	2,995,468	6,641,305
Net assets, beginning of year	<u>36,980,631</u>	<u>30,339,326</u>
Net assets, end of year	<u><u>\$ 39,976,099</u></u>	<u><u>\$36,980,631</u></u>

Expenses and program revenues - Governmental Activities



Revenue by source - Governmental Activities



Financial analysis of the government's funds

As noted earlier, the City of Twentynine Palms uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Twentynine Palms' *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Twentynine Palms' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Twentynine Palms governmental funds reported combined ending fund balances of \$30,028,038, an increase of \$12,160,095 in comparison with the prior year. Approximately thirty-two percent (32%) of this total amount (\$9,705,935) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has either already been 1) restricted for a variety of purposes by outside sources (\$20,169,672) or 2) assigned by the government to a specific purpose (\$152,431).

The General fund is the chief operating fund of the City of Twentynine Palms. At the end of the current fiscal year, the unassigned fund balance of the General fund was \$10,417,781 while total fund balance was \$12,027,732. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 143 percent of total General fund expenditures, while total fund balance represents 165 percent of that same amount.

The fund balance of the City's General fund increased by \$1,208,573 during the current fiscal year. Key factors in this growth are as follows:

- The City spent \$990,117 less in the current year than it collected in revenue the prior year.

The debt service fund has a total fund balance of \$1,452,441 all of which is reserved for the payment of debt. The net increase in fund balance during the current year in the debt service fund was \$744,261.

Proprietary funds. The City of Twentynine Palms' proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Internal Service Fund at the end of the year amounted to \$185,306 an increase of \$38,965 from the prior year.

General fund budgetary highlights

There were no significant differences between the original budget and the final amended budget.

Revenue exceeded expenditures; therefore, it wasn't necessary to draw on the General fund balance.

Capital asset and debt administration

Capital assets

The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$21,392,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and related facilities. The total increase in the City's investment in capital assets for the current fiscal year was 10.1 percent.

Capital Assets (Net of depreciation)		
	Governmental Activities	
	2011	2010
Land and improvements	\$ 2,188,164	\$ 2,296,305
Construction in progress	370,852	4,925,028
Building and improvements	4,738,488	4,514,476
Machinery and equipment	304,227	355,264
Office equipment	40,609	62,326
Vehicles	77,572	87,052
Infrastructure	13,672,884	7,175,296
Total capital assets	<u>\$ 21,392,796</u>	<u>\$19,415,747</u>

Major capital asset events during the current fiscal year included the following:

- Investments in infrastructure of \$7,009,822, mainly due to a reclassification of completed projects out of construction in progress.

Additional information on the City's capital assets can be found in note 6 on page 34 of this report.

Long-term liabilities

At the end of the current fiscal year, the City of Twentynine Palms had bonded debt outstanding of \$11,575,000 from the issuance of 2011 Series A and B Tax Allocation Bonds. The City's total long-term liabilities increased by \$11,321,852 (2600 percent) during the current fiscal year.

Additional information on the City's long-term liabilities can be found in note 7 on page 35 of this report.

Economic factors and next year's budgets and rates

- The unemployment rate for the City of Twentynine Palms was 16.9 %; the rate for the State of California for June 2011 was 12.1% and San Bernardino County was 14.3%.
- The occupancy rate of the government's central business district is adequate.
- Commercial trends in the region are comparable to national indices.

All of these factors were considered in preparing the City of Twentynine Palms budget for the 2012 fiscal year.

Requests for information

This financial report is designed to provide a general overview of the City of Twentynine Palms' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 6136 Adobe Road, Twentynine Palms, Calif. 92277.

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BASIC FINANCIAL STATEMENTS

City of Twentynine Palms

**Statement of Net Assets
June 30, 2011**

	Governmental activities
Assets	
Cash and investments	\$ 20,386,749
Cash and investments with fiscal agent - restricted	11,038,290
Receivables:	
Intergovernmental	373,590
Taxes	496,464
Interest	21,991
Other	74,303
Land held for resale	126,850
Deferred charges	289,741
Capital assets, not being depreciated	2,559,016
Capital assets, depreciated, net	<u>18,833,780</u>
 Total assets	 <u>54,200,774</u>
 Liabilities	
Accounts payable and accrued liabilities	427,409
Claims payable	90,000
Deposits payable	7,303
Interest payable	148,530
Unearned revenue	340,977
Due to developers	1,439,204
Noncurrent liabilities:	
Due within one year	98,856
Due in more than one year	<u>11,672,396</u>
 Total liabilities	 <u>14,224,675</u>
 Net assets	
Invested in capital assets, net of related debt	21,357,417
Restricted for:	
Streets, highways, bikeways, public transit and other related purposes	5,489,497
Public safety	521,645
Community development	2,986,573
Unrestricted	<u>9,620,967</u>
 Total net assets	 <u><u>\$ 39,976,099</u></u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Activities
For the year ended June 30, 2011**

	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Total
Governmental activities:					
General government	\$ 1,742,040	\$ 72,475	\$ -	\$ -	\$ (1,669,565)
Public safety	3,827,697	197,065	74,111	-	(3,556,521)
Public works	1,823,536	6,409	778,529	2,156,320	1,117,722
Community development	1,256,874	258,625	-	207,622	(790,627)
Health and sanitation	84,726	7,235	56,368	-	(21,123)
Community services	1,580,237	202,256	-	-	(1,377,981)
Interest on long-term debt	185,541	-	-	-	(185,541)
Total governmental activities	\$ 10,500,651	\$ 744,065	\$ 909,008	\$ 2,363,942	(6,483,636)

General revenues:

Property taxes	3,648,685
Sales and use taxes	880,663
Motor vehicle in lieu tax	2,697,702
Vehicle license fee in lieu tax	439,321
Franchise taxes	644,710
Transient occupancy taxes	979,480
Real property transfer taxes	44,072
Investment earnings	111,695
Other	32,776

Total general revenues 9,479,104

Change in net assets 2,995,468

Net assets, beginning of year 36,980,631

Net assets, end of year \$39,976,099

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Balance Sheet
Governmental Funds
June 30, 2011**

	General	Special revenue	
		Article 8	Redevelopment Agency
Assets			
Cash and investments	\$ 12,524,816	\$ -	\$ 2,056,648
Cash with fiscal agent	-	-	2,830,781
Receivables:			
Intergovernmental	203,341	-	-
Taxes	385,919	-	6,232
Interest	21,991	-	-
Other	70,260	-	-
Due from other funds	751,871	-	-
Land held for resale	-	-	-
Total assets	\$ 13,958,198	\$ -	\$ 4,893,661
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 234,705	\$ 1,778	\$ 3,491
Deposits	7,303	-	-
Due to other funds	-	312,263	-
Deferred revenue	249,254	-	-
Due to developers	1,439,204	-	-
Total liabilities	1,930,466	314,041	3,491
Fund balances (deficit):			
Restricted for:			
Low and moderate income housing	-	-	4,890,170
Debt service	-	-	-
Community development	-	-	-
Public safety	243,393	-	-
Public works	1,366,558	-	-
Assigned	-	-	-
Unassigned	10,417,781	(314,041)	-
Total fund balances (deficit)	12,027,732	(314,041)	4,890,170
Total liabilities and fund balances	\$ 13,958,198	\$ -	\$ 4,893,661

The accompanying notes are an integral part of these financial statements.

<u>Capital projects</u> <u>Redevelopment</u> <u>Agency</u>	<u>Debt service</u> <u>Redevelopment</u> <u>Agency</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 290,348	\$ 807,501	\$ 4,431,923	\$ 20,111,236
7,407,533	799,976	-	11,038,290
-	-	170,249	373,590
2,500	6,231	95,582	496,464
-	-	-	21,991
-	-	4,043	74,303
-	-	-	751,871
126,850	-	-	126,850
<u>\$ 7,827,231</u>	<u>\$ 1,613,708</u>	<u>\$ 4,701,797</u>	<u>\$ 32,994,595</u>
\$ 11,312	\$ 161,267	\$ 14,649	\$ 427,202
-	-	-	7,303
-	-	439,608	751,871
-	-	91,723	340,977
-	-	-	1,439,204
<u>11,312</u>	<u>161,267</u>	<u>545,980</u>	<u>2,966,557</u>
-	-	-	4,890,170
-	1,452,441	-	1,452,441
7,815,919	-	-	7,815,919
-	-	278,252	521,645
-	-	4,122,939	5,489,497
-	-	152,431	152,431
-	-	(397,805)	9,705,935
<u>7,815,919</u>	<u>1,452,441</u>	<u>4,155,817</u>	<u>30,028,038</u>
<u>\$ 7,827,231</u>	<u>\$ 1,613,708</u>	<u>\$ 4,701,797</u>	<u>\$ 32,994,595</u>

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City of Twentynine Palms

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Fund balances of governmental funds \$ 30,028,038

Amounts reported for governmental activities in the Statement of Net
Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Capital assets	26,268,637
Accumulated depreciation	(4,875,841)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds.

2011 Series A tax allocation bonds	(8,575,000)
2011 Series B tax allocation bonds	(3,000,000)
Leases payable	(35,379)
Compensated absences	(422,705)

Accrued interest payable for the current portion of interest due on bonds
payable has not been reported in the governmental funds (148,530)

Other long-term assets are not available to pay for current-period expenditures
and, therefore, are deferred in the funds:

Discount on bonds issued	261,832
Deferred charges	289,741

Internal service funds are used by management to charge the costs of certain
activities, including insurance claims and expenses, to individual funds. The
assets and liabilities of the internal service funds are included in the Statement
of Net Assets.

185,306

Net assets of governmental activities \$ 39,976,099

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011**

	General	Special revenue	
		Article 8	Redevelopment Agency
Revenues			
Taxes	\$ 7,492,890	\$ -	\$ 365,573
Licenses, permits and fees	308,165	-	-
Intergovernmental	28,578	398,763	-
Charges for services	329,244	-	-
Fines, forfeitures and penalties	7,896	-	-
Investment earnings	68,596	-	11,431
Other	85,516	10,145	-
Total revenues	<u>8,320,885</u>	<u>408,908</u>	<u>377,004</u>
Expenditures			
Current:			
General government	1,467,482	-	32,866
Public safety	3,536,686	-	-
Public works	30,656	372,879	-
Community development	575,845	-	42,125
Health and sanitation	-	-	-
Community services	1,451,816	-	-
Debt service:			
Principal retirement	13,831	-	-
Interest and fiscal charges	1,081	-	-
Bond issuance costs	-	-	113,913
Pass-through agreements	-	-	-
Capital outlay	209,765	522,059	-
Total expenditures	<u>7,287,162</u>	<u>894,938</u>	<u>188,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,033,723</u>	<u>(486,030)</u>	<u>188,100</u>
Other financing sources (uses)			
Tax allocation bonds issued	-	-	3,000,000
Discount on bonds issued	-	-	(65,928)
Transfers in	48,000	-	-
Transfers out	-	-	-
Proceeds from sale of capital assets	126,850	-	-
Total other financing sources (uses)	<u>174,850</u>	<u>-</u>	<u>2,934,072</u>
Net change in fund balances	1,208,573	(486,030)	3,122,172
Fund balances, beginning of year	10,819,159	171,989	1,767,998
Fund balances, (deficit) end of year	<u>\$ 12,027,732</u>	<u>\$ (314,041)</u>	<u>\$ 4,890,170</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital projects</u>	<u>Debt service</u>	<u>Total</u>	<u>Total</u>
<u>Redevelopment</u>	<u>Redevelopment</u>	<u>Nonmajor</u>	<u>Governmental</u>
<u>Agency</u>	<u>Agency</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
\$ -	\$ 1,443,596	\$ 6,983	\$ 9,309,042
-	-	-	308,165
-	-	2,787,440	3,214,781
-	-	39,066	368,310
-	-	78,050	85,946
5,776	6,393	22,018	114,214
-	-	-	95,661
<u>5,776</u>	<u>1,449,989</u>	<u>2,933,557</u>	<u>13,496,119</u>
76,631	102,257	4,600	1,683,836
-	-	283,103	3,819,789
-	-	828,896	1,232,431
252,441	-	-	870,411
-	-	84,726	84,726
-	-	-	1,451,816
-	-	-	13,831
-	35,930	-	37,011
172,228	3,600	-	289,741
-	363,910	-	363,910
417,077	-	1,779,639	2,928,540
<u>918,377</u>	<u>505,697</u>	<u>2,980,964</u>	<u>12,776,042</u>
<u>(912,601)</u>	<u>944,292</u>	<u>(47,407)</u>	<u>720,077</u>
7,775,031	799,969	-	11,575,000
(195,904)	-	-	(261,832)
2,500,000	1,500,000	48,504	4,096,504
(1,500,000)	(2,500,000)	(96,504)	(4,096,504)
-	-	-	126,850
<u>8,579,127</u>	<u>(200,031)</u>	<u>(48,000)</u>	<u>11,440,018</u>
7,666,526	744,261	(95,407)	12,160,095
149,393	708,180	4,251,224	17,867,943
<u>\$ 7,815,919</u>	<u>\$ 1,452,441</u>	<u>\$ 4,155,817</u>	<u>\$ 30,028,038</u>

City of Twentynine Palms

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2011**

Net changes in fund balances - total governmental funds \$ 12,160,095

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized, less the net book value of disposals	2,778,900
Depreciation expense	(801,851)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however this transaction has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This activity is reconciled as follows:

Issuance of long-term debt	(11,575,000)
Discount on issuance of new debt	261,832
Cost of issuance on new debt	289,741
Principal payments on debt:	
Leases payable	13,831

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Change in accrued interest expense	(148,530)
Change in compensated absences payable	(22,515)

Internal Service Funds are used by management to charge the costs of certain activities, including insurance claims and expenses, to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities on the Statement of Activities.

38,965

Change in net assets of governmental activities \$ 2,995,468

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Net Assets
Proprietary Fund
June 30, 2011**

	Governmental activities - Internal Service Fund
Assets	
Current assets:	
Cash and investments	\$ 275,513
Total current assets	<u>275,513</u>
Liabilities	
Current liabilities:	
Accounts payable	207
Claims payable	<u>90,000</u>
Total current liabilities	<u>90,207</u>
Net assets	
Unrestricted	<u>185,306</u>
Total net assets	<u><u>\$ 185,306</u></u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2011**

	Governmental activities - Internal Service Fund
Operating revenues	
Charges for services	\$ 293,263
Total operating revenues	<u>293,263</u>
Operating expenses	
Insurance premiums/claims	<u>249,918</u>
Total operating expenses	<u>249,918</u>
Operating income	<u>43,345</u>
Nonoperating revenues (expenses)	
Investment earnings	620
Other expense	<u>(5,000)</u>
Total nonoperating revenues (expenses)	<u>(4,380)</u>
Change in net assets	38,965
Net assets, beginning of year	<u>146,341</u>
Net assets, end of year	<u>\$ 185,306</u>

The accompanying notes are an integral part of these financial statements.

City of Twentynine Palms

**Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2011**

	Governmental activities - Internal Service Fund
Cash flows from operating activities	
Receipts from interfund services provided	\$ 293,263
Payments to suppliers	<u>(249,914)</u>
Net cash provided by operating activities	<u>43,349</u>
Cash flows from investing activities	
Interest on investments	<u>620</u>
Net cash provided by investing activities	<u>620</u>
Net increase in cash and cash equivalents	43,969
Cash and cash equivalents, beginning of year	<u>231,544</u>
Cash and cash equivalents, end of year	<u><u>\$ 275,513</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 43,345
Adjustments to reconcile operating income to net cash provided by operating activities:	
Other expense	5,000
Decrease in accounts receivable	(5,000)
Increase in accounts payable	<u>4</u>
Net cash provided by operating activities	<u><u>\$ 43,349</u></u>

The accompanying notes are an integral part of these financial statements.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies

The accounting policies of the City of Twentynine Palms (City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

(a) Reporting entity

The City was incorporated November 23, 1987, under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The Twentynine Palms Redevelopment Agency (Agency) was established pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the City limits. The California Health and Safety Code provides that, upon the approval of a redevelopment plan, all future incremental increases in the tax base within the designated project area will be paid to the Agency until all indebtedness incurred to finance the project has been paid.

The Agency represents a legally separate entity for which the City is financially accountable, and, accordingly, is considered a component unit of the City. The City Council serves as the Board of Directors, and the City, as the primary government, can impose its will on the Agency. Therefore, in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, the Agency's financial activities are "blended" with the City's financial statements. Separate financial statements of the Redevelopment Agency may be obtained from the City's Finance Department.

(b) Measurement focus and basis of accounting

Basis of presentation

The basic financial statements of the City of Twentynine Palms have been prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements require that the financial statements described below be presented:

Government-wide financial statements

The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government (the City). For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All City activities are governmental; no business-type activities are reported in the statements.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(b) Measurement focus and basis of accounting (continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are properly not included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Fund financial statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining government funds are aggregated and reported as non-major funds.

Governmental funds

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(c) Fund classifications

The City reports the following major governmental funds:

General Fund - This fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Article 8 Special Revenue Fund - This fund accounts for monies received from the state through the county for transportation-related uses. The Morongo Basin Transit Authority has the first priority on these monies. Any amount not used is remitted to the City.

Twentynine Palms Redevelopment Agency Low and Moderate Income Housing Fund - This fund accounts for revenues and expenditures for the project area related to low and moderate income housing.

Twentynine Palms Redevelopment Agency Capital Projects Fund - This fund accounts for expenditures of the Agency for major capital improvement projects financed through debt proceeds and tax increment.

Twentynine Palms Redevelopment Agency Debt Service Fund - This fund accounts for the tax increment received by the Agency and also for the repayment of the Agency's indebtedness.

Additionally, the City reports the following fund type:

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department of the City to other departments on a cost-reimbursement basis. This fund is used to charge the costs of risk management, involving insurance claims and expenses, to individual funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses have not been eliminated from the functional categories; indirect expenses and internal payments have been eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

For purposes of the Statement of Cash Flows, the City considers cash and cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures and funds for the Twentynine Palms Redevelopment Agency. Cash equivalents have an original maturity date of three months or less from the date of purchase.

(e) Investments

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

The City pools cash and investments of all funds, except assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on each fund's average cash and investment balance.

(f) Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Noncurrent portions of long-term inter-fund loan receivables are reported as advances and such amounts are offset equally by a fund balance classification which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

All trade and tax receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

(g) Property taxes

Under California law, property taxes are assessed and collected by the counties up to one percent of assessed value plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes, which are received from the county within sixty days after year-end.

The following are the important dates relating to the City's property taxes:

Lien date	March 1
Levy date	June 30
Due date	November 1 and February 1
Collection dates	December 10 and April 10

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 1: Summary of significant accounting policies (continued)

(h) Inventories

Inventories of material and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(i) Prepaid items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available resources and therefore are not available for appropriation.

(j) Restricted assets

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the financial statements because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

(k) Capital assets

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, bridges, etc.), are reported in governmental activities column of the government-wide financial statements. Capital assets are defined by the City as noninfrastructure assets with an initial, individual cost of more than \$5,000 and infrastructure assets with a total project cost of more than \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows:

Assets	Years
Structures and improvements	40
Public domain infrastructure	50
System infrastructure	30
Vehicles	3 to 15
Other equipment and furnishings	3 to 20
Computer equipment	3 to 10

Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(l) Claims and judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to fiscal year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated.

(m) Deferred revenue

In the government-wide financial statements and the fund financial statements, unearned and deferred revenue, respectively, represents cash advances by various grantors that have not been spent; therefore, no revenue has been recognized. Included in deferred revenue is \$249,254 in the General fund for public safety grants that have been advanced, \$12,463 in the Community Development Block Grant for community development grants that had been advanced in a prior year, and \$79,260 in the Capital Improvements Capital Projects Fund for a community services grant that had been advanced in a prior year.

(n) Net assets and fund equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets, restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets.

The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report fund balance based on the nature and extent of the constraints placed on government's fund balance, as required by GASBS No.54.

(o) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 1: Summary of significant accounting policies (continued)

(p) Implementation of Governmental Accounting Standards Board (GASB) pronouncements

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- Committed – amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – amounts that are for any purpose; positive amounts are reported only in a general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. The City Manager has the authority, granted by the Council, to commit City resources. When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. It is also the City's policy to consider committed amounts as being reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for which amounts in any of those unrestricted fund balance classifications could be used.

Note 2: Stewardship, compliance and accountability

(a) Budgetary accounting

Each year, the City Council adopts a budget, which provides for the general operations of the City. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. The City Manager is required to prepare and submit to the City Council the annual budget of the City and administer it after adoption. Any revisions that alter the total appropriation of any fund must be approved by the City Council.

Once the budget has been adopted, changes can be made at three levels: 1) department heads have the authority to shift expenditures between line items within their departments, 2) the City Manager has the authority to shift expenditures between departments within any fund, and 3) the City Council has the authority to change the budget of an individual fund, or to transfer budget items between funds. Budgeted amounts are as originally adopted and as further amended by City Council, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). No budget was adopted for the following nonmajor special revenue funds for the year ended June 30, 2011: Fire Facilities Impact Fee, Measure I 2011, and Adobe Road Grant.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 2: Stewardship, compliance and accountability (continued)

(a) Budgetary accounting (continued)

The budgetary control and accountability is maintained at the department level. The City Council has the authority to adopt the annual budget appropriations between individual Funds. The City Manager acting as the City's Budget Officer, has the authority to transfer budget appropriations between funds, departments and individual line items to maintain a balanced budget.

(b) Appropriations limit

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2011, proceeds of taxes did not exceed appropriations.

(c) Continuing appropriations

The unexpected and unencumbered appropriations that are available and recommended for continuation are approved by the City Council for carryover to the following fiscal year. These commitments are reported as a reservation of fund balance.

(d) Fund deficits

The following funds contained a deficit fund balance as of June 30, 2011:

Major fund:

Article 8 Special Revenue Fund	\$ (314,041)
--------------------------------	--------------

Nonmajor funds:

Fire Facilities Impact Fee Special Revenue Fund	\$ (283,103)
Municipal Lighting Special Revenue Fund	(5,792)
Capital Improvements Capital Projects Fund	(108,910)

The deficits in the funds are due to expenditures being incurred before the revenue has been received, or an excess of expenditures over appropriations, as shown below.

(e) Excess of expenditures over appropriations

Excess of expenditures over appropriations of individual funds are as follows:

	<u>Final budget</u>	<u>Actual</u>	<u>Excess</u>
<i>Major fund:</i>			
Article 8	\$ 871,400	\$ 894,938	\$(23,538)
<i>Nonmajor funds:</i>			
Municipal Lighting	49,000	59,232	(10,232)

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 20,386,749
Cash and investments with fiscal agent - restricted	<u>11,038,290</u>
Total cash and investments	<u>\$ 31,425,039</u>

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 558,276
Investments	19,828,473
Money market funds	<u>11,038,290</u>
Total cash and investments	<u>\$ 31,425,039</u>

Investments authorized by the California Government Code and the City's investment policy

The table below identifies the investment types that are authorized for the City by the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized investments</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in issuer</u>
U.S. Treasury obligations	5 years	None	None
U.S. Treasury securities	5 years	None	None
Negotiable certificates of deposit	5 years	30%	None
Medium-term notes	5 years	30%	None
Mutual funds	n/a	20%	10%
Money market mutual funds	n/a	20%	10%
Local Agency Investment Fund (LAIF)	n/a	None	None

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Investments authorized by debt agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized investments	Maximum maturity	Maximum percentage of portfolio	Maximum investment in issuer
U.S. Treasury obligations	None	None	None
U.S. Treasury securities	None	None	None
Commercial paper	None	None	None
Bankers' acceptances	None	None	None
Municipal bonds or notes	None	None	None
Investment agreements	None	None	None
Obligations under IRS Section 103(a)	None	None	None
Regulated investment companies	None	None	None
Interest-bearing deposit accounts	None	None	None
Corporate obligations	None	None	None
Money market funds	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment type	Amount	Remaining maturity (in months)			
		12 or less	13 to 24	25 to 60	More than 60
State investment pool - LAIF	\$19,828,473	\$ 19,828,473	\$ -	\$ -	\$ -
Held by bond trustee:					
Federal government obligations	11,038,290	11,038,290	-	-	-
Total investments	<u>\$30,866,763</u>	<u>\$ 30,866,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Investments with fair values highly sensitive to interest rate fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreement, and the actual rating as of the fiscal year end for each investment type.

Investment type	Amount	Minimum legal rating	Exempt from disclosure	Rating as of year end	
				AAA	Not rated
State investment pool - LAIF	\$19,828,473	N/A	\$ -	\$ -	\$ 19,828,473
Held by bond trustee:					
Federal government obligations	11,038,290	A	-	11,038,290	-
Total investments	<u>\$30,866,763</u>		<u>\$ -</u>	<u>\$11,038,290</u>	<u>\$ 19,828,473</u>

Concentration of credit risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City had no investments in anyone issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City's investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.).

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 3: Cash and investments (continued)

Custodial credit risk (continued)

As of June 30, 2011, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2011, City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Amount</u>
Federal government obligations	<u>\$11,038,290</u>

Investment in State investment pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4: Interfund activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2011:

Transfers

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
<i>Major funds</i>		
Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	\$ 1,500,000
Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	2,500,000
<i>Nonmajor fund</i>	<i>Major fund</i>	
Traffic Safety	General	48,000
<i>Nonmajor fund</i>	<i>Nonmajor fund</i>	
Gas Tax	Municipal Lighting	<u>48,504</u>
Total transfers		<u>\$ 4,096,504</u>

Transfers to/from other funds have been made in the normal course of business to assist the receiving fund in covering costs incurred by the receiving fund. Disbursing funds receive money which are to be used to fund expenditures in other funds.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 4: Interfund activity (continued)

Due to/from other funds

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Article 8	\$ 312,263
	Nonmajor funds:	
	Capital Improvements	108,910
	Community Development Block Grant	46,408
	Fire Facilities Impact Fee	283,103
	Municipal Lighting	<u>1,187</u>
Total interfund borrowing		<u>\$ 751,871</u>

Amounts due to/from other funds represent short-term borrowings to cover cash deficits at June 30, 2011.

Note 5: Land held for resale

The City's Redevelopment Agency has acquired property from the City as part of its primary purpose to develop unimproved properties. The City recorded the proceeds from the sale of the land in the General Fund, but this amount has been eliminated in the Statement of Activities. The Redevelopment Agency's Capital Improvements Fund is carrying the land at the lower of cost or estimated net realizable value, which is \$126,850 at June 30, 2011.

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 6: Capital assets

Capital assets for governmental activities for the fiscal year ended June 30, 2011 were as follows:

	Beginning balance	Additions	Deletions	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 2,296,305	\$ 18,709	\$ (126,850)	\$ 2,188,164
Construction in progress	4,925,028	335,880	(4,890,056)	370,852
	<u>7,221,333</u>	<u>354,589</u>	<u>(5,016,906)</u>	<u>2,559,016</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Building and improvements	5,681,647	362,160	-	6,043,807
Machinery and equipment	1,142,720	49,638	-	1,192,358
Office equipment	159,736	-	-	159,736
Vehicles	961,020	19,597	-	980,617
Infrastructure	8,323,281	7,009,822	-	15,333,103
	<u>16,268,404</u>	<u>7,441,217</u>	<u>-</u>	<u>23,709,621</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Building and improvements	(1,167,171)	(138,148)	-	(1,305,319)
Machinery and equipment	(787,456)	(100,675)	-	(888,131)
Office equipment	(97,410)	(21,717)	-	(119,127)
Vehicles	(873,968)	(29,077)	-	(903,045)
Infrastructure	(1,147,985)	(512,234)	-	(1,660,219)
	<u>(4,073,990)</u>	<u>(801,851)</u>	<u>-</u>	<u>(4,875,841)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>12,194,414</u>	<u>6,639,366</u>	<u>-</u>	<u>18,833,780</u>
Total capital assets - governmental activities	<u>\$ 19,415,747</u>	<u>\$ 6,993,955</u>	<u>\$ (5,016,906)</u>	<u>\$ 21,392,796</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 6: Capital assets (continued)

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

	<u>Governmental activities</u>
General government	\$ 65,261
Public safety	7,908
Public works	594,869
Community development	5,392
Community services	<u>128,421</u>
 Total depreciation expense	 <u><u>\$ 801,851</u></u>

Note 7: Long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2011 was as follows:

<u>Description</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Tax Allocation Bonds:					
2011 Series A	\$ -	\$ 8,575,000	\$ -	\$ 8,575,000	\$ -
2011 Series B	-	3,000,000	-	3,000,000	-
Less deferred amounts for for issuance discounts:					
2011 Series A	-	(195,904)	-	(195,904)	-
2011 Series B	-	(65,928)	-	(65,928)	-
 Subtotal bonds payable	 -	 11,313,168	 -	 11,313,168	 -
Leases payable	49,210	-	13,831	35,379	14,315
Compensated absences	400,190	197,900	175,385	422,705	84,541
 Subtotal other	 449,400	 197,900	 189,216	 458,084	 98,856
 Total long-term liabilities	 <u>\$ 449,400</u>	 <u>\$11,511,068</u>	 <u>\$ 189,216</u>	 <u>\$11,771,252</u>	 <u>\$ 98,856</u>

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Tax Allocation Bonds 2011 Series A

In March 2011, the Agency issued Twentynine Palms Redevelopment Agency Tax Allocation Bonds, Series A, in the aggregate principal amount of \$8,575,000. The bonds are dated March 1, 2011 and are in denominations of \$5,000 and bear interest rates ranging from 6.625% to 7.650%. Principal is payable annually on September 1, beginning on September 1, 2019. Interest is payable semi-annually on February 1 and September 1. The bonds mature between September 1, 2019 and June 1, 2042 in amounts ranging from \$55,000 to \$740,000. Per the bond indenture, a reserve is required to be maintained. At June 30, 2011, the balance held in the reserve account was \$799,976.

Proceeds from the bonds are to be used to i) finance redevelopment activities, ii) satisfy the reserve requirement for the Series A bonds, and iii) provide for costs of issuing the bonds.

Housing Tax Allocation Bonds 2011 Series B

In March 2011, the Agency issued Twentynine Palms Redevelopment Agency Housing Tax Allocation Bonds, Series B, in the aggregate principal amount of \$3,000,000. The bonds are dated March 1, 2011 and are in denominations of \$5,000 and bear interest rates ranging from 5.00% to 7.65%. Principal is payable annually on September 1, beginning on September 1, 2012. Interest is payable semi-annually on February 1 and September 1. The bonds mature between September 1, 2012 and June 1, 2042 in amounts ranging from \$30,000 to \$235,000. Per the bond indenture, a reserve is required to be maintained. At June 30, 2011, the balance held in the reserve account was \$254,810.

Proceeds from the bonds are to be used to i) finance low and moderate income housing activities, ii) satisfy the reserve requirement for the Series B bonds, and iii) provide for costs of issuing the bonds.

Pledged revenues

The Agency has pledged 100% of future tax increment revenue (less amounts payable by or required to be set aside by the Agency under any pass-through agreements and by the amount required to be set aside for low and moderate income housing as required by the California Health and Safety Code) as security for the *2011 Tax Allocation Bonds Series A and B* in the amount of \$31,575,732 (total principal and interest at issuance). The pledge is considered outstanding for the duration of the debt service requirements. Total pledged revenues for the fiscal year ended June 30, 2011, totaled \$1,809,169 with the required debt service amount of \$-0- (principal and interest paid in the fiscal year ended June 30, 2011 on the bonds).

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Debt service requirements to maturity

The scheduled annual minimum debt service requirements of the TABs Series A at June 30, 2011 are as follows:

Tax Allocation Bonds Series A		
<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 540,991
2013	-	642,760
2014	-	642,760
2015	-	642,760
2016	-	642,760
2017-2021	165,000	3,204,707
2022-2026	950,000	3,002,915
2027-2031	1,345,000	2,592,622
2032-2036	1,915,000	1,992,040
2037-2041	2,770,000	1,108,484
2042-2043	1,430,000	111,305
Totals	<u>\$ 8,575,000</u>	<u>\$ 15,124,104</u>

The scheduled annual minimum debt service requirements of the Housing TABs Series B at June 30, 2011 are as follows:

Housing Tax Allocation Bonds Series B		
<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ 184,985
2013	30,000	219,034
2014	30,000	217,534
2015	30,000	216,034
2016	35,000	214,409
2017-2021	215,000	1,036,941
2022-2026	300,000	950,547
2027-2031	425,000	819,672
2032-2036	605,000	630,774
2037-2041	875,000	351,329
2042-2043	455,000	35,369
Totals	<u>\$ 3,000,000</u>	<u>\$ 4,876,628</u>

City of Twentynine Palms

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 7: Long-term liabilities (continued)

Leases payable

During the fiscal year ended June 30, 2009, the City entered into a lease-purchase agreement for the acquisition of a photocopier and printer. Principal and interest on the lease is payable in monthly installments of \$743 through June 2013. \$ 16,338

During the fiscal year ended June 30, 2010, the City entered into a lease-purchase agreement for the acquisition of a photocopier. Principal and interest on the lease is payable in monthly installments of \$527 through June 2014. 19,041

Total leases payable \$ 35,379

Future minimum lease obligations are as follows:

Year ending June 30	Principal	Interest
2012	\$ 14,315	\$ 920
2013	14,817	418
2014	6,247	76
Totals	\$ 35,379	\$ 1,414

The gross amount of assets purchased through the above lease-purchase agreements by major class are as follows:

	Governmental activities
Assets:	
Office equipment	\$ 69,999
Total	\$ 69,999

Compensated absences

For governmental funds, accumulated vacation and sick leave benefits payable in future years when used by the City employees amounted to \$422,705 at June 30, 2011. These amounts are payable from future resources and therefore have been recorded in long-term liabilities in the government-wide financial statements. Vacation benefits and sick leave are recorded as expenditures in the related governmental fund financial statements when used. Upon retirement or termination, the expenditures are recorded in the fund which incurred the original obligation. Compensated absences liabilities are generally liquidated by the General Fund.

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 8: City employees' retirement plan (Defined benefit pension plan)

Plan description

The City of Twentynine Palms contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. As of fiscal year 2007, entities participating in the California Public Employees Retirement System (PERS) with less than one hundred members are mandated by the State to be in a risk pool. The City of Twentynine Palms has less than one hundred members participating in PERS and has presented information based on the requirements of cost-sharing multiple-employer defined benefits plans since certain information for an agent multiple-employer defined benefit plan are unavailable. Copies of the PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8% of their annual covered salary. The City makes the contributions required of City employees. The City is required to contribute at an actuarially determined rate. These rates were determined as part of the June 30, 2008 actuarial valuation: the current rate is 15.575% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

THREE-YEAR TREND INFORMATION

<u>Fiscal year ended June 30,</u>	<u>Annual pension cost</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2009	\$ 411,515	100%	\$ -
2010	443,037	100%	-
2011	462,025	100%	-

Miscellaneous employees

For the fiscal year ended June 30, 2011, the City's annual pension cost for miscellaneous employees, of \$462,025 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year ended June 30, 2011 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value).

PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Beginning on July 1, 1997, all changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology will be amortized separately over a 20-year period. In additions, all gains or losses will be tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 9: Other post employment benefits

Plan description

The City offers its employees health care coverage through the California Public Employees Retirement System (CalPERS). There are two preferred provider organizations and four health maintenance organizations available at cost starting from \$370 per month for two persons. The City pays the first \$500 per month for each employee.

Retired employees are eligible for the same plans as active employees, subject to Medicare supplement for those who qualify. The City currently pays \$500 per month toward each retirees' premiums. There are currently seven retired City employees covered under this provision.

CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding policy

The contribution requirements of plan members and the City are established and may be amended by the City Council Members. The City contributes 100% of the retiree and dependent up to the maximum of cost of \$500 per month. For the fiscal year ended June 30, 2011, the City contributed \$141,828 to the plan, which was 100% of the *annual required contribution of the employer, (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC rate is 7.4% of the annual covered payroll. The plan is financed on a pay-as-you-go basis.

Annual OPEB cost

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal year ended</u> <u>June 30,</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual</u> <u>OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2009	N/A	N/A	N/A
2010	\$ 159,598	100%	\$ -
2011	141,828	100%	-

GASB Statement No. 45 was implemented in the fiscal year ended June 30, 2010.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 9: Other post employment benefits (continued)

Funded status and funding progress

The funding status of the plan as of June 30, 2011 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,318,287
Actuarial Value of Plan Assets	<u>133,122</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,185,165</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	10.10%
Covered Payroll (Active Plan Members)	\$ 1,926,863
UAAL as a Percentage of Covered Payroll	61.51%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation date	January 1, 2010
Funding method	Entry Age Normal Cost, Level of Percentage of Pay
Asset variation method	Market value of asset, adjusted for timing of advance or accrued contributions
Discount rate	7.75% per annum
Health care trend rate	4.5% to 9%
Assumed increase for amortization payments	3.25% per year were determined on a percent of pay basis
Retirement rates	2.5% at age of 55
Increase in employer cost sharing	The current dollar cap on employer cost-sharing is assumed to increase at the rate of 5.25% annually

City of Twentynine Palms

Notes to the Basic Financial Statements For the year ended June 30, 2011

Note 10: Jointly controlled government

On October 16, 1989, the Morongo Basin Transit Authority was created as a joint powers agency by the County of San Bernardino, the City of Twentynine Palms, and the Town of Yucca Valley. The system will provide transit services in the City and certain surrounding areas of the Morongo Basin as a means of meeting the transit needs of various transit-dependent groups within the area. The system is primarily funded by Article 8 funds. The City has an ongoing responsibility for providing funding on an annual basis for operating costs of the Authority, but the City has no equity interest in, or claim to the assets of, the Authority.

Summarized audited financial information of the Morongo Basin Transit Authority for the year ended June 30, 2010, is as follows:

Current assets	\$	1,380,515
Noncurrent assets		8,464,506
Total assets	\$	<u>9,845,021</u>
Total liabilities	\$	1,380,515
Total net assets	\$	<u>8,464,506</u>
Operating revenue	\$	405,092
Operating expenses		(3,033,774)
Operating loss		<u>(2,628,682)</u>
Non-operating revenue		3,818,618
Change in net assets	\$	<u>1,189,936</u>

The financial statements can be obtained from the Authority at 62405 Verbena Road, Joshua Tree, CA 92252.

Note 11: Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

In July 1988, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 37 California cities, was established in May 1986 to pool resources, share risk, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from each participating city.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 11: Risk management (continued)

General liability

The City is self-insured for general liability claims up to \$5,000 for each occurrence. Coverage for individual losses in excess of \$5,000, up to \$1,000,000, is provided through PARSAC. Under this program, members share in losses between the members' individual self-insured retentions and \$1,000,000 under a risk sharing pool program; and from \$1,000,000 to \$34,000,000 coverage is provided by an outside insurance carrier acquired through PARSAC's insurance-purchasing pool program. Coverage provided by the outside carrier by PARSAC may not exactly match the PARSAC coverage extended to the City.

The financial statements of PARSAC can be obtained from the Authority at 1525 Response Road, Suite One, Sacramento, California 95815.

Estimates for all liabilities have been accrued in the Self-Insurance Internal Service Fund, which includes an estimate for incurred but not reported claims. At June 30, 2011, total estimated claims payable were \$90,000. The City retains a risk of loss due to the fact that actual losses may exceed estimated claims or coverage amounts.

Workers' compensation

The City participates in PARSAC's Workers' Compensation Program. Under this program PARSAC provides a risk-sharing program from the first dollar up to \$500,000. Beyond this limit, PARSAC provides coverage through an insurance purchasing pool program up to \$5,000,000.

Liability for uninsured claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported, based on claims experience. Claims activity for the years ended June 30, 2011 and the two previous years were as follows:

<u>Fiscal year ended June 30,</u>	<u>Beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Actual claim payments</u>	<u>End of year</u>
2009	\$ 75,000	\$ 5,000	\$ (5,000)	\$ 75,000
2010	75,000	15,095	(95)	90,000
2011	90,000	5,000	(5,000)	90,000

Property insurance

The City purchases property insurance through the California Public Entity Property Program, which is a statewide pool that includes PARSAC (the pool the City participates in), as well as other pools throughout the state. The all risk policy covers all the City's buildings and equipment including auto collision and comprehensive.

There was no significant reduction in insurance coverage by major categories of risk from the fiscal year ended June 30, 2010 to the fiscal year ended June 30, 2011. Furthermore, there was no settlement which exceeded the insurance coverage for the past three fiscal years.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

Note 11: Risk management (continued)

Employee dishonesty

The City is also covered through PARSAC for employee dishonesty, forgery, theft, etc. Insurance is provided by an outside carrier with a \$2,500 deductible and coverage of \$1,000,000 per occurrence.

Note 12: Revenue limitations imposed by California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees subject to the provisions of Proposition 218, and require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

The City staff provided a report to the City Council, which stated that the impact of Proposition 218 on the City is minimal. The report further stated that the City has not used assessments as a financing mechanism to provide services and that all City revenue sources are allowed under Proposition 218.

Note 13: Commitments and contingencies

Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

Grants

The City has received State and Federal funds for specific purposes that are subject to audit by the grantor agencies.

Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Note 14: Recent changes in legislation affecting California redevelopment agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each agency would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the agency "may use any available funds not otherwise obligated for other uses" to make this payment. The Agency intends to use available monies of its redevelopment agency for this purpose. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

**Notes to the Basic Financial Statements
For the year ended June 30, 2011**

**Note 14: Recent changes in legislation affecting California redevelopment agencies
(continued)**

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or state government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 9, 2011, the Agency adopted Ordinance No. 240 indicating it will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the agency is \$640,194 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$195,000 will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state.

REQUIRED SUPPLEMENTARY INFORMATION

City of Twentynine Palms

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$6,215,000	\$6,805,000	\$ 7,492,890	\$ 687,890
Licenses, permits and fees	236,000	236,000	308,165	72,165
Intergovernmental	50,000	50,000	28,578	(21,422)
Charges for services	280,000	280,000	329,244	49,244
Fines, forfeitures and penalties	-	-	7,896	7,896
Investment earnings	75,000	75,000	68,596	(6,404)
Other	60,000	30,000	85,516	55,516
Total revenues	<u>6,916,000</u>	<u>7,476,000</u>	<u>8,320,885</u>	<u>844,885</u>
Expenditures				
Current:				
General government	1,464,100	1,593,300	1,467,482	125,818
Public safety	3,485,900	3,503,900	3,536,686	(32,786)
Public works	33,100	33,100	30,656	2,444
Community development	963,800	943,800	575,845	367,955
Community services	1,412,100	1,518,200	1,451,816	66,384
Debt service:				
Principal retirement	14,500	23,000	13,831	9,169
Interest and fiscal charges	-	-	1,081	(1,081)
Capital outlay	89,000	306,200	209,765	96,435
Total expenditures	<u>7,462,500</u>	<u>7,921,500</u>	<u>7,287,162</u>	<u>634,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(546,500)</u>	<u>(445,500)</u>	<u>1,033,723</u>	<u>1,479,223</u>
Other financing sources (uses)				
Transfers in	48,000	48,000	48,000	-
Transfers out	-	(100,000)	-	100,000
Proceeds from sale of capital assets	-	-	126,850	126,850
Total other financing sources (uses)	<u>48,000</u>	<u>(52,000)</u>	<u>174,850</u>	<u>226,850</u>
Net change in fund balance	<u>\$ (498,500)</u>	<u>\$ (497,500)</u>	1,208,573	<u>\$ 1,706,073</u>
Fund balance, beginning of year			<u>10,819,159</u>	
Fund balance, end of year			<u>\$ 12,027,732</u>	

City of Twentynine Palms

**Required Supplementary Information
Budgetary Comparison Schedule
Article 8 Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 250,000	\$ 849,000	\$ 398,763	\$ (450,237)
Investment earnings	1,500	1,500	-	(1,500)
Other	-	-	10,145	10,145
	<u>251,500</u>	<u>850,500</u>	<u>408,908</u>	<u>(441,592)</u>
Expenditures				
Current:				
Public works	344,400	391,400	372,879	18,521
Capital outlay	-	480,000	522,059	(42,059)
	<u>344,400</u>	<u>871,400</u>	<u>894,938</u>	<u>(23,538)</u>
Deficiency of revenues under expenditures	<u>\$ (92,900)</u>	<u>\$ (20,900)</u>	<u>(486,030)</u>	<u>\$ (465,130)</u>
Fund balance, beginning of year			<u>171,989</u>	
Fund balance, end of year			<u>\$ (314,041)</u>	

City of Twentynine Palms

**Required Supplementary Information
Budgetary Comparison Schedule
Redevelopment Agency Low and Moderate
Income Housing Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 350,000	\$ 350,000	\$ 365,573	\$ 15,573
Investment earnings	12,000	12,000	11,431	(569)
Total revenues	<u>362,000</u>	<u>362,000</u>	<u>377,004</u>	<u>15,004</u>
Expenditures				
Current:				
General government	19,500	19,500	32,866	(13,366)
Community development	1,968,800	1,956,800	42,125	1,914,675
Debt service:				
Bond issuance costs	-	-	113,913	(113,913)
Total expenditures	<u>1,988,300</u>	<u>1,976,300</u>	<u>188,904</u>	<u>1,787,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,626,300)</u>	<u>(1,614,300)</u>	<u>188,100</u>	<u>1,802,400</u>
Other financing sources (uses)				
Tax allocation bonds issued	-	-	3,000,000	3,000,000
Discount on bonds issued	-	-	(65,928)	(65,928)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,934,072</u>	<u>2,934,072</u>
Net change in fund balance	<u>\$ (1,626,300)</u>	<u>\$ (1,614,300)</u>	<u>3,122,172</u>	<u>\$ 4,736,472</u>
Fund balance, beginning of year			<u>1,767,998</u>	
Fund balance, end of year			<u>\$ 4,890,170</u>	

City of Twentynine Palms

**Required Supplementary Information
Other post employment benefits
Schedule of funding progress**

Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) - Entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll [(b-a)/c]
1/1/2010	\$ 133,122	\$ 1,318,287	\$ 1,185,165	10.10%	\$ 1,926,863	61.51%

**Notes to Required Supplementary Information
For the year ended June 30, 2011**

Note 1: Budgetary data

Revenues and expenditures accounted for in the governmental funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City's operations.

Budgets have been adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for nearly all governmental funds.

Budgetary control is exercised at the departmental level. Accordingly, department heads are authorized to make transfers between budgeted line items within their respective departments. Interdepartmental transfers within funds require City Manager authorization; all other changes to the budget must be authorized by the City Council.

SUPPLEMENTAL SCHEDULES

Description of Nonmajor Funds

Special revenue funds:

Special revenue funds are used to account for special revenues and the related expenditures, which are legally required to be kept in a separate fund.

Traffic Safety Fund - this fund accounts for the portion of traffic fines allocated to the City. Periodically, transfers are made to the General Fund to be used for safety-related programs.

Gas Tax Fund - this fund accounts for monies received from the State that are earmarked for street repairs.

Traffic Congestion Relief Fund - this fund accounts for monies received under federal and state programs to enforce traffic congestion relief.

Article 3 Fund - this fund accounts for funds received for the construction of bicycle paths within the City.

Fire Facilities Impact Fee Fund - this fund accounts for development fees charged by the City to be used for the construction/expansion of offsite capital improvements to fire facilities.

Community Development Block Grant Fund - this fund accounts for federal grants under the Department of Housing and Urban Development (HUD) Community Development Block Grant (CDEG) Program.

Municipal Lighting Fund - this fund accounts for funds set aside (generally from the Gas Tax Fund) to pay for street lighting within the City.

Lighting and Landscape A.D. Fund - this fund accounts for funds received for the maintenance of the perimeter landscaping from all houses in a new subdivision.

Public Access Programming Fund - this fund accounts for \$72,000 plus \$.50 per subscriber the City receives from Time Warner to provide public access programming.

Recycling Fund - this fund accounts for funds received for the recycling, waste management, and abatement programs.

Measure I Fund - this fund accounts for the City's portion of funds designated for various transportation and street repair needs.

Measure I 2011 Fund - this is a new fund created in fiscal year 2010-2011 to account for the City's portion of funds designated for various transportation and street repair needs.

Adobe Road Grant Fund - this fund accounts for funds received from the Department of the Navy to be used for improvements to Adobe Road.

Capital projects funds:

Capital projects funds are used to account for the improvements undertaken by the Agency, funded by loans from other funds of the City or bond proceeds.

Capital Improvements Fund - this fund accounts for all capital grants for the acquisition or construction of major capital items, other than CDBG monies.

City of Twentynine Palms

Description of Major Funds

Capital projects funds:

Redevelopment Agency Capital Projects Fund - this fund accounts for improvements undertaken by the Agency, funded by other sources of the City or bond proceeds.

Debt service fund:

Redevelopment Agency Debt Service Fund - this fund accounts for property tax increment revenue used to pay principal and interest on Agency indebtedness.

City of Twentynine Palms

**Combining Balance Sheet
Nonmajor Funds
June 30, 2011**

	Special revenue				
	Traffic Safety	Gas Tax	Traffic Congestion Relief	Article 3	Fire Facilities Impact Fee
Assets					
Cash and investments	\$272,999	\$407,158	\$ 351,435	\$ 96,929	\$ -
Receivables:					
Intergovernmental	6,702	-	-	-	-
Taxes	-	94,103	-	-	-
Other	-	-	-	-	-
Total assets	<u>\$279,701</u>	<u>\$501,261</u>	<u>\$ 351,435</u>	<u>\$ 96,929</u>	<u>\$ -</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,449	\$ 4,220	\$ 1,210	\$ -	\$ -
Due to other funds	-	-	-	-	283,103
Deferred revenue	-	-	-	-	-
Total liabilities	<u>1,449</u>	<u>4,220</u>	<u>1,210</u>	<u>-</u>	<u>283,103</u>
Fund balances (deficit):					
Restricted for:					
Public safety	278,252	-	-	-	-
Public works	-	497,041	350,225	96,929	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(283,103)
Total fund balances (deficit)	<u>278,252</u>	<u>497,041</u>	<u>350,225</u>	<u>96,929</u>	<u>(283,103)</u>
Total liabilities and fund balances	<u>\$279,701</u>	<u>\$501,261</u>	<u>\$ 351,435</u>	<u>\$ 96,929</u>	<u>\$ -</u>

Special revenue					
Community Development Block Grant	Municipal Lighting	Lighting and Landscape A.D.	Public Access Programming	Recycling	Measure I
\$ -	\$ -	\$ 58,110	\$ 91,054	\$ 33,248	\$ 2,725,203
59,531	-	-	-	24,756	-
-	-	1,479	-	-	-
-	-	-	4,043	-	-
<u>\$ 59,531</u>	<u>\$ -</u>	<u>\$ 59,589</u>	<u>\$ 95,097</u>	<u>\$ 58,004</u>	<u>\$ 2,725,203</u>
\$ 660	\$ 4,605	\$ 1,780	\$ 400	\$ 270	\$ 55
46,408	1,187	-	-	-	-
12,463	-	-	-	-	-
<u>59,531</u>	<u>5,792</u>	<u>1,780</u>	<u>400</u>	<u>270</u>	<u>55</u>
-	-	-	-	-	-
-	-	57,809	-	-	2,725,148
-	-	-	94,697	57,734	-
-	(5,792)	-	-	-	-
<u>-</u>	<u>(5,792)</u>	<u>57,809</u>	<u>94,697</u>	<u>57,734</u>	<u>2,725,148</u>
<u>\$ 59,531</u>	<u>\$ -</u>	<u>\$ 59,589</u>	<u>\$ 95,097</u>	<u>\$ 58,004</u>	<u>\$ 2,725,203</u>

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City of Twentynine Palms

**Combining Balance Sheet (continued)
Nonmajor Funds
June 30, 2011**

	Special revenue		Capital projects	Total
	Measure I 2011	Adobe Road Grant	Capital Improvements	Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 395,787	\$ -	\$ -	\$ 4,431,923
Receivables:				
Intergovernmental	-	-	79,260	170,249
Taxes	-	-	-	95,582
Other	-	-	-	4,043
Total assets	\$ 395,787	\$ -	\$ 79,260	\$ 4,701,797
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 14,649
Due to other funds	-	-	108,910	439,608
Deferred revenue	-	-	79,260	91,723
Total liabilities	-	-	188,170	545,980
Fund balances (deficit):				
Restricted for:				
Public safety	-	-	-	278,252
Public works	395,787	-	-	4,122,939
Assigned	-	-	-	152,431
Unassigned	-	-	(108,910)	(397,805)
Total fund balances (deficit)	395,787	-	(108,910)	4,155,817
Total liabilities and fund balances	\$ 395,787	\$ -	\$ 79,260	\$ 4,701,797

City of Twentynine Palms

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
For the year ended June 30, 2011**

	Special revenue				
	Traffic Safety	Gas Tax	Traffic Congestion Relief	Article 3	Fire Facilities Impact Fee
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	769,469	720,375	18,928	-
Charges for services	-	-	-	-	-
Fines, forfeitures and penalties	78,050	-	-	-	-
Investment earnings	1,245	751	1,673	390	-
Total revenues	<u>79,295</u>	<u>770,220</u>	<u>722,048</u>	<u>19,318</u>	<u>-</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	283,103
Public works	34,045	400,128	304,474	-	-
Health and sanitation	-	-	-	-	-
Capital outlay	-	6,673	818,805	-	-
Total expenditures	<u>34,045</u>	<u>406,801</u>	<u>1,123,279</u>	<u>-</u>	<u>283,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,250</u>	<u>363,419</u>	<u>(401,231)</u>	<u>19,318</u>	<u>(283,103)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(48,000)</u>	<u>(48,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(48,000)</u>	<u>(48,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,750)	314,915	(401,231)	19,318	(283,103)
Fund balances (deficit), beginning of year	<u>281,002</u>	<u>182,126</u>	<u>751,456</u>	<u>77,611</u>	<u>-</u>
Fund balances (deficit), end of year	<u>\$278,252</u>	<u>\$497,041</u>	<u>\$ 350,225</u>	<u>\$ 96,929</u>	<u>\$ (283,103)</u>

Special revenue					
Community Development Block Grant	Municipal Lighting	Lighting and Landscape A.D.	Public Access Programming	Recycling	Measure I
\$ -	\$ -	\$ 6,983	\$ -	\$ -	\$ -
207,622	-	-	-	46,500	-
-	-	25,591	13,475	-	-
-	-	-	-	-	-
-	26	220	399	1,277	15,159
<u>207,622</u>	<u>26</u>	<u>32,794</u>	<u>13,874</u>	<u>47,777</u>	<u>15,159</u>
-	-	-	4,600	-	-
-	-	-	-	-	-
-	59,232	23,286	-	-	7,731
-	-	-	-	84,726	-
207,622	-	-	-	-	87,252
<u>207,622</u>	<u>59,232</u>	<u>23,286</u>	<u>4,600</u>	<u>84,726</u>	<u>94,983</u>
-	(59,206)	9,508	9,274	(36,949)	(79,824)
-	48,504	-	-	-	-
-	-	-	-	-	-
-	48,504	-	-	-	-
-	(10,702)	9,508	9,274	(36,949)	(79,824)
-	4,910	48,301	85,423	94,683	2,804,972
<u>\$ -</u>	<u>\$ (5,792)</u>	<u>\$ 57,809</u>	<u>\$ 94,697</u>	<u>\$ 57,734</u>	<u>\$ 2,725,148</u>

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City of Twentynine Palms

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Nonmajor Funds
For the year June 30, 2011**

	Special revenue		Capital projects	Total
	Measure I 2011	Adobe Road Grant	Capital Improvements	Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 6,983
Intergovernmental	394,909	629,637	-	2,787,440
Charges for services	-	-	-	39,066
Fines, forfeitures and penalties	-	-	-	78,050
Investment earnings	878	-	-	22,018
Total revenues	<u>395,787</u>	<u>629,637</u>	<u>-</u>	<u>2,933,557</u>
Expenditures				
Current:				
General government	-	-	-	4,600
Public safety	-	-	-	283,103
Public works	-	-	-	828,896
Health and sanitation	-	-	-	84,726
Capital outlay	-	629,637	29,650	1,779,639
Total expenditures	<u>-</u>	<u>629,637</u>	<u>29,650</u>	<u>2,980,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>395,787</u>	<u>-</u>	<u>(29,650)</u>	<u>(47,407)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	48,504
Transfers out	-	-	-	(96,504)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,000)</u>
Net change in fund balances	395,787	-	(29,650)	(95,407)
Fund balances, beginning of year	-	-	(79,260)	4,251,224
Fund balances, end of year	<u>\$ 395,787</u>	<u>\$ -</u>	<u>\$ (108,910)</u>	<u>\$ 4,155,817</u>

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Safety Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Fines, forfeitures and penalties	\$ 90,000	\$ 90,000	\$ 78,050	\$ (11,950)
Investment earnings	2,500	2,500	1,245	(1,255)
Total revenues	<u>92,500</u>	<u>92,500</u>	<u>79,295</u>	<u>(13,205)</u>
Expenditures				
Current:				
Public works	<u>44,000</u>	<u>74,000</u>	<u>34,045</u>	<u>39,955</u>
Total expenditures	<u>44,000</u>	<u>74,000</u>	<u>34,045</u>	<u>39,955</u>
Excess of revenues over expenditures	<u>48,500</u>	<u>18,500</u>	<u>45,250</u>	<u>26,750</u>
Other financing uses				
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Total other financing uses	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 500</u>	<u>\$ (29,500)</u>	<u>(2,750)</u>	<u>\$ 26,750</u>
Fund balance, beginning of year			<u>281,002</u>	
Fund balance, end of year			<u>\$ 278,252</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 448,000	\$ 448,000	\$ 769,469	\$ 321,469
Investment earnings	400	400	751	351
Total revenues	<u>448,400</u>	<u>448,400</u>	<u>770,220</u>	<u>321,820</u>
Expenditures				
Current:				
Public works	424,100	424,100	400,128	23,972
Capital outlay	-	-	6,673	(6,673)
Total expenditures	<u>424,100</u>	<u>424,100</u>	<u>406,801</u>	<u>17,299</u>
Excess of revenues over expenditures	<u>24,300</u>	<u>24,300</u>	<u>363,419</u>	<u>339,119</u>
Other financing uses				
Transfers out	<u>(48,500)</u>	<u>(48,500)</u>	<u>(48,504)</u>	<u>(4)</u>
Total other financing uses	<u>(48,500)</u>	<u>(48,500)</u>	<u>(48,504)</u>	<u>(4)</u>
Net change in fund balance	<u>\$ (24,200)</u>	<u>\$ (24,200)</u>	314,915	<u>\$ 339,115</u>
Fund balance, beginning of year			<u>182,126</u>	
Fund balance, end of year			<u>\$ 497,041</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Traffic Congestion Relief Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 279,000	\$ 716,000	\$ 720,375	\$ 4,375
Investment earnings	1,000	1,000	1,673	673
Total revenues	<u>280,000</u>	<u>717,000</u>	<u>722,048</u>	<u>5,048</u>
Expenditures				
Current:				
Public works	596,000	335,000	304,474	30,526
Capital outlay	-	1,062,000	818,805	243,195
Total expenditures	<u>596,000</u>	<u>1,397,000</u>	<u>1,123,279</u>	<u>273,721</u>
Deficiency of revenues under expenditures	<u>\$ (316,000)</u>	<u>\$ (680,000)</u>	(401,231)	<u>\$ 278,769</u>
Fund balance, beginning of year			<u>751,456</u>	
Fund balance, end of year			<u>\$ 350,225</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Article 3 Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 18,928	\$ 3,928
Investment earnings	250	250	390	140
Total revenues	<u>15,250</u>	<u>15,250</u>	<u>19,318</u>	<u>4,068</u>
Expenditures				
Current:				
Community development	<u>18,300</u>	<u>18,300</u>	<u>-</u>	<u>18,300</u>
Total expenditures	<u>18,300</u>	<u>18,300</u>	<u>-</u>	<u>18,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,050)</u>	<u>\$ (3,050)</u>	19,318	<u>\$ 22,368</u>
Fund balance, beginning of year			<u>77,611</u>	
Fund balance, end of year			<u>\$ 96,929</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 119,000	\$ 250,000	\$ 207,622	\$ (42,378)
Total revenues	119,000	250,000	207,622	(42,378)
Expenditures				
Capital outlay	119,000	315,000	207,622	107,378
Total expenditures	119,000	315,000	207,622	107,378
Deficiency of revenues under expenditures	\$ -	\$ (65,000)	-	\$ 65,000
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Lighting Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Investment earnings	\$ 50	\$ 50	\$ 26	\$ (24)
Total revenues	50	50	26	(24)
Expenditures				
Current:				
Public works	49,000	49,000	59,232	(10,232)
Total expenditures	49,000	49,000	59,232	(10,232)
Deficiency of revenues under expenditures	(48,950)	(48,950)	(59,206)	(10,256)
Other financing sources				
Transfers in	48,000	48,000	48,504	504
Total other financing sources	48,000	48,000	48,504	504
Net change in fund balance	<u>\$ (950)</u>	<u>\$ (950)</u>	(10,702)	<u>\$ (9,752)</u>
Fund balance, beginning of year			4,910	
Fund balance, end of year			<u>\$ (5,792)</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Lighting and Landscape A.D. Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 6,983	\$ 6,983
Charges for services	22,000	22,000	25,591	3,591
Investment earnings	300	300	220	(80)
	<u>22,300</u>	<u>22,300</u>	<u>32,794</u>	<u>10,494</u>
Total revenues				
Expenditures				
Current:				
Public works	<u>31,600</u>	<u>31,600</u>	<u>23,286</u>	<u>8,314</u>
Total expenditures	<u>31,600</u>	<u>31,600</u>	<u>23,286</u>	<u>8,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,300)</u>	<u>\$ (9,300)</u>	9,508	<u>\$ 18,808</u>
Fund balance, beginning of year			<u>48,301</u>	
Fund balance, end of year			<u>\$ 57,809</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Public Access Programming Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Charges for services	\$ 12,000	\$ 12,000	\$ 13,475	\$ 1,475
Investment earnings	500	500	399	(101)
Total revenues	<u>12,500</u>	<u>12,500</u>	<u>13,874</u>	<u>1,374</u>
Expenditures				
Current:				
General government	<u>22,500</u>	<u>22,500</u>	<u>4,600</u>	<u>17,900</u>
Total expenditures	<u>22,500</u>	<u>22,500</u>	<u>4,600</u>	<u>17,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	9,274	<u>\$ 19,274</u>
Fund balance, beginning of year			<u>85,423</u>	
Fund balance, end of year			<u>\$ 94,697</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Recycling Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 57,000	\$ 57,000	\$ 46,500	\$ (10,500)
Investment earnings	1,000	1,000	1,277	277
Total revenues	<u>58,000</u>	<u>58,000</u>	<u>47,777</u>	<u>(10,223)</u>
Expenditures				
Current:				
Health and sanitation	<u>98,700</u>	<u>108,700</u>	<u>84,726</u>	<u>23,974</u>
Total expenditures	<u>98,700</u>	<u>108,700</u>	<u>84,726</u>	<u>23,974</u>
Deficiency of revenues under expenditures	<u>\$ (40,700)</u>	<u>\$ (50,700)</u>	(36,949)	<u>\$ 13,751</u>
Fund balance, beginning of year			<u>94,683</u>	
Fund balance, end of year			<u>\$ 57,734</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Measure I Special Revenue Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Intergovernmental	\$ 470,000	\$ 470,000	\$ -	\$ (470,000)
Investment earnings	22,000	22,000	15,159	(6,841)
Total revenues	<u>492,000</u>	<u>492,000</u>	<u>15,159</u>	<u>(476,841)</u>
Expenditures				
Current:				
Public works	977,000	902,000	7,731	894,269
Capital outlay	<u>200,000</u>	<u>275,000</u>	<u>87,252</u>	<u>187,748</u>
Total expenditures	<u>1,177,000</u>	<u>1,177,000</u>	<u>94,983</u>	<u>1,082,017</u>
Deficiency of revenues under expenditures	<u>\$ (685,000)</u>	<u>\$ (685,000)</u>	(79,824)	<u>\$ 605,176</u>
Fund balance, beginning of year			<u>2,804,972</u>	
Fund balance, end of year			<u>\$ 2,725,148</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvements Capital Projects Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Capital outlay	<u>-</u>	<u>351,000</u>	<u>29,650</u>	<u>321,350</u>
Total expenditures	<u>-</u>	<u>351,000</u>	<u>29,650</u>	<u>321,350</u>
Deficiency of revenues under expenditures	<u>\$ -</u>	<u>\$ (351,000)</u>	(29,650)	<u>\$ 321,350</u>
Fund balance, beginning of year			<u>(79,260)</u>	
Fund balance, end of year			<u>\$ (108,910)</u>	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Capital Projects Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Investment earnings	\$ 2,500	\$ 5,000	\$ 5,776	\$ 776
Total revenues	2,500	5,000	5,776	776
Expenditures				
Current:				
General government	153,600	153,600	76,631	76,969
Community development	1,989,700	739,700	252,441	487,259
Debt service:				
Bond issuance costs	-	-	172,228	(172,228)
Capital outlay	350,000	1,600,000	417,077	1,182,923
Total expenditures	2,493,300	2,493,300	918,377	1,574,923
Deficiency of revenues under expenditures	(2,490,800)	(2,488,300)	(912,601)	1,575,699
Other financing sources (uses)				
Tax allocation bonds issued	-	-	7,775,031	7,775,031
Discount on bonds issued	-	-	(195,904)	(195,904)
Transfer in	2,500,000	2,500,000	2,500,000	-
Transfer out	-	-	(1,500,000)	(1,500,000)
Total other financing sources (uses)	2,500,000	2,500,000	8,579,127	6,079,127
Net change in fund balance	\$ 9,200	\$ 11,700	7,666,526	\$ 7,654,826
Fund balance, beginning of year			149,393	
Fund balance, end of year			\$ 7,815,919	

City of Twentynine Palms

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Redevelopment Agency Debt Service Fund
For the year ended June 30, 2011**

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes	\$ 1,550,000	\$ 1,550,000	\$ 1,443,596	\$ (106,404)
Investment earnings	30,000	30,000	6,393	(23,607)
Total revenues	<u>1,580,000</u>	<u>1,580,000</u>	<u>1,449,989</u>	<u>(130,011)</u>
Expenditures				
Current:				
General government	119,000	119,000	102,257	16,743
Debt service:				
Principal retirement	500,000	500,000	-	500,000
Interest and fiscal charges	75,000	75,000	35,930	39,070
Bond issuance costs	-	-	3,600	(3,600)
Pass-through agreements	375,000	375,000	363,910	11,090
Total expenditures	<u>1,069,000</u>	<u>1,069,000</u>	<u>505,697</u>	<u>563,303</u>
Excess of revenues over expenditures	<u>511,000</u>	<u>511,000</u>	<u>944,292</u>	<u>433,292</u>
Other financing sources (uses)				
Tax allocation bonds issued	-	-	799,969	799,969
Transfers in	-	-	1,500,000	1,500,000
Transfers out	(2,500,000)	(2,500,000)	(2,500,000)	-
Total other financing sources (uses)	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(200,031)</u>	<u>2,299,969</u>
Net change in fund balance	<u>\$ (1,989,000)</u>	<u>\$ (1,989,000)</u>	<u>744,261</u>	<u>\$ 2,733,261</u>
Fund balance, beginning of year			<u>708,180</u>	
Fund balance, end of year			<u>\$ 1,452,441</u>	

STATISTICAL SECTION

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City of Twentynine Palms

Statistical Section For the year ended June 30, 2011

This part of the City of Twentynine Palms comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	<u>PAGE</u>
Financial trend information: Intended to assist users in understanding and assessing how a government's financial position has changed over time.	72
Revenue capacity information: Intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own revenue.	85
Debt capacity information: Intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.	89
Demographic and economic information: Intended to assist users in understanding the socioeconomic environment within which a government operates and to provide information that facilitates comparison of financial statement information over time and among governments.	93
Operating information: Intended to provide information about a government's operations and resources in order to assist readers in using financial information to understand and assess a government's economic condition.	95
Statistical section memo: This section includes miscellaneous information regarding the statistical information.	98

City of Twentynine Palms

**Net Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related d	\$ 5,711,917	\$ 8,375,186	\$10,309,511	\$12,289,722
Restricted for:				
Public safety	150,067	151,610	143,113	153,177
Public works	3,414,447	2,557,654	3,044,336	2,209,255
Community development	300,090	499,033	397,893	1,230,482
Unrestricted	2,557,089	3,775,622	5,095,439	6,661,586
Total governmental activities net assets	<u>\$12,133,610</u>	<u>\$15,359,105</u>	<u>\$18,990,292</u>	<u>\$22,544,222</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Invested in capital assets, net of related d	\$12,822,059	\$14,371,388	\$19,366,537	\$21,357,417
Restricted for:				
Public safety	-	-	-	521,645
Public works	3,380,881	2,913,450	3,988,154	5,489,497
Community development	1,035,777	1,434,568	1,767,998	2,986,573
Unrestricted	10,227,991	11,619,920	11,857,942	9,620,967
Total governmental activities net assets	<u>\$27,466,708</u>	<u>\$30,339,326</u>	<u>\$36,980,631</u>	<u>\$39,976,099</u>

City of Twentynine Palms

**Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government	\$ 998,162	\$ 950,652	\$ 1,003,847	\$ 1,075,080
Public safety	2,057,810	2,312,774	2,418,257	2,847,246
Public works	1,443,723	919,695	1,206,710	1,707,961
Community development	313,041	465,366	644,262	928,946
Health and sanitation	57,295	56,373	77,461	66,361
Community services	1,123,353	1,288,953	1,681,623	1,775,994
Interest on long-term debt	28,543	29,345	49,208	68,935
Total expenses	<u>6,021,927</u>	<u>6,023,158</u>	<u>7,081,368</u>	<u>8,470,523</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	16,293	16,225	22,917	20,587
Public safety	165,360	189,259	138,505	181,861
Public works	-	15,922	-	-
Community development	191,527	507,332	1,024,420	781,837
Health and sanitation	125,675	78,678	70,740	72,572
Community services	129,587	124,753	134,004	186,775
Operating grants and contributions	828,387	821,549	1,558,802	846,316
Capital grants and contributions	1,099,537	1,811,895	1,545,262	1,825,549
Total program revenues	<u>2,556,366</u>	<u>3,565,613</u>	<u>4,494,650</u>	<u>3,915,497</u>
Net revenue (expense)	<u>(3,465,561)</u>	<u>(2,457,545)</u>	<u>(2,586,718)</u>	<u>(4,555,026)</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 1,633,862	\$ 1,576,909	\$ 2,105,167	\$ 1,742,040
Public safety	3,349,513	3,328,914	3,373,130	3,827,697
Public works	2,061,423	1,645,905	1,502,859	1,823,536
Community development	1,793,324	2,050,493	1,891,653	1,256,874
Health and sanitation	87,538	93,753	62,153	84,726
Community services	1,363,405	1,475,427	1,461,915	1,580,237
Interest on long-term debt	66,762	44,202	62,927	185,541
Total expenses	10,355,827	10,215,603	10,459,804	10,500,651
Program revenues				
Governmental activities:				
Charges for services:				
General government	187,125	64,328	60,206	72,475
Public safety	181,066	245,581	230,067	197,065
Public works	504,588	478,622	521,369	6,409
Community development	284,802	318,308	272,916	258,625
Health and sanitation	67,228	57,409	48,350	7,235
Community services	171,184	176,164	166,519	202,256
Operating grants and contributions	1,061,923	350,282	781,965	909,008
Capital grants and contributions	2,619,093	1,663,227	5,438,184	2,363,942
Total program revenues	5,077,009	3,353,921	7,519,576	4,017,015
Net revenue (expense)	(5,278,818)	(6,861,682)	(2,940,228)	(6,483,636)

City of Twentynine Palms

**Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)**

	Fiscal year			
	2004	2005	2006	2007
General revenues and other changes in net assets				
Governmental activities:				
Taxes				
Property tax, levied for general purpose	\$ 1,254,775	\$ 1,180,269	\$ 1,356,695	\$ 3,942,427
Property tax, Redevelopment Agency increment	229,037	398,021	522,995	1,322,023
Transient occupancy tax	458,786	479,272	596,167	737,584
Sales and use taxes	768,841	630,569	672,815	709,894
Sales tax in lieu	-	189,112	188,644	231,232
Motor vehicle in lieu tax	1,249,559	2,110,411	1,954,780	183,473
Franchise taxes	389,054	474,874	443,779	407,737
Other taxes	27,717	64,304	79,810	64,710
Total taxes	<u>4,377,769</u>	<u>5,526,832</u>	<u>5,815,685</u>	<u>7,599,080</u>
Investment earnings	43,872	93,041	335,268	401,472
Other	139,437	63,167	66,952	108,404
Total governmental activities	<u>4,561,078</u>	<u>5,683,040</u>	<u>6,217,905</u>	<u>8,108,956</u>
Change in net assets				
Total primary government	<u>\$ 1,095,517</u>	<u>\$ 3,225,495</u>	<u>\$ 3,631,187</u>	<u>\$ 3,553,930</u>

Source: City of Twentynine Palms, Finance Department

Note: GASB Statement No. 34 was implemented in fiscal year 2004, therefore only the prior eight years of data is available.

	Fiscal year			
	2008	2009	2010	2011
General revenues and other changes in net assets				
Governmental activities:				
Taxes				
Property tax, levied for general purpose	\$ 1,991,751	\$ 1,951,420	\$ 1,846,950	\$ 1,839,516
Property tax, Redevelopment Agency increment	1,836,478	1,973,821	1,924,358	1,809,169
Transient occupancy tax	770,206	857,457	901,878	979,480
Sales and use taxes	974,446	809,311	914,726	880,663
Sales tax in lieu	124,320	308,917	367,731	439,321
Motor vehicle in lieu tax	2,545,926	2,754,154	2,748,864	2,697,702
Franchise taxes	592,060	535,866	597,645	644,710
Other taxes	35,808	25,764	19,461	44,072
Total taxes	<u>8,870,995</u>	<u>9,216,710</u>	<u>9,321,613</u>	<u>9,334,633</u>
Investment earnings	577,160	341,994	160,876	111,695
Other	78,950	81,106	99,044	32,776
Total governmental activities	<u>9,527,105</u>	<u>9,639,810</u>	<u>9,581,533</u>	<u>9,479,104</u>
Change in net assets				
Total primary government	<u>\$ 4,248,287</u>	<u>\$ 2,778,128</u>	<u>\$ 6,641,305</u>	<u>\$ 2,995,468</u>

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City of Twentynine Palms

**Governmental Activities - Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)**

Fiscal year	Property	Transient occupancy	Franchise	Sales and Use	Sales in lieu	Motor vehicle in lieu	Other taxes	Total
2002	\$ 1,397,546	\$374,495	\$ 421,296	\$690,849	\$ -	\$ 1,322,722	\$ 15,138	\$ 4,222,046
2003	1,446,392	387,025	335,856	674,539	-	1,577,969	15,964	4,437,745
2004	1,483,812	458,786	389,054	768,841	-	1,249,559	27,717	4,377,769
2005	1,578,290	479,272	474,874	630,569	189,112	2,110,411	64,304	5,526,832
2006	1,879,690	596,167	443,779	672,815	188,644	1,954,780	79,810	5,815,685
2007	5,264,450	737,584	407,737	709,894	231,232	183,473	64,710	7,599,080
2008	3,828,229	770,206	592,060	974,446	124,320	2,545,926	35,808	8,870,995
2009	3,925,241	857,457	535,866	809,311	308,917	2,754,154	25,764	9,216,710
2010	3,771,308	901,878	597,645	914,726	367,731	2,748,864	19,461	9,321,613
2011	3,648,685	979,480	644,710	880,663	439,321	2,697,702	44,072	9,334,633

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

Pre-GASB Statement No. 54	Fiscal year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 361,579	\$ 347,885	\$ 351,507	\$ 600,000	\$ 600,000
Unreserved	1,631,824	2,017,002	2,734,125	3,320,448	4,267,517
Total general fund	<u>\$1,993,403</u>	<u>\$2,364,887</u>	<u>\$3,085,632</u>	<u>\$3,920,448</u>	<u>\$4,867,517</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ 3,420	\$ 60,000	\$ 163,399
Unreserved, reported in:					
Special revenue funds	3,318,119	3,678,907	3,931,627	3,734,377	4,504,941
Debt service funds	(225,219)	(98,323)	29,196	(348,829)	(49,252)
Capital project funds	67,425	(75,128)	(191,080)	(20,907)	(253,157)
Total all other governmental funds	<u>\$3,160,325</u>	<u>\$3,505,456</u>	<u>\$3,773,163</u>	<u>\$3,424,641</u>	<u>\$4,365,931</u>

Source: City of Twentynine Palms, Finance Department

Pre-GASB Statement No. 54	Fiscal year			
	2007	2008	2009	2010
General fund				
Reserved	\$ 1,000,000	\$1,000,000	\$ 500,000	\$ 2,000,000
Unreserved	5,882,438	7,685,217	9,315,919	8,819,159
Total general fund	<u>\$ 6,882,438</u>	<u>\$8,685,217</u>	<u>\$9,815,919</u>	<u>\$10,819,159</u>
All other governmental funds				
Reserved	\$ 170,370	\$1,090,416	\$1,489,207	\$ 2,530,817
Unreserved, reported in:				
Special revenue funds	3,845,182	3,958,681	2,269,655	3,988,154
Debt service funds	(286,796)	792,774	1,976,897	514,319
Capital project funds	557,091	298,897	544,313	15,494
Total all other governmental funds	<u>\$ 4,285,847</u>	<u>\$6,140,768</u>	<u>\$6,280,072</u>	<u>\$ 7,048,784</u>

Post-GASB Statement No. 54	Fiscal year
	2011
General fund	
Restricted for:	
Public safety	\$ 243,393
Public works	1,366,558
Unassigned	10,417,781
	<u>\$12,027,732</u>
All other governmental funds	
Restricted for:	
Low and moderate income housing	\$ 4,890,170
Debt service	1,452,441
Community development	7,815,919
Public safety	278,252
Public works	4,122,939
Assigned	152,431
Unassigned	(711,846)
Total all other governmental funds	<u>\$18,000,306</u>

During the current fiscal year, the City adopted GASB Statement No. 54. This Statement changed the presentation of governmental fund types fund equity. The City chose not to retroactively apply the Statement in the Statistical Section.

City of Twentynine Palms

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$4,269,388	\$4,614,096	\$4,505,052	\$3,935,450	\$4,698,507
Assessments	-	-	599,197	3,407	777
Licenses, permits and fees	536,691	389,434	40,002	354,570	565,843
Intergovernmental	2,519,393	2,310,513	377,056	4,233,524	4,289,036
Charges for services	261,986	267,854	85,951	431,398	708,322
Fines, forfeitures, and penalties	56,493	49,615	1,352,722	36,379	37,904
Investment earnings	175,683	92,682	44,579	157,711	337,102
Other	172,480	135,071	90,950	74,624	69,742
Total revenues	<u>7,992,114</u>	<u>7,859,265</u>	<u>7,095,509</u>	<u>9,227,063</u>	<u>10,707,233</u>
Expenditures					
Current:					
General government	798,324	898,002	822,913	907,750	1,017,916
Public safety	2,071,233	2,119,359	2,037,688	2,294,521	2,398,192
Public works	1,744,351	1,243,192	1,614,238	748,198	910,642
Community development	271,493	286,493	257,754	671,834	544,504
Health and sanitation	-	-	57,295	56,373	77,461
Community services	1,024,078	1,171,482	1,021,815	1,204,328	1,542,600
Debt service:					
Principal retirement	66,057	71,584	54,904	62,094	175,611
Interest and fiscal charges	35,288	21,872	28,543	29,345	49,208
Bond issuance costs	-	-	-	-	-
Pass-through agreements	37,058	46,288	53,789	92,565	100,594
Capital outlay	1,844,013	1,288,744	251,173	2,760,872	2,181,941
Total expenditures	<u>7,891,895</u>	<u>7,147,016</u>	<u>6,200,112</u>	<u>8,827,880</u>	<u>8,998,669</u>
Excess of revenues over (under) expenditures	100,219	712,249	895,397	399,183	1,708,564
Other financing sources (uses)					
Capital leases	-	-	27,150	-	-
Proceeds from long-term debt	20,350	-	-	-	-
Proceeds from sale of capital assets	-	-	11,334	87,111	179,795
Transfers in	525,181	124,000	64,004	1,314,000	72,000
Transfers out	(525,181)	(124,000)	(64,004)	(1,314,000)	(72,000)
Total other financing sources (uses)	<u>20,350</u>	<u>-</u>	<u>38,484</u>	<u>87,111</u>	<u>179,795</u>
Net change in fund balances	<u>\$ 120,569</u>	<u>\$ 712,249</u>	<u>\$ 933,881</u>	<u>\$ 486,294</u>	<u>\$1,888,359</u>
Debt service as a percentage of non-capital expenditures	1.68%	1.60%	1.40%	1.51%	3.30%

Source: City of Twentynine Palms, Finance Department

	Fiscal year				
	2007	2008	2009	2010	2011
Revenues					
Taxes	\$7,924,452	\$9,745,246	\$9,914,823	\$10,475,684	\$ 9,309,042
Assessments	-	-	-	-	-
Licenses, permits and fees	332,904	336,718	372,797	323,867	308,165
Intergovernmental	2,088,417	3,366,768	1,828,515	5,624,482	3,214,781
Charges for services	772,938	268,146	328,302	311,596	368,310
Fines, forfeitures, and penalties	40,421	84,699	126,194	109,032	85,946
Investment earnings	537,805	569,671	339,228	160,218	114,214
Other	114,761	78,950	80,643	90,122	95,661
Total revenues	<u>11,811,698</u>	<u>14,450,198</u>	<u>12,990,502</u>	<u>17,095,001</u>	<u>13,496,119</u>
Expenditures					
Current:					
General government	999,035	1,108,533	1,156,538	1,623,961	1,683,836
Public safety	2,790,099	3,343,946	3,322,176	3,365,222	3,819,789
Public works	1,344,728	1,356,026	1,204,409	1,047,198	1,232,431
Community development	889,474	1,793,324	2,050,493	1,891,653	870,411
Health and sanitation	66,361	87,538	93,753	62,153	84,726
Community services	1,522,554	1,181,567	1,329,349	1,326,243	1,451,816
Debt service:					
Principal retirement	22,952	12,024	12,025	13,391	13,831
Interest and fiscal charges	68,935	66,762	44,202	62,927	37,011
Bond issuance costs	-	-	-	-	289,741
Pass-through agreements	-	346,433	375,112	264,309	363,910
Capital outlay	2,219,541	1,551,448	2,226,929	5,665,992	2,928,540
Total expenditures	<u>9,923,679</u>	<u>10,847,601</u>	<u>11,814,986</u>	<u>15,323,049</u>	<u>12,776,042</u>
Excess of revenues over (under) expenditures	1,888,019	3,602,597	1,175,516	1,771,952	720,077
Other financing sources (uses)					
Capital leases	46,818	-	-	-	-
Proceeds from long-term debt	-	-	-	-	11,313,168
Proceeds from sale of capital asset:	-	-	-	-	126,850
Transfers in	1,071,988	76,992	219,841	2,095,520	4,096,504
Transfers out	(1,071,988)	(76,992)	(219,841)	(2,095,520)	(4,096,504)
Total other financing sources (uses)	<u>46,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,440,018</u>
Net change in fund balances	<u>\$1,934,837</u>	<u>\$3,602,597</u>	<u>\$1,175,516</u>	<u>\$ 1,771,952</u>	<u>\$12,160,095</u>
Debt service as a percentage of non-capital expenditures	1.19%	3.9%	3.7%	2.2%	0.52%

City of Twentynine Palms

**General Government Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)**

Fiscal year ended June 30	Property taxes	Motor vehicle in-lieu taxes	Sales & use taxes	Franchise taxes	Licenses	Room taxes
2002	\$1,397,546	\$1,322,722	\$ 690,849	\$ 421,296	\$ 12,450	\$ 374,495
2003	1,446,392	1,577,969	674,539	335,856	13,577	387,025
2004	1,483,812	1,249,559	768,841	389,054	16,293	458,786
2005	1,642,594	2,110,411	819,681	474,874	16,225	479,272
2006	1,959,500	1,954,780	861,459	443,779	22,917	596,167
2007	3,192,809	2,319,824	941,126	407,737	19,524	737,584
2008	3,828,229	2,545,926	1,098,766	592,060	44,376	770,206
2009	3,925,241	2,754,154	1,118,228	535,866	49,131	857,457
2010	3,771,308	2,748,864	1,282,457	597,645	42,734	901,878
2011	3,648,685	2,697,702	1,319,984	644,710	40,613	979,480

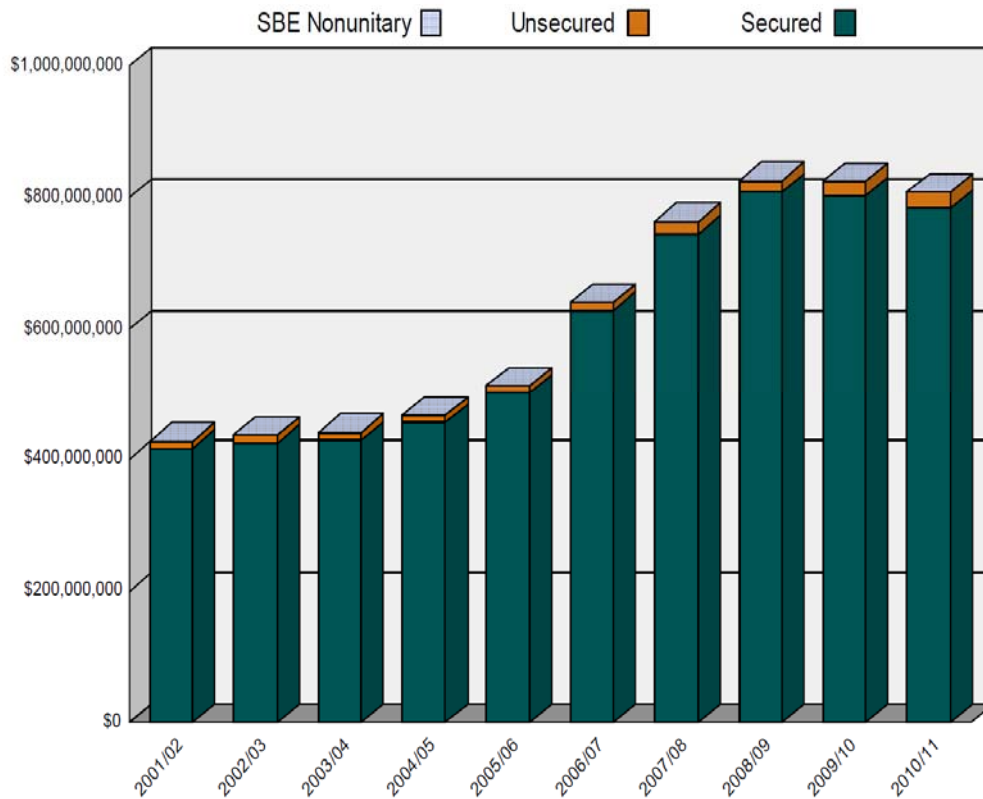
Source: City of Twentynine Palms, Finance Department

Fiscal year ended June 30	Other taxes	Permits & fees	Investment earnings	Intergovernmental revenues & charges for services	Other revenues	Total
2002	\$ 483,776	\$102,945	\$ 175,683	\$ 2,781,379	\$ 228,973	\$7,992,114
2003	484,604	40,001	92,682	2,578,370	228,250	7,859,265
2004	516,337	193,849	85,951	1,797,498	135,529	7,095,509
2005	519,029	338,345	157,711	2,594,297	74,624	9,227,063
2006	510,397	542,925	337,102	3,408,465	69,742	10,707,233
2007	508,845	313,380	537,805	2,627,303	205,761	11,811,698
2008	892,775	336,718	569,671	3,634,914	136,557	14,450,198
2009	698,113	372,797	339,228	2,156,817	183,470	12,990,502
2010	1,154,071	228,590	160,218	5,936,078	271,158	17,095,001
2011	769,469	207,648	114,214	2,813,622	259,992	13,496,119

City of Twentynine Palms

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal year ended June 30	Secured property	Unsecured property	SBE nonunitary	Total taxable assessed value	Total direct tax rate
2002	\$ 417,009,932	\$10,287,093	\$ 77,268	\$ 427,374,293	0.27523 %
2003	425,152,994	11,397,614	77,268	436,627,876	0.28239 %
2004	429,303,164	11,354,205	77,268	440,734,637	0.28144 %
2005	456,115,716	10,075,756	77,268	466,268,740	0.29817 %
2006	501,931,027	10,169,075	81,870	512,181,972	0.32601 %
2007	628,397,359	11,987,376	81,870	640,466,605	0.36472 %
2008	744,066,989	19,104,984	81,870	763,253,843	0.39038 %
2009	807,633,206	17,961,898	81,870	825,676,974	0.40772 %
2010	802,675,473	21,318,261	86,754	824,080,488	0.41479 %
2011	784,322,548	24,333,200	86,754	808,742,502	0.40959 %



Source: San Bernardino County Assessor 2010/11 Combined Tax Rolls

City of Twentynine Palms

**Assessed Value and Estimated Actual Value of Taxable Property (continued)
Last Ten Fiscal Years**

Note 1:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation date shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Note 2:

Assessed values for the updated year ended June 30, 2010 have been restated to reflect values obtained from the San Bernardino County's Assessor's Office.

City of Twentynine Palms

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Agency	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Twentynine Palms	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2635	0.2638	0.2638
Morongo Unified	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2565	0.2568	0.2568
Education Revenue Augmentation Fund	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2150	0.2146	0.2146
General County	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1417	0.1417
Copper Mountain Community College	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0530	0.0528	0.0528
High Desert Hospital District	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0180	0.0178	0.0178
29 Palms Cemetery District	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
County Free Library	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137	0.0137
Flood Control Zone 6	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112	0.0112
County Superintendent	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096	0.0096
Flood Control Administration 3.6	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009
Mojave Desert Resource Cons. District	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
Total Prop 13 Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Total Tax Rate

1.00000

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal year ended June 30	Total tax levy for fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2002	\$1,397,546	\$1,397,546	100.00%	-	\$1,397,546	100.00%
2003	1,446,392	1,446,392	100.00%	-	1,446,392	100.00%
2004	1,483,812	1,483,812	100.00%	-	1,483,812	100.00%
2005	1,642,594	1,642,594	100.00%	-	1,642,594	100.00%
2006	1,959,500	1,959,500	100.00%	-	1,959,500	100.00%
2007	3,192,809	3,192,809	100.00%	-	3,192,809	100.00%
2008	3,828,229	3,828,229	100.00%	-	3,828,229	100.00%
2009	3,925,241	3,925,241	100.00%	-	3,925,241	100.00%
2010	3,771,308	3,771,308	100.00%	-	3,771,308	100.00%
2011	3,648,685	3,648,685	100.00%	-	3,648,685	100.00%

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

**Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

<u>Fiscal year ended June 30</u>	<u>Tax allocation bonds</u>	<u>Capital leases</u>	<u>Loans</u>	<u>Total governmental activities</u>	<u>Percentage of personal income</u>	<u>Per capita</u>
2002	\$ -	\$ 244,448	\$ 126,612	\$ 371,060	0.0984% 1)	\$14.78 1)
2003	-	175,917	123,559	299,476	0.0794% 1)	15.02 1)
2004	-	151,193	119,337	270,530	0.0663% 1)	15.53 1)
2005	-	93,044	115,391	208,435	0.0474% 1)	16.02 1)
2006	-	32,824	-	32,824	0.0066% 1)	16.75 1)
2007	-	43,984	-	43,984	0.0086% 1)	17.23 1)
2008	-	31,961	-	31,961	0.0060% 1)	17.35 1)
2009	-	19,936	-	19,936	0.0038% 1)	17.00 1)
2010	-	49,210	-	49,210	0.0074% 2)	21.58 2)
2011	11,575,000	35,379	-	11,610,379	*	*

* Information not yet available

Sources: 1) Last available US Census Data
2) US Census Bureau, most recent American Community Survey

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

City of Twentynine Palms

**Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal year ended June 30	Tax allocation bonds	General obligation bonds	Capital leases	Loans	Total governmental activities	Percentage of personal income
2002	\$ -	\$ -	\$ 244,448	\$ 126,612	\$ 371,060	0.0984% 1)
2003	-	-	175,917	123,559	299,476	0.0794% 1)
2004	-	-	151,193	119,337	270,530	0.0663% 1)
2005	-	-	93,044	115,391	208,435	0.0474% 1)
2006	-	-	32,824	-	32,824	0.0066% 1)
2007	-	-	43,984	-	43,984	0.0086% 1)
2008	-	-	31,961	-	31,961	0.0060% 1)
2009	-	-	19,936	-	19,936	0.0038% 1)
2010	-	-	49,210	-	49,210	0.0074% 2)
2011	11,575,000	-	35,379	-	11,610,379	*

* Information not yet available

Sources: 1) Last available US Census Data
2) US Census Bureau, most recent American Community Survey

Note: General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which the City has none).

City of Twentynine Palms

**Legal Debt Margin Information
Last Ten Fiscal Years**

<u>Fiscal Year 2011</u>	
Assessed value	<u><u>\$ 808,742,502</u></u>
Debt Limit (15% of assessed value)	<u><u>\$ 121,311,375</u></u>

<u>Fiscal year</u>	<u>Debt limit (in thousands)</u>
2002	\$ 66,213
2003	66,498
2004	67,533
2005	71,330
2006	78,335
2007	97,815
2008	121,446
2009	126,151
2010	123,612
2011	121,311

Source: San Bernardino County Auditor/Controller

City of Twentynine Palms

Pledged Revenue Coverage

Fiscal year ended June 30	Tax allocation bonds			
	Tax increment	Debt service		Coverage
		Principal	Interest	
2011	\$ 1,809,169	\$ -	\$ -	0.00%

Notes: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.

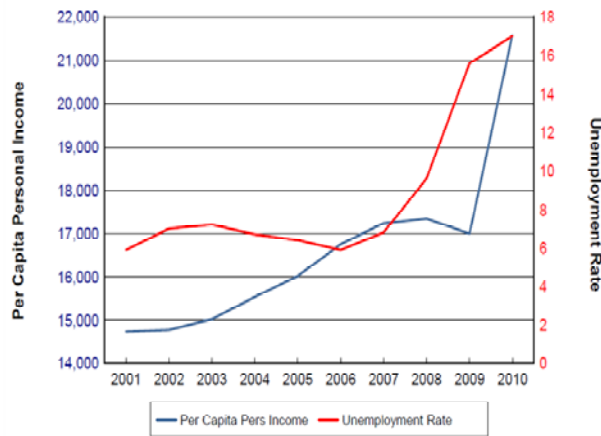
The City has elected to show only the most recent year's information since this was the first year there were tax allocation bonds outstanding.

City of Twentynine Palms

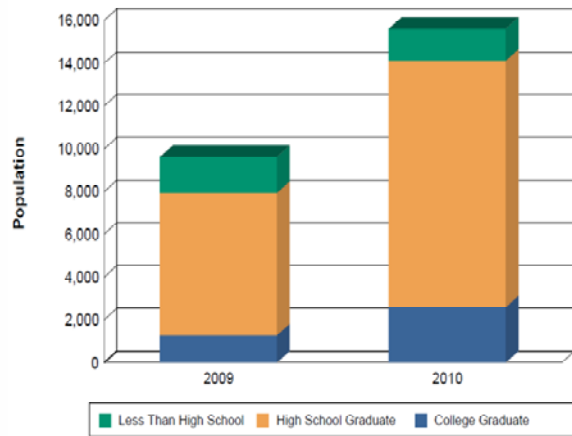
**Demographic and Economic Statistics
Last Ten Calendar Years**

Calendar year	Population	Personal income (in thousands of dollars)	Per capita personal income	School enrollment	Unemployment rate
2002	25,513	1) \$ 377,033	2) \$ 14,778	2) 3,828	2) 7.0%
2003	25,102	1) 377,087	2) 15,022	2) 3,898	2) 7.2%
2004	26,276	1) 408,083	2) 15,531	2) 3,901	2) 6.7%
2005	27,447	1) 439,728	2) 10,621	2) 3,938	2) 6.4%
2006	29,909	1) 500,963	2) 16,750	2) 4,006	2) 5.9%
2007	29,515	1) 508,655	2) 17,234	2) 3,964	2) 6.8%
2008	30,482	1) 528,732	2) 17,346	2) 3,862	2) 9.6%
2009	30,795	1) 523,369	2) 16,995	2) 3,761	2) 15.6%
2010	30,649	1) 661,405	4) 21,580	4) 3,783	4) 17.00%
2011	*	*	*	*	*

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



* Information not yet available

- Sources:
- 1) California State Department of Finance
 - 2) Last available US Census Data
 - 3) California Employment Development Department
 - 4) US Census Bureau, most recent American Community Survey

City of Twentynine Palms

**Principal Employers
Last Ten Calendar Years**

The City does not currently collect this information.

City of Twentynine Palms

**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function	Full-time equivalent employees as of June 30										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	11	13	13	9	9	10	11	7	8	8	8
Public safety											
Police											
Officers	-	-	-	-	-	-	-	-	-	-	-
Civilians	-	-	-	-	-	-	-	-	-	-	-
Fire											
Firefighters and officers	-	-	-	-	-	-	-	-	-	-	-
Civilians	-	-	-	-	-	-	-	-	-	-	-
Animal control											
Animal control officers	-	-	-	-	-	-	-	2	2	2	2
Kennel workers	-	-	-	-	-	-	-	2	2	2	2
Public works											
Engineering	-	-	-	-	-	-	-	-	-	-	-
Maintenance	8	9	9	7	7	9	10	13	12	10	10
Community development	3	4	4	3	3	3	3	4	4	4	4
Health & sanitation	-	-	-	-	-	-	-	-	-	-	-
Community services	9	9	9	6	6	7	7	7	7	7	7
Total	31	35	35	25	25	29	31	35	35	33	33

Source: City of Twentynine Palms, Finance Department

City of Twentynine Palms

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Public safety					
Police:					
Stations	-	-	-	-	-
Patrol units	-	-	-	-	-
Fire Stations	-	-	-	-	-
Public works					
Streets (miles)	174	174	174	177	177
Streetlights	326	326	326	326	326
Traffic signals	6	6	6	6	6
Health and sanitation					
Collection trucks	-	-	-	-	-
Community services					
Parks acreage	80	80	80	80	80
Parks	2	2	2	2	2
Swimming pools	1	1	1	1	1
Community centers	1	1	2	2	2

City of Twentynine Palms

**Capital Asset Statistics by Function (continued)
Last Ten Fiscal Years**

Function	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety					
Police:					
Stations	-	-	-	-	-
Patrol units	-	-	-	-	-
Fire Stations	-	-	-	-	-
Public works					
Streets (miles)	177	177	177	177	177
Streetlights	327	327	327	327	327
Traffic signals	6	6	7	7	7
Health and sanitation					
Collection trucks	-	-	-	-	-
Community services					
Parks acreage	80	80	80	80	80
Parks	3	3	3	3	3
Swimming pools	1	1	1	1	1
Community centers	2	2	2	2	2

Revenue capacity

Property tax revenues and collections

The City receives property taxes under the “Teeter Plan”. The Teeter Plan allows cities to collect 100 percent of assessed taxes each year in lieu of receiving only those taxes collected by the County currently, and receiving penalties and interest when delinquent taxes are collected in future years.

The City has entered into such a contract with the County of San Bernardino, which allows the City to have a more reliable and predictable revenue stream. The County benefits by charging interest rates that are substantially higher than market rates when the delinquencies are collected.

Principal property taxpayers

The City does not provide this information due to privacy concerns.

Property tax rates for overlapping governments

California Law provides that general property taxes are assessed at one percent of assessed value. When the constitutional amendment enacting this provision commonly referred to as Proposition 13 or the “Jarvis Amendment”, went into effect, the taxing agencies within San Bernardino County agreed on a distribution of the one percent among them. The City of Twentynine Palms was not incorporated at that time. Upon incorporation, the City negotiated with the County for a portion of the County allocation. That agreed upon allocation is 26.5 percent of the one percent, or a little more than one quarter of one percent of the assessed valuation. A chart showing the distribution of property taxes is included in the statistical section of this report.

Debt capacity

Overlapping debt

There are no general obligation bonds outstanding by any of the taxing agencies within the City.

Ratio of general bonded debt

The City has no general bonded debt.

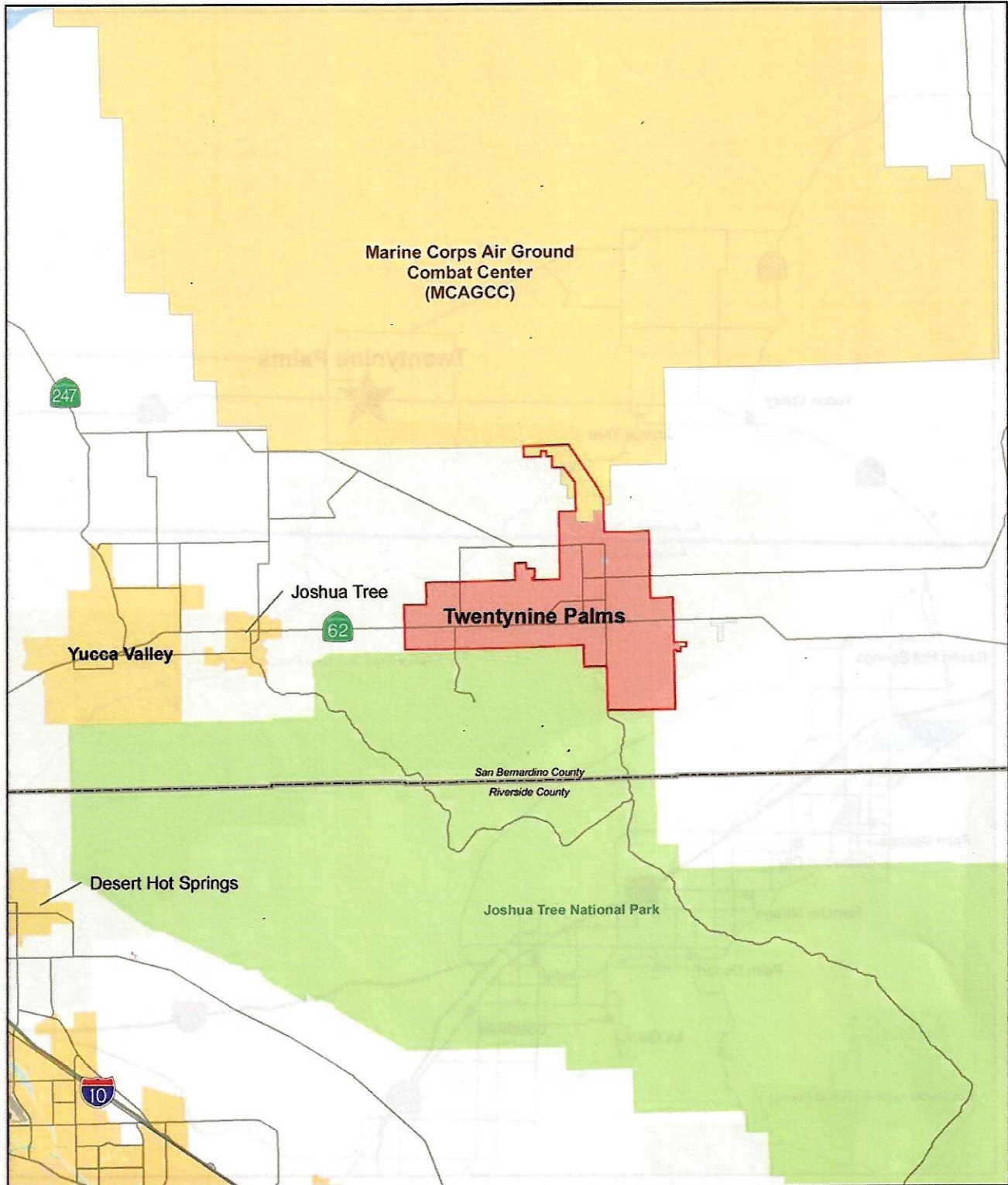
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City of Twentynine Palms



Annual Budget
Fiscal Year 2011 - 2012

Vicinity Map of Twentynine Palms, California



Twentynine Palms City Council



**Mayor
Jim Harris**



**Mayor Pro Tem
John Cole**



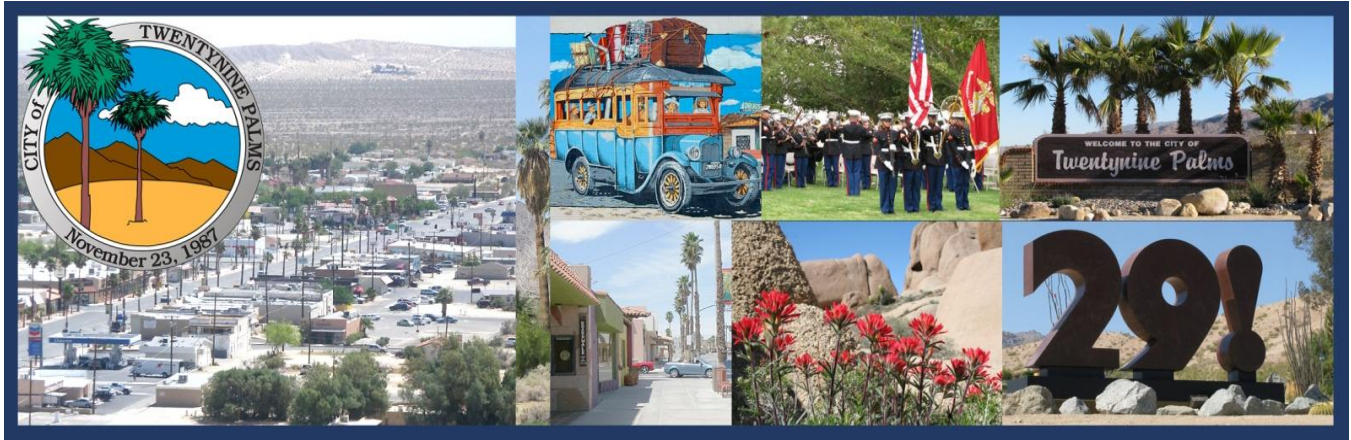
**Council Member
Jay Corbin**



**Council Member
Joel Klink**



**Council Member
Daniel Mintz**



FY2012 BUDGET EXECUTIVE SUMMARY

The FY2012 budget is prepared within the broad context of the Twentynine Palms Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process outlined in Section 1 of this budget document provides a framework for the City’s strategic planning, executing and evaluating City operations, organizational structure, budgets, programs, service levels and capital projects. High performance organizations and successful businesses achieved their success by constantly planning, implementing and evaluating their operations. The City of Twentynine Palms is a multi-million dollar corporation and incorporates modern corporate planning, execution and evaluation principles into its operations to provide high levels of municipal services to serve the people effectively and efficiently.

The City Council recognizes the importance of using modern principals of corporate governance and the important role that proper planning, execution and evaluation plays in setting the future course of our community. These principles must be applied in order to achieve the community vision established by the City Council on August 28, 2007, and meeting the challenge of balancing the unique small-town character of Twentynine Palms with economic development and preservation of desert environment.

Strategic Priorities.

The City will focus its efforts in FY2012 on five strategic priorities in order to achieve this balance.

1. Land-Use.
2. Economic Development.
3. Infrastructure Development.
4. Community Services.
5. Financial Stability.



The City Council establishes goals, objectives and action plans for each of these strategic priorities. Almost everything the City will do in FY2012 will be focused towards these priorities. The FY2012 budget is the primary mechanism to deploy financial and personnel resources to achieving the community vision and meeting the City Council’s strategic priorities in a thoughtful, prudent and balanced way.

The FY2012 Budget.

The FY2012 Twentynine Palms budget is a financial plan, operations guide, policy document and a communications device. It conforms to the highest national budget standards published by the Government Finance Officers Association (GFOA) of the United States and Canada. Its pages contain 236 goals for City departments, 258 footnotes with detailed explanations of the City's past, present and future financial transactions and activities for review by the public and the City Council.

Municipal Services.

This budget is prepared in the context of the most difficult economic, financial and political environment since the Great Depression. The housing industry collapsed in 2007 and the local economy is still suffering from the high unemployment effects of the recession. The Governor and the State Legislature are continually trying to raid City funds to close their own budget gap.

Despite these financial and political difficulties, this budget will provide the same level of municipal services while still holding down operating costs within projected revenues. Raids of City funds by the Governor and the State Legislature are a constant threat. The FY2012 budget year will be challenging and difficult, but manageable if the City Council and staff exercise caution, good judgment and prudence in their spending. The City has been able to weather the financial, economic and political storms of the past due to its conservative approach to fiscal affairs. This budget continues this tradition while continuing to provide high levels of municipal service and capital improvements to its parks, streets, sidewalks and other infrastructure.

General Fund Revenues and Expenditures.

The General Fund will have revenues of \$7,885,000 and expenditures of \$7,884,900. Expenditures include \$2,526,400 (32%) in personnel costs, \$5,305,500 (68%) in maintenance and operations costs and \$26,650 (less than 1%) in capital expenditures. The General Fund Unrestricted Fund Balance at the end of the fiscal year on June 30, 2012, is expected to increase by \$100 to \$11,084,069. (Please see Figure 1 and Figure 2.)

Total Revenues and Expenditures Across All Accounting Funds.

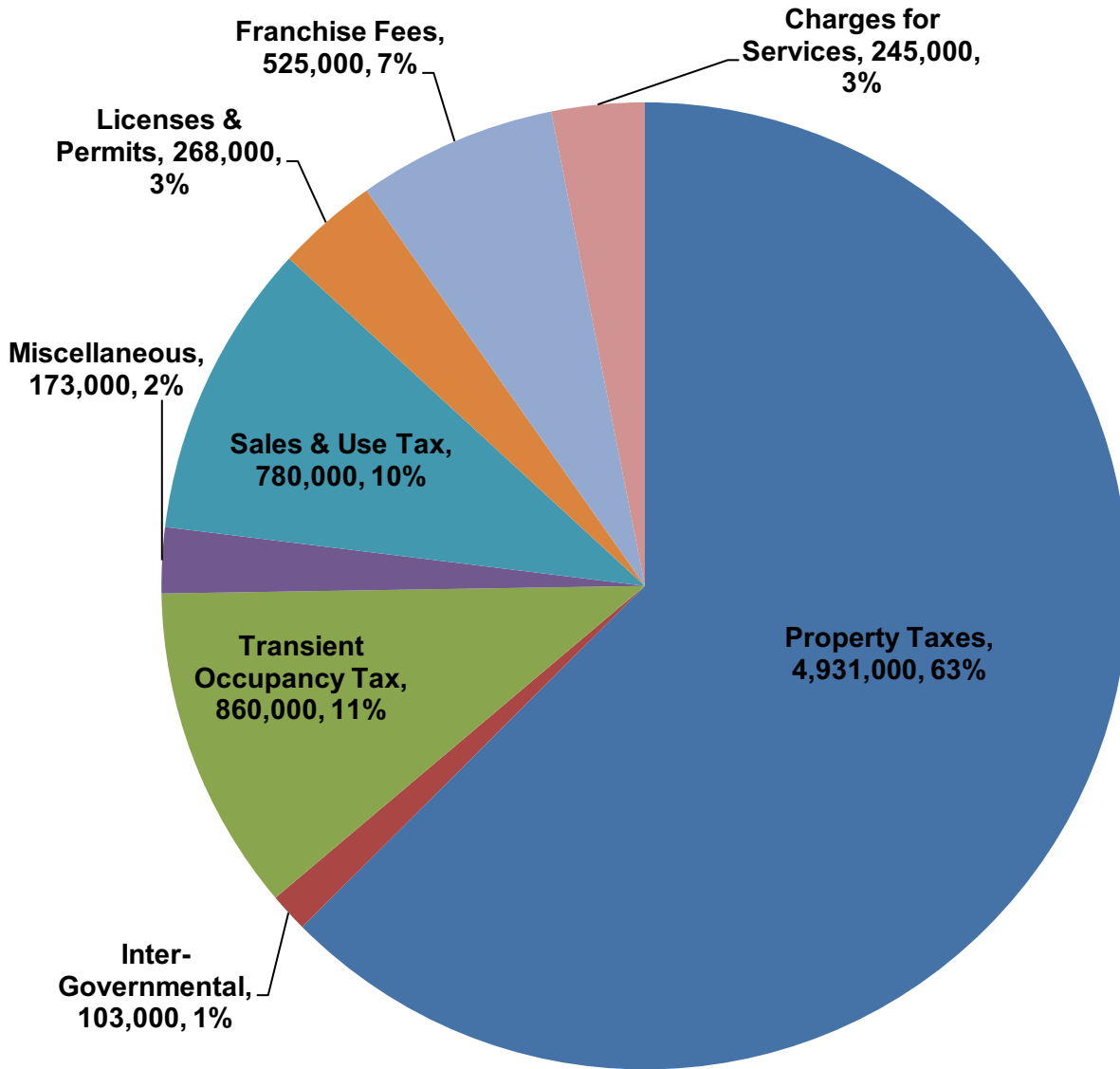
Total City revenues across all 20 accounting funds are projected to be \$21,239,510 during FY2012. This includes \$9,063,160 (43%) in taxes, \$268,000 (1%) in licenses and permits, \$4,931,560 (23%) in intergovernmental revenues, \$245,000 (1%) in charges for service, \$80,000 (less than 1%) in development impact fees, \$320,790 (2%) in miscellaneous revenues and \$6,331,400 (30%) from fund balances. (Please See Figure 3.)

Citywide expenditures across all accounting funds are projected to be \$20,648,660. This includes \$3,403,100 (17%) for personnel services, \$8,103,100 (39%) for maintenance and operations expenses, \$7,901,460 (38%) for capital equipment and capital improvements and \$1,241,000 (6%) for debt service expenses. (Please see Figure 4.)

Organizational Structure.

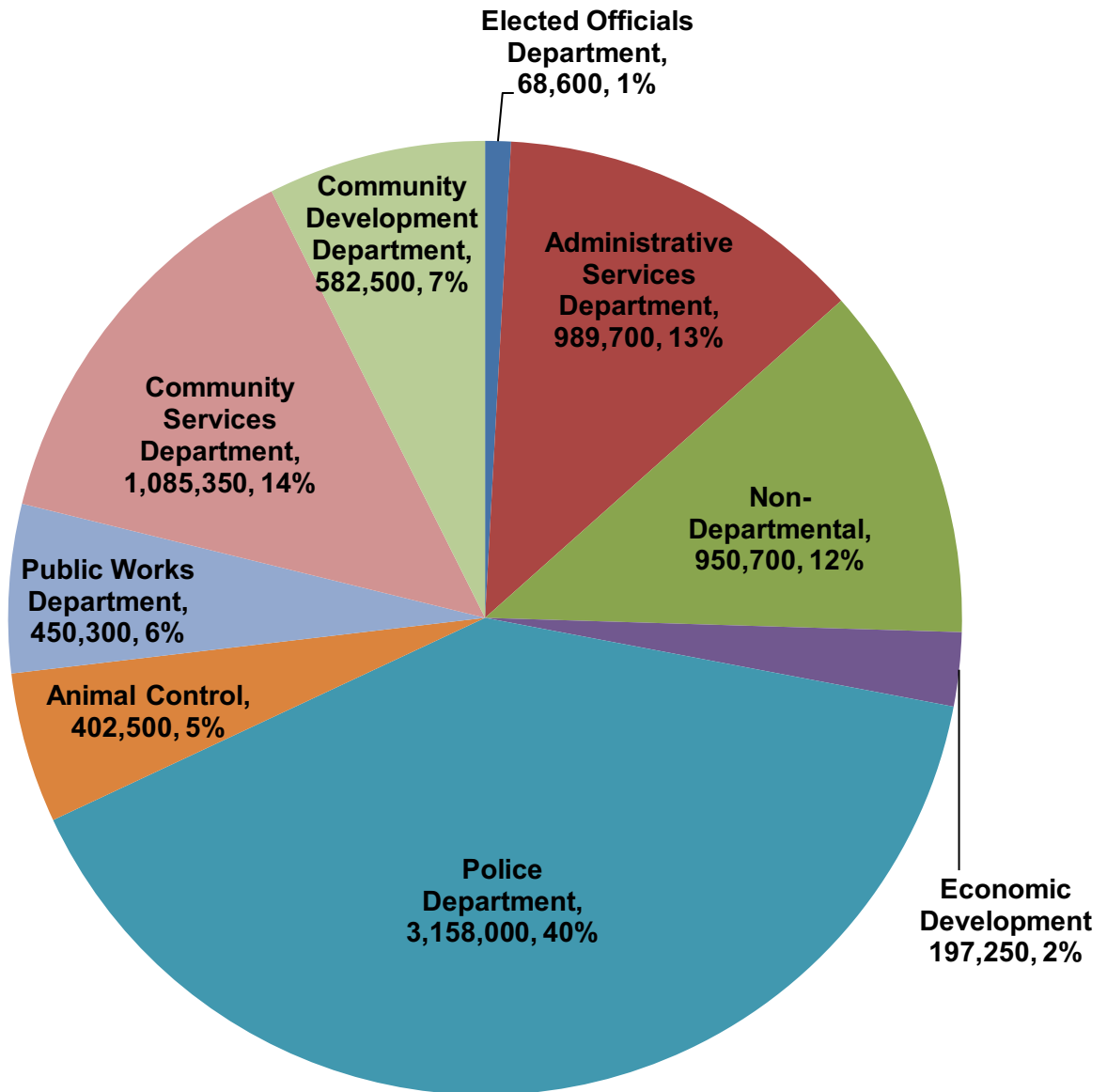
No new positions are added to the City staff during FY2012. Building inspection and engineering activities will continue to be provided to the City through a contract with Charles Abbott Associates Inc. Solid waste services collection services will continued to be provided through Burtec Waste and Recycling Services, LLC and the City Attorney through Rutan and Tucker. Law enforcement will be provided by the San Bernardino

**Figure 1
City of Twentynine Palms
Total General Fund Revenue Sources
FY2012**



This figure shows (1) the projected FY2012 General Fund revenues and (2) the percentage of total General Fund revenues that each revenue source contributes. Total projected revenues are \$7,885,000.

**Figure 2
City of Twentynine Palms
Total General Fund Expenditures
FY2012**

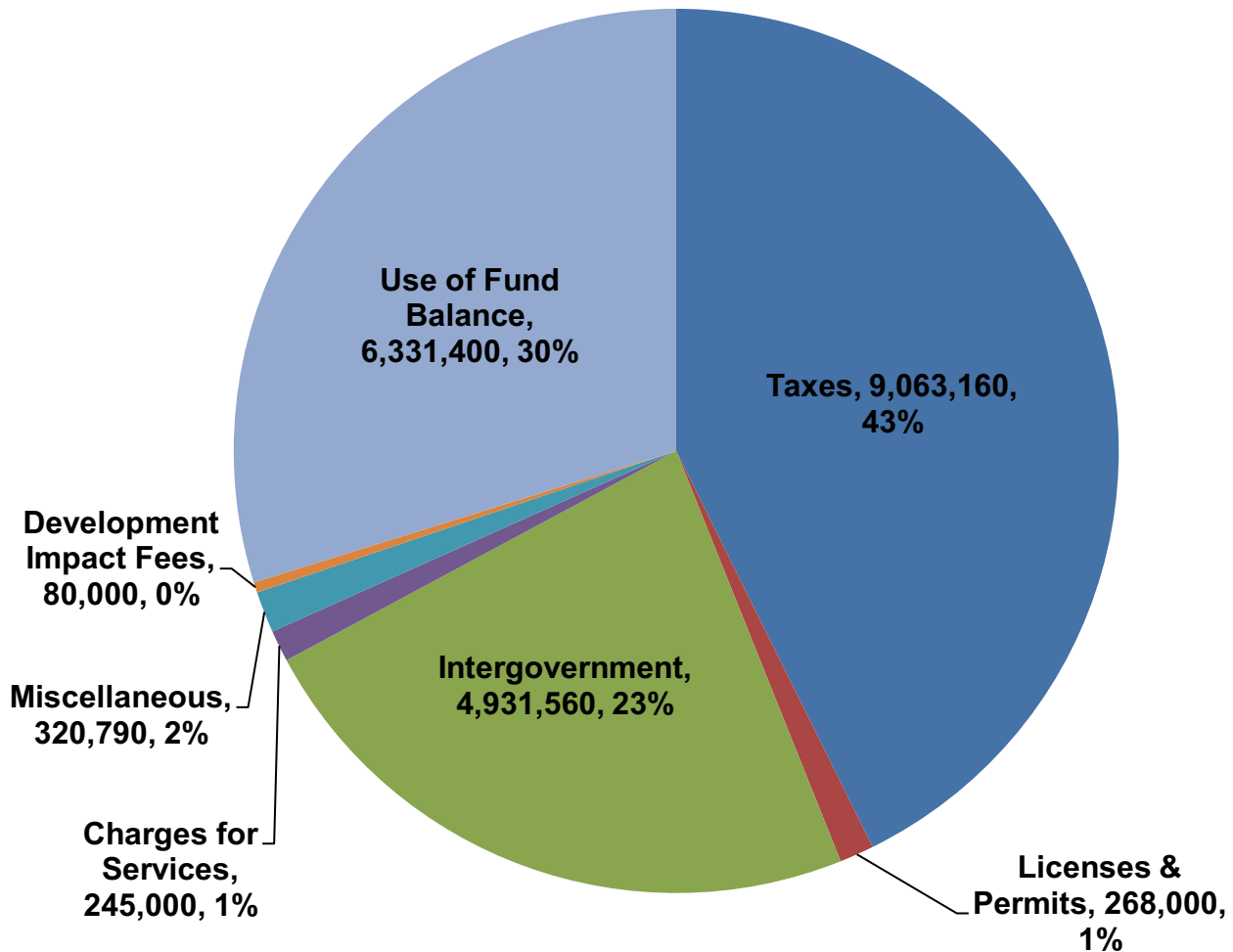


This figure shows (1) the projected FY2012 General Fund expenditures and (2) the percentage of total General Fund expenses that each expenditure category contributes to total spending. Total projected expenditures during FY2012 are \$7,884,900.

BUDGET REVENUE SUMMARY BY FUND REVENUE CATEGORY

Accounting Fund	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Miscellaneous	Development Impact Fees	Use of Fund Balance	Total
General Fund	7,096,000	268,000	103,000	245,000	173,000	0	0	7,885,000
General Capital Projects Fund	0	0	962,900	0	0	0	0	962,900
Community Development Block Grant Fund	0	0	113,060	0	0	0	0	113,060
Curb, Gutter and Sidewalk Impact Fee Capital Projects Fund	0	0	1,325,000	0	0	40,000	0	1,365,000
Fire Development Impact Fee Fund	0	0	0	0	0	40,000	0	40,000
Traffic Safety Special Revenue Fund	0	0	0	0	92,000	0	0	92,000
Gasoline Tax Special Revenue Fund	0	0	958,400	0	500	0	0	958,900
Proposition 42 Traffic Congestion Relief Special Revenue Fund	0	0	0	0	0	0	337,400	337,400
Combined Measure I Capital Projects Fund	0	0	800,000	0	16,000	0	1,653,800	2,469,800
Bikeways and Sidewalks Article 3 Special Revenue Fund	0	0	0	0	0	0	95,700	95,700
AB 2766 Motor Vehicle Surcharge Special Revenue Fund	0	0	98,700	0	250	0	0	98,950
Transportation Development Act Special Revenue Fund	0	0	260,000	0	1,500	0	0	261,500
Risk Management Internal Service Fund	0	0	0	0	0	0	100,500	100,500
Landscape and Lighting Districts Special Revenue Fund	30,160	0	0	0	240	0	3,400	33,800
Public Access TV Special Revenue Fund	0	0	0	0	10,500	0	0	10,500
Equipment Purchase Internal Service Fund	0	0	0	0	0	0	35,900	35,900
Landfill/Land Use Special Revenue Fund	0	0	55,000	0	800	0	45,700	101,500
RDA Capital Projects Fund	0	0	254,500	0	4,000	0	2,003,000	2,261,500
RDA Low & Moderate Housing Special Revenue Fund	387,000	0	1,000	0	12,000	0	1,763,000	2,163,000
RDA Debt Service Fund	1,550,000	0	0	0	10,000	0	293,000	1,853,000
Grand Total	9,063,160	268,000	4,931,560	245,000	320,790	80,000	6,331,400	21,239,910

**Figure 3
City of Twentynine Palms
Total City Revenue for All Accounting Funds
FY 2012**



This figure shows the combined projected revenue sources for all 20 City accounting funds for FY2012 and the percentage of total revenues that each revenue source contributes. Total projected revenues from all 20 accounting funds are \$21,239.910.

BUDGET EXPENDITURE SUMMARY BY FUND EXPENDITURE CATEGORY

Accounting Fund	Salaries and Wages	Maintenance and Operations	Capital Expenditures	Debt Service	Total
Elected Officials Department	53,600	15,000	0	0	68,600
Administrative Services Department	273,500	223,500	0	0	497,000
Finance	216,100	16,800	0	0	232,900
City Clerk	242,700	17,100	0	0	259,800
Non-Departmental	0	950,700	0	0	950,700
Economic Development	0	197,250	0	0	197,250
Community Development Department	222,100	121,300	0	0	343,400
Building & Safety	0	110,000	0	0	110,000
Code Enforcement	124,500	4,600	0	0	129,100
Police Department (Sheriff Contract)	0	3,158,000	0	0	3,158,000
Animal Control Department	317,300	85,200	0	0	402,500
Public Works Department	14,000	14,500	0	0	28,500
Parks Division	284,600	137,200	0	0	421,800
Community Services Department	261,300	62,000	0	0	323,300
Recreation	476,500	144,500	0	0	621,000
Luckie Park Swimming Pool	40,200	34,550	0	0	74,750
Senior Center	0	34,000	0	0	34,000
Youth Club	0	9,400	0	0	9,400
Community Center	0	22,900	0	0	22,900
Total General Fund	2,526,400	5,358,500	0	0	7,884,900
General Capital Projects Fund					
Wastewater Treatment Plant Study	0	0	100,000	0	100,000
Gateway Signs	0	0	50,000	0	50,000
Animal Control Truck	0	0	45,000	0	45,000
Ball field Groomer	0	0	8,000	0	8,000
Encelia Drive Connection	0	0	200,000	0	200,000
Collins Bike Path	0	0	15,000	0	15,000
Knott's Sky Park Electrical Plan & Construction	0	0	80,000	0	80,000
Downtown Crosswalk – Tamarisk	0	0	20,000	0	20,000
Slurry Seal Community Center Parking Lot	0	0	15,000	0	15,000
Sunnyvale/Sun Valley Curbs, Gutters & Sidewalk	0	0	245,000	0	245,000
Hardware and Software System Upgrades	0	0	90,000	0	90,000
Luckie Park Pool Upgrade	0	0	32,000	0	32,000
Mural Replacement or Other Public Art	0	0	20,000	0	20,000
Fireworks Display	0	0	25,000	0	25,000
Total General Capital Projects Fund	0	0	945,000	0	945,000
Community Development Block Grant Fund	0	0	113,060	0	113,060
Curb, Gutter and Sidewalk Impact Fee Fund					
National Park Drive Sidewalk Project	0	0	450,000	0	450,000
Downtown Sidewalk Construction	0	0	500,000	0	500,000
City Match – Sunnyvale/Sun Valley Sidewalks	0	0	106,000	0	106,000
Total C, G and Sidewalk Impact Fee Fund	0	0	1,056,000	0	1,056,000
Fire Develop Impact Fees Capital Projects Fund	0	0	0	0	0
Traffic Safety Special Revenue Fund	0	92,000	0	0	92,000
Gasoline Tax Special Revenue Fund	681,700	181,600	0	0	863,300

Accounting Fund	Salaries and Wages	Maintenance and Operations	Capital Expenditures	Debt Service	Total
Proposition 42 Traffic Congestion Relief Fund	0	0	337,400	0	337,400
Measure I Combined Capital Projects Fund	0	751,800	1,718,000	0	2,469,800
Bikeways and Sidewalks Article 3 Fund	0	95,700	0	0	95,700
AB 2766 Motor Vehicle Surcharge Fund	0	15,300	0	0	15,300
Transportation Development Act (TDA) Fund	0	220,000	0	0	220,000
Risk Management Internal Service Fund	0	100,500	0	0	100,500
Landscape and Lighting Districts Fund	0	33,800	0	0	33,800
Public Access TV Special Revenue Fund	0	7,000	0	0	7,000
Equipment Purchase Internal Service Fund	0	35,900	0	0	35,900
Landfill/Land Use Special Revenue Fund	0	101,500	0	0	101,500
Redevelopment Agency (RDA) Capital Projects Fund	163,000	266,500	1,832,000	0	2,261,500
Redevelopment Agency (RDA) Low- and Moderate-Income Housing Fund	32,000	31,000	1,900,000	200,000	2,163,000
Redevelopment Agency Debt Service Fund	0	812,000	0	1,041,000	1,853,000
Grand Total All Accounting Funds	3,403,100	8,103,100	7,901,460	1,241,000	20,648,660

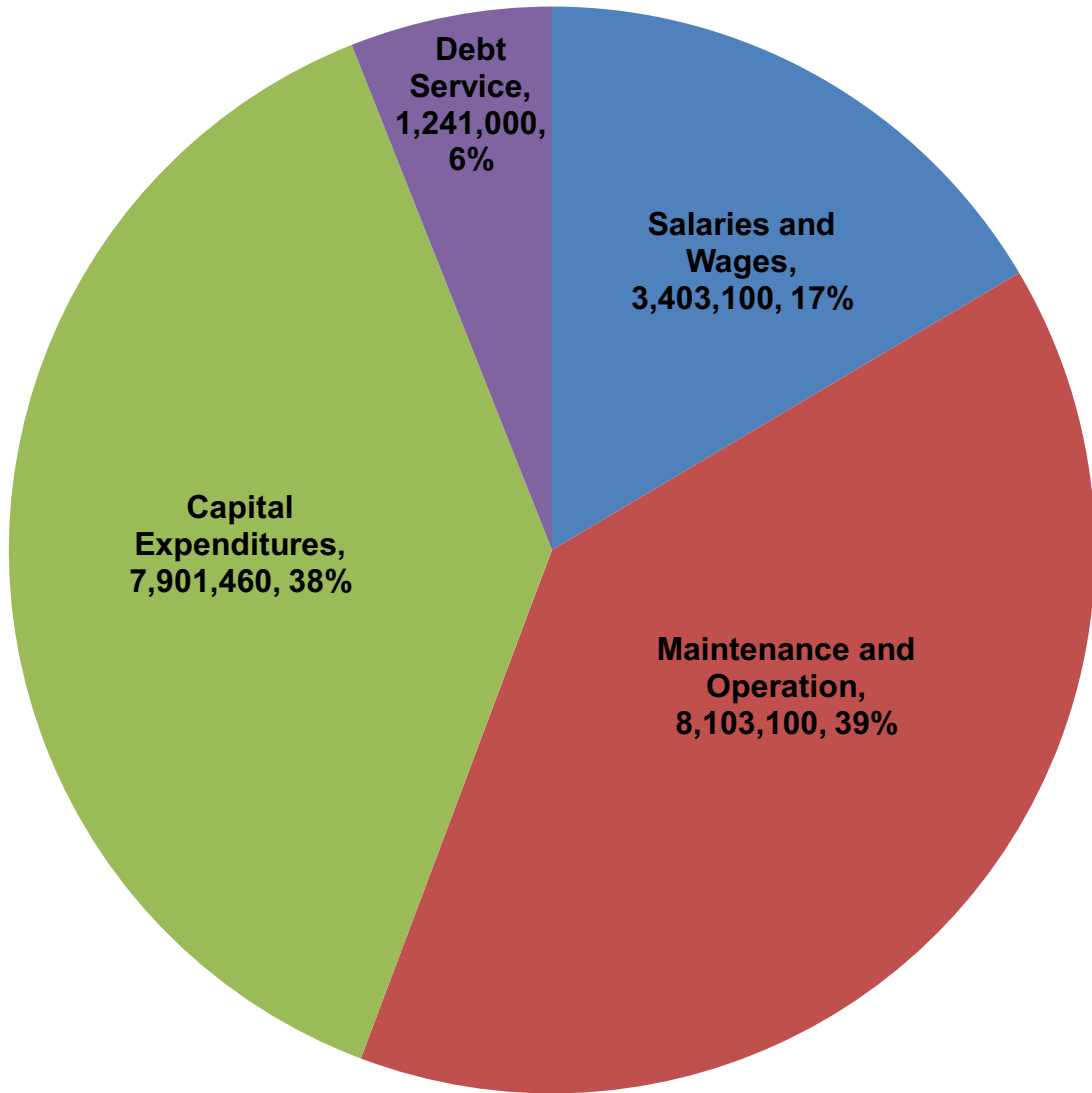
County Sheriff's Department. This contract will increase \$141,824 (5.43%) from \$2,610,000 in FY2011 to \$2,751,824 in FY2012. Funding (\$48,000) for the City's Washington D.C. lobbyist has been eliminated for the coming fiscal year.

The City plans no employee layoffs or furloughs during FY2012. Twentynine Palms is one of the few government entities in California that have not been forced to take these severe personnel actions due to the prudent and conservative manner in which the City has managed its money. However, all employees are going to have to do more with fewer resources.

Personnel Costs.

The FY2012 budget contains a 1.5% employee cost-of-living increase. Workers' Compensation rates are projected to have no increase during FY2012. The California Public Employees' Retirement System (CALPERS) has increased its employer contribution costs for miscellaneous employees from 15.575% in FY2011 to 18.361% in FY2012. Employee retirement contributions (8%) and Medicare (1.45%) contribution rates will remain the same as last year with the City contributing the employees' share of retirement contributions. The City is not part of the Social Security system. Health insurance premiums will increase an average of 2.78%, dental premiums 3.8% and vision premiums 4% during FY2012. The City limits its health insurance employer contributions to \$500 per employee per month. **Total personnel costs across all accounting funds during FY2012 will be \$3,403,100.**

Figure 4
City of Twentynine Palms
Total City Expenditures For All Accounting Funds
FY2012



This figure shows the combined projected expenditures for all of the City accounting funds for FY2012 and the percentage of total expenditures across all accounting funds. The total projected expenses for FY2012 from all accounting funds are \$20,648,660.

Capital Projects and Major Capital Equipment Purchases.

The City will spend \$7,901,460 across all 20 accounting funds for capital equipment and capital improvements. Revenues for these capital expenditures will come primarily from State and Federal grants, development impact fees and Capital Project Fund appropriations. (Please see Figure 5 for a summary of major capital projects and capital equipment purchases.)

Wastewater System. The Regional Water Quality Control Board (RWQCB) has expressed concern over the potential contamination of groundwater resources by nitrates from the improper installation and maintenance of septic systems in Twentynine Palms. They are requiring Yucca Valley to construct a wastewater treatment plant and collection system and the City of Twentynine Palms may be required to do so in the near future. **The City will spend \$100,000 in FY2012 to update the 2008 Wastewater Treatment Plant Joint-Use Study and examine the legal, regulatory, fiscal and technological issues surrounding the proper handling of wastewater in Twentynine Palms.** The study will also include an examination and analysis of the management and maintenance of current wastewater treatment “package” plants.

Parks and Recreation. Parks and recreation programs will continue to be a major priority in Twentynine Palms. The Community Services Department will continue to offer a wide range of recreation programs and will continue its partnerships with community non-profit organizations and other community partners including the Youth Club, Morongo Unified School District, Hi-Desert Youth Football Association, Twentynine Palms Little League, Hi-Desert Pony League, Sky’s the Limit Observatory and Nature Center, Public Arts Advisory Council, Theatre 29, Knott’s Sky Park Preschool and the Twentynine Palms Swim Team.

In addition to continuing its current programs, the Community Services Department will spend \$75,000 to rebuild the well in Luckie Park and \$70,060 to upgrade the swimming pool to meet new San Bernardino County standards. \$80,000 will be spent in Knott’s Sky Park to complete an electrical master plan and install the underground electrical facilities at the park. \$20,000 has also been reserved in the General Capital Projects Fund Balance to replace the mural removed by Walgreens or sponsor some other public art piece.

Streets and Roads. The improvement of the City’s street, curb, gutter and sidewalk infrastructure will be a major priority for the City Council during FY2012. The City will contribute \$200,000 to the widening of Highway 62 from Sunrise to Canyon to include a turn lane and two traffic lanes in each direction. The environmental document has been approved, the engineering has been completed and this project was sent out to bid by the California Department of Transportation (CalTrans) in May 2011.

In addition to this highway widening project, the City will spend \$500,000, including \$200,000 in Measure I funds and \$300,000 from the Redevelopment Agency Capital Projects Fund, to complete the environmental document, engineering and phase I construction of street widening, curb, gutter and sidewalk from Encelia Avenue to Split Rock Avenue on Highway 62. To allow residential areas north of the City better access to the commercial areas on Highway 62, the City will spend \$200,000 from the General Capital Projects Fund to construct 0.25 miles of two-lane road on Encelia Drive from Sunnyslope Avenue to Two-Mile Road.

During FY2012, the City will also spend \$450,000 to construct curb, gutter and sidewalk on the west side of National Park Drive from Highway 62 to the Joshua Tree National Park Headquarters to promote economic development and improve pedestrian circulation between the National Park and downtown. The Project includes constructing sidewalk completely around the Old School House Museum and in front of the 29 Palms Art Gallery. The City will spend \$25,000 on backup batteries for traffic lights and has reserved another \$500,000 for curb, gutter and sidewalk construction in the downtown area at a location to be determined by the City Council.

Figure 5
City of Twentynine Palms
Summary of Major Capital Projects and Capital Purchases
FY2012

	Capital Project or Capital Purchase	Amount
1	Wastewater Treatment Study Update	\$ 100,000
2	Gateway Signs (“Welcome to Twentynine Palms”)	50,000
3	Law Enforcement COPS Grant SUV Patrol Vehicle	53,203
4	Animal Control Truck	45,000
5	Ball field Groomer	8,000
6	Encelia Drive Construction from Sunnyslope Avenue to Two-Mile Road	200,000
7	Collins Bike Path Along Adobe Road	15,000
8	Knott’s Sky Park Electrical Master Plan & Construction of Underground Electrical	80,000
9	Downtown Crosswalk on Highway 62 at Tamarisk	40,000
10	Community Emergency Response Team (CERT) Equipment	10,000
11	Community Center Parking Slurry Seal	15,000
12	Replace Mural Removed by Walgreens or Other Public Art Piece	20,000
13	Computer System Hardware and Software Upgrades	90,000
14	Luckie Park Swimming Pool Upgrade	70,060
15	Fireworks Display	25,000
15	Sunnyvale/Sun Valley Curbs, Gutters and Sidewalks (SANBAG Contribution)	245,000
16	Sunnyvale/Sun Valley Curbs, Gutters and Sidewalks (Curb, Gutter, Sidewalk Fund)	106,000
17	Luckie Park Well Reconstruction Project	75,000
18	National Park Drive Sidewalk Construction from Highway 62 to Park Headquarters	450,000
19	Downtown Sidewalk Construction at Location to Be Determined By City Council	500,000
20	Highway 62 Widening from Sunrise to Canyon	200,000
21	Highway 62 Environmental & Engineering Encelia to Split Rock (Measure I)	200,000
22	Highway 62 Environmental & Engineering Encelia to Split Rock (Redevelopment)	300,000
23	Traffic Signal Battery Backups	25,000
24	Measure I Street Advanced Seal Projects	751,800
25	Sullivan, Adobe Road to Hillside Road (Overlay)	124,000
26	Amboy Road. - Utah Trail to Bagdad Highway (Overlay)	222,000
27	Mesquite Springs, El Paseo to Two Mile Rd (Overlay)	138,000
28	Sunnyvale, Sun Valley to Hillside (Reconstruct)	200,000
29	Sunnyvale - Ocotillo to Aztec (Reconstruct)	96,000
30	Ocotillo Avenue - Sunnyslope- Ocotillo to Aztec (Overlay)	55,000
31	Joshua Drive – Split Rock Road to Adobe Road (Overlay)	83,000
32	Baseline Road, Utah Trail to Adobe Road (Overlay)	200,000
33	Adobe Road---Baseline to Hwy 62 (Overlay)	200,000
34	Transportation Development Act (TDA) Slurry Seal Projects	200,000
35	Research and Development—Geothermal Study	25,000
36	Redevelopment Agency Wastewater Drainage Master Plan	50,000
37	Redevelopment Agency Project Phoenix	750,000
38	Redevelopment Agency Abatement of Abandoned, Blighted and Dangerous Buildings	285,000
39	Redevelopment Agency Street Furniture, Visitor Center Sign	20,000
40	Redevelopment Agency Business Property Improvement Program	300,000
41	Redevelopment Agency Sidewalk Repair	25,000
42	Redevelopment Agency Projects to be Named	150,000
	Total	\$ 6,797,063

The City will also spend \$245,000 in Transportation Development Act Article 3 Pedestrian Bicycle funds, obtained through the San Bernardino County Associated Governments (SANBAG), to construct new sidewalks near Oasis Elementary School, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive. The sidewalks are designed to increase safety in the area for residents, especially children and youth traveling to and from school, who currently have to walk in the street or navigate dirt paths adjacent to the roadway. The SANBAG grant will also allow the City to link the curbs, gutters and sidewalks project with a previously installed curb, gutter, and sidewalk project near the same area using a California Department of Transportation (CalTrans) Safe Routes to School grant. This project will also include \$106,000 from the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund to match the grant funds from SANBAG and \$200,000 in Measure I funds to reconstruct Sun Valley Drive.

In addition to the projects mentioned above, the City will spend \$200,000 in Transportation Development Act (TDA) funds for slurry seal projects, \$728,800 in Measure I funds for advanced seal projects and another \$1,718,000 in Measure I for street overlays throughout the City.

Undergrounding of Overhead Power Lines. The Public Utilities Commission (PUC) requires Southern California Edison to set aside a portion of the revenue derived from Twentynine Palms customers for the undergrounding of overhead power lines. There is currently \$863,410 in this account and this amount increases by approximately \$69,059 per year. The City staff is currently studying potential undergrounding projects and will shortly bring forward options for the City Council to consider.

Economic Development and Redevelopment.

The City and the Redevelopment Agency will need to focus its resources (especially with regard to the 2011 bond proceeds) to eliminate blight, create jobs and transform and revitalize the downtown. The City will spend \$25,000 on marketing and business promotion and another \$50,000 on other economic development efforts from the Redevelopment Agency. These funds will be combined with \$90,000 tourism advertising budget and the \$25,000 business recruitment and promotion budget in the General Fund economic development budget. Funds will be spent in accordance with a marketing plan developed by elected officials, the Chamber of Commerce, the Innkeepers Association and other local businesses and interested stakeholders.

The City will continue to market itself through participation in the California Welcome Center (\$12,000) and supporting the Twentynine Palms Chamber of Commerce and Visitors Center (\$38,000).

Redevelopment Agency Capital Projects Fund includes \$285,000 to eliminate abandoned, dangerous and blighted buildings, \$300,000 to develop and implement a property improvement program to assist business owners, \$25,000 for sidewalk repairs, \$750,000 for Project Phoenix, \$25,000 for a geothermal study and \$125,000 for projects to be designated at a later date by the City Council. **Total Redevelopment Agency Capital Projects Fund spending during FY2012 will be \$2,261,500. The Redevelopment Agency Capital Projects Fund Balance will be reduced from \$7,356,993 on June 30, 2011 to \$5,353,993 on June 30, 2012.**

This annual budget is designed to be a financial plan, policy document, operations guide and communications medium. It is a conservative road map for the coming year and will require careful management to ensure that spending is contained within the limits established by the City Council. The City Council, City Manager and staff are committed to providing the highest level of City services for the least cost.

The preparation of the annual budget is an arduous task. Appreciation is extended to Ron Peck, Darla Holguin, Cindy Keniry, Cindy Villescás, Richard Pedersen, and all of the department heads and other staff members for their contributions. This budget is submitted for your careful review and to make any changes or alteration as you see appropriate to meet the goals and objectives of the City Council and the desires of the

citizens of the community. We all look forward to serving you and the citizens of the City of Twentynine Palms in the coming year.

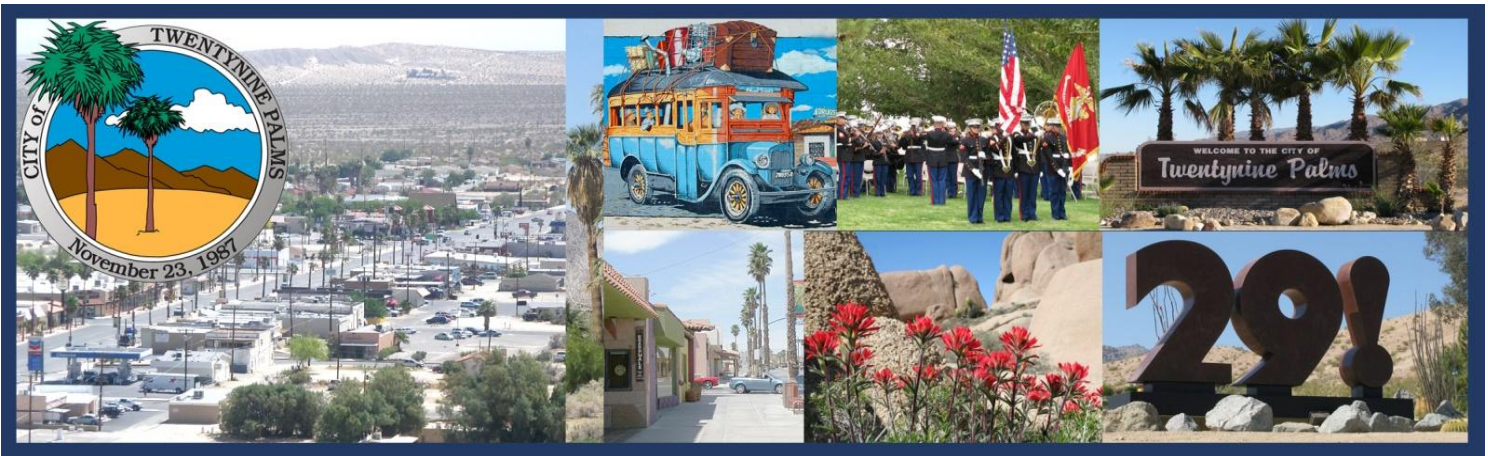
Respectfully submitted,

Richard N. Warne

Richard N. Warne
City Manager



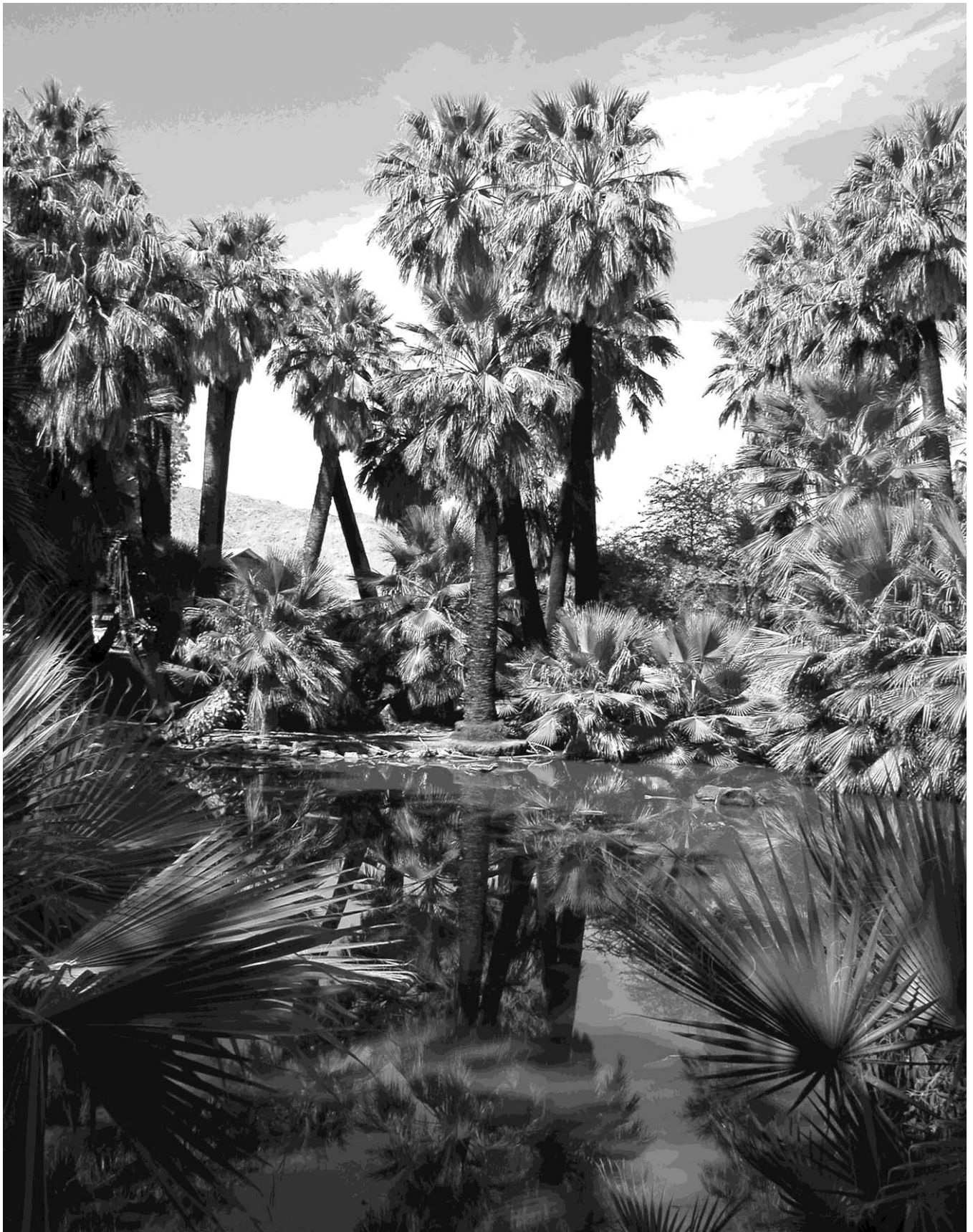
The Plaza--1939



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The Oasis of Mara Awaits Storm--1940



July 5, 2011

The Honorable Mayor, City Council and Members of the Public
6136 Adobe Road
Twentynine Palms, California 92277

Re: City Manager FY2012 Budget Message and Budget Overview.

Dear citizens and members of the Governing Body:

In accordance with the Twentynine Palms Municipal Code and sound municipal business practices, I hereby transmit the budget for the City of Twentynine Palms for the period ending June 30, 2012. This document is divided into eight sections. They are:

1. Strategic Planning, Implementation and Evaluation Decision-Making Process Section. This section outlines the broad context and strategic framework in which the budget is prepared, implemented and evaluated. The Twentynine Palms budget is not prepared in a vacuum. It is a document designed to achieve the long-term goals of the community based upon community values, community vision and sound long-term strategies adopted by the City Council. The annual budget, along with its operating and capital budgets, provide the means to achieve a community based on a shared vision.

2. City Organization Section. This section provides information concerning the municipal organization created by the City Council and the City Manager to deliver municipal services, implement the General Plan, achieve community goals and implement the policies, goals and spending plan outlined in the FY2012 budget.

3. Accounting and Financial Reporting System Section. This section contains a description of each of the City's 20 accounting funds by Governmental Fund Type. These accounting funds are used to account and report the revenues, expenditures, assets and liabilities of the City of Twentynine Palms, the Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Financing Authority.

4. Accounting, Investment, Fixed Assets, Financial, Capital Improvement and Budget Policies Section. This section reviews the major City Council and City Manager policies that guide accounting, investment, capital improvement, budgeting and protection and use of financial resources and assets.

5. Budget Summaries Section. This section provides FY2012 budget summaries for all 20 Governmental and Proprietary Accounting Funds of the City. These summaries are broken down by accounting fund and by functional area such as personnel expenditures, maintenance and operations expenditures, capital expenditures and debt service expenditures. This section provides the City Council and the public with a broad overview of the City's financial plan for FY2012 as outlined in the budget document.

6. Fund Budgets Section. This section contains the Annual FY2012 line-item budget for each Accounting Fund along with mission statements, Accounting Fund descriptions, department descriptions, revenue assumptions, footnotes, goals, performance measures and projected estimated changes in fund balance during the fiscal year.

7. Statistical Information Section. This section presents information regarding the City's historical revenues, expenditures, infrastructure, demographics, bonded debt, building permits, fixed assets and other related financial information.

8. Glossary of Acronyms and Terms Section. This section lists the definitions of commonly used governmental budgeting, accounting and financial reporting terms.

The FY2012 Twentynine Palms budget is a financial plan, operations guide, policy document and a communications device. It conforms to the highest national budget standards published by the Government Finance Officers Association (GFOA) of the United States and Canada. Its pages contain 236 goals for City departments, 258 footnotes with detailed explanations of the City's past, present and future financial transactions and activities for review by the public and the City Council.

Planning for the Future

The FY2012 budget is prepared within the broad context of the Twentynine Palms Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process outlined in Section 1 of this budget document provides a framework for the City's strategic planning, executing and evaluating City operations, organizational structure, budgets, programs, service levels and capital projects. High performance organizations and successful businesses achieved their success by constantly planning, implementing and evaluating their operations. The City of Twentynine Palms is a multi-million dollar corporation and incorporates modern corporate planning, execution and evaluation principles into its operations to provide high levels of municipal services to serve the people effectively and efficiently.

The City Council recognizes the importance of using modern principals of corporate governance and the important role that proper planning, execution and evaluation plays in setting the future course of our community. **These principles must be applied in order to achieve the community vision established by the City Council on August 28, 2007, and meet the challenge of balancing the unique small-town character of Twentynine Palms with economic development and preservation of the desert environment.**

Strategic Priorities.

The City will focus its efforts on five strategic priorities in order to achieve this balance.

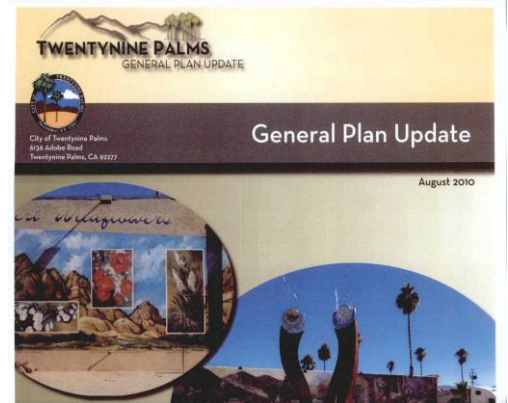
1. Land-Use.
2. Economic Development.
3. Infrastructure Development.
4. Community Services.
5. Financial Stability.

The City Council establishes strategies, goals, objectives and action plans for each of these strategic priorities. Almost everything the City does in FY2012 will be focused toward these priorities. The FY2012 budget is the primary mechanism to deploy financial and personnel resources to achieve the community vision and meet the City Council’s strategic priorities in a balanced way.

Land Use Development

General Plan 2010.

With the assistance of the Planning Commission, Planning Consultants and the help of a number of public-spirited citizens, the City Council embarked on the development of a new community vision and a new General Plan. The General Plan if properly done will become the primary strategic planning document used to guide the development of the community over the next 20 years. It is what the private sector would call the “business plan” or “strategic plan” for the community, and incorporates Twentynine Palms’ community values and vision for the future.¹



Twentynine Palms’ new General Plan will establish the road map for the future. It is a long-term, comprehensive, framework to guide physical, social, and economic development within a community’s Planning Area. The City of Twentynine Palms’ General Plan is a long-range guide for attaining the City’s goals within its Sphere of Influence (SOI) and accommodating its population growth to the year 2030. It coordinates all components of the City’s physical development and sets objectives, policies, and standards, which guide future growth within the City’s Planning Area. The Planning Area includes the Sphere of Influence (SOI), which represents the geographic area the City could use to expand. (Please see Figure 6.)

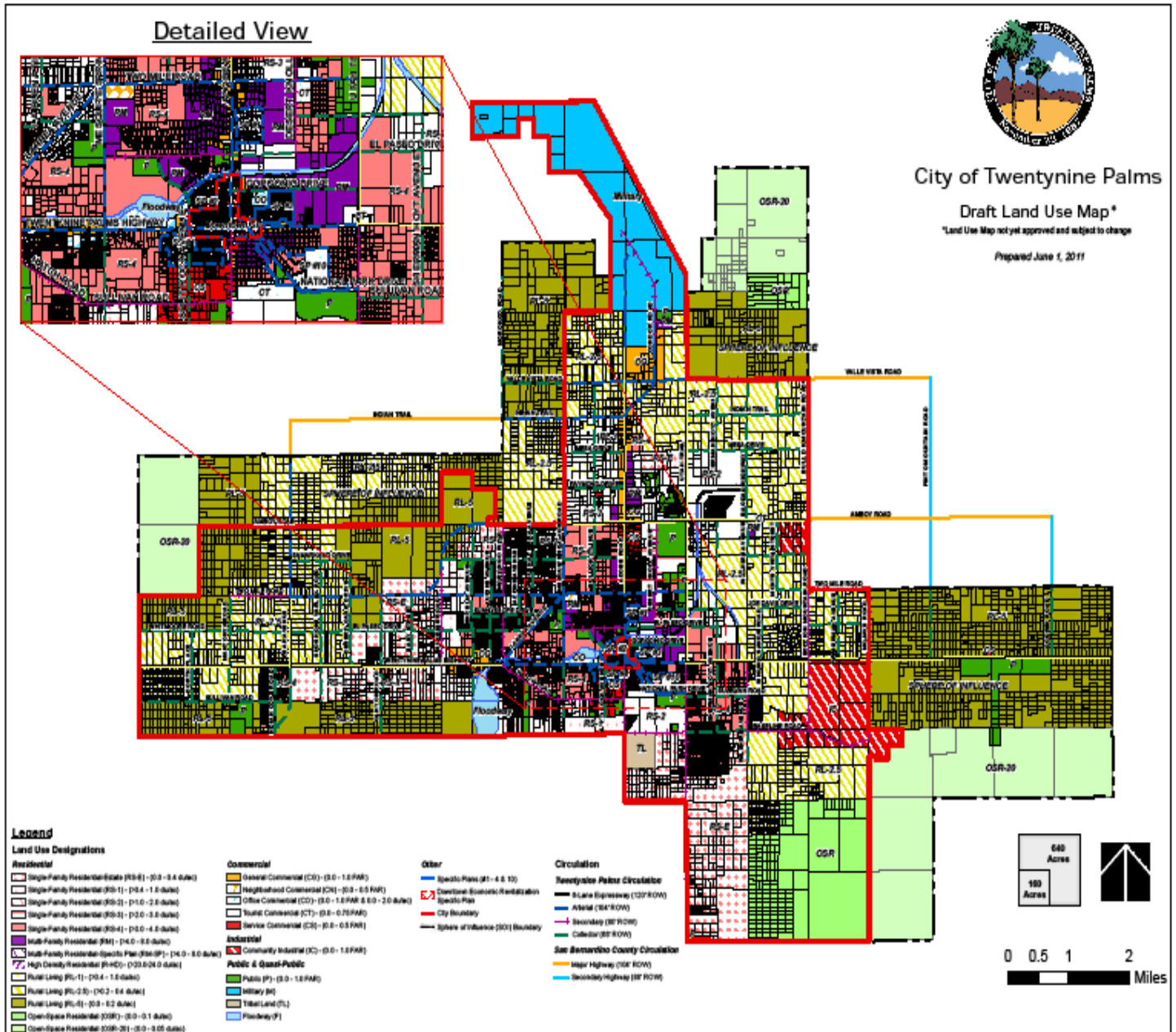
The City of Twentynine Palms is a unique community with numerous natural resources. The City limits encompass 58.82 square miles (37,642.84 acres), which includes 3.9 square miles of the Marine Corps Air Ground Combat Center. A total of 30.5 square miles (19,539.85 acres) of unincorporated area have been designated as part of the City’s “Sphere of Influence” (SOI) for possible future expansion of the City limits. Together, the 89.3 square mile area comprises the General Plan’s planning area.

Twentynine Palms enjoys exceptional weather, good air quality, dark skies, vast open lands and stunning scenic views and vistas. Major national landmarks and facilities such as the Joshua Tree National Park, and the Marine Corps Air Ground Combat Center (MCAGCC) are located within and adjacent to the City, which adds to the exceptional economic opportunities of Twentynine Palms. The overall vision of the General Plan is to protect and preserve existing natural resources for future generations while enhancing and promoting the economic development of Twentynine Palms.

¹ California Government Code Section 653000 requires each city and county to adopt a General Plan “for the physical development of the county, or city, and any land outside its boundaries which bears relation to its planning.” The General Plan is the policy document from which all local land use decisions must be derived. Many of the specific ways to achieve the goals of the General Plan are spelled out in other regulatory documents. In 1971, the State passed the “consistency law” and placed the General Plan at the top of the legal hierarchy of land use regulation within a city. All specific plans, the zoning ordinance, and every other land use regulation within a City must be consistent with the City’s General Plan and must be consistent with one another.

Through its pages, the General Plan outlines the goals and implementation policies that provide specific direction for decision making and formulation of public policy. The goals and policies of the General Plan are intended to provide a framework for decision makers to determine whether projects are consistent with the vision of the City. It covers land use, circulation, housing, safety, conservation and open space, noise and recreation.

**Figure 6
General Plan Map**



Housing Development.



General Plan Housing Element. The City continues to work to diversify, enhance and improve its housing stock. California Government Code Section 655800 states that “the availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, is a priority of the highest order.” As a result of this declaration, the Legislature has required that all cities and counties prepare a Housing Element as part of their General Plan. The Housing Element is only good for five years and is the only element of the General Plan that must be submitted to the California Department of Housing and Community Development (HCD) in order to determine compliance with state laws.

On September 15, 2009, the City Council approved a new Housing Element of the General Plan and submitted it to the California Department of Housing and Community Development (HCD) for approval. The State sent back their comments to the City on December 10, 2009. Twentynine Palms’ Community Development Department has been working with the City’s consultant and the staff of the California Department of Housing and Community Development (HCD) to make the requested changes and obtain State approval. The final Housing Element of the General Plan will go forward to the City Council once the City receives approval from the State.

Low- and Moderate-Income Housing Development. In addition to completing a new Housing Element of the General Plan, the City will be an active participant in the Regional Housing Needs Assessment (RHNA) during FY2012. The Regional Housing Needs Assessment (RHNA) is a process that State law requires the Southern California Association of Governments (SCAG) to perform as part of the Housing Element and General Plan updates adopted at the local government level. The RHNA quantifies the need for housing by income group within each jurisdiction during special planning periods, based on a regional housing target set by the California Department of Housing and Community Development (HCD).² The Planning period for the upcoming RHNA is October 2013 to September 2021.

Economic Development

A central component of the City’s planning efforts is economic development. Economic development is the sustained creation of community wealth and the generation of tax revenues through the retention, expansion and development of diversified business opportunities that are compatible with the environment, community values and community vision. The development of a strong City economy is essential to providing employment opportunities and tax revenues to underwrite the cost of municipal services. The City Council understands this and believes that the quality of life in Twentynine Palms will ultimately be determined by the level of community economic activity.

² The Regional Housing Needs Assessment (RHNA) consists of two measurements:

1. The existing need assessment examines census data, to measure how the housing market is meeting the needs of current residents, including low-income households and crowded housing units.
2. The future need assessment is determined by the Southern California Association of Governments (SCAG) growth forecast and local input process. Each new household creates the need for more housing. The anticipated need is then adjusted to account for an ideal level of vacant units.

Economic Development Strategies.

Twentynine Palms has many great features including desert lands, scenic vistas, year-round sunshine, warm winter weather, clean air, clear night skies, murals, low crime and a rural character, located near two major economic development drivers. Twentynine Palms should capitalize on its strengths and focus its economic development strategies in three areas:

1. Increase the Number and Length of Stay of the Visitors to Twentynine Palms. Twentynine Palms has many advantages over other jurisdictions in the region, including its proximity to the Joshua Tree National Park and the U.S. Marine Corps Air Ground Combat Center (MCAGCC). Twentynine Palms should seek to take advantage of its location and these two resources by directly catering to military personnel and the millions of annual visitors. The National Park is visited by approximately 1.4 million visitors a year while the U.S. Marine Corps Air Ground Combat Center (MCAGCC), the largest military training area in the United States, and has 28,600 overnight visitors.³ Twentynine Palms has a rich history, museums, art galleries and beautiful murals that can be marketed. Community-wide events such as the Street Fair Car Show, Pioneer Days and productions at Theatre 29 can be promoted to bring visitors into town. Twentynine Palms is also the first City encountered by people traveling from Arizona and the Parker Dam area to Southern California. The community needs to be marketed as a gateway to the park, the base, the desert, other destinations in Southern California and as a visitor destination for cultural, scientific, outdoor and other events. Travelers should be enticed to visit, stay and enjoy everything that Twentynine Palms has to offer.

In addition to current visitor destinations, the City should increase economic activity by attracting and expanding other visitor-oriented facilities and activities such as the new Joshua Tree National Park Oasis of Mara Visitor Center, the Sky's the Limit Observatory and Nature Center and expansion of the U.S. Marine Corps Air Ground Combat Center (MCAGCC).

2. Capture the Economic and Financial Transactions of the Personnel Working and Living at the U.S. Marine Corps Air Ground Combat Center (MCAGCC). The U.S. Marine Corps Air Ground Combat Center (MCAGCC) employs 14,811 civilians and military personnel living on the base.⁴ Twentynine Palms should create a marketing plan that targets military personnel, their families, and civilians working at the base. Part of the marketing plan should be to work with the military to increase the number of non-military sales tax generating businesses on the base or right outside its gates. In addition to marketing the City to the civilian and military personnel, the City should work with local businesses to assist them in getting contracts to provide goods and services to the base. According to the

³CB Richard Ellis Consulting estimated that 17,200 or 60% of the military visitors to the U.S. Marine Air Ground Combat Center (MCAGCC) stay on base in billeted quarters and the balance of approximately 11,400 stay in hotels in the City of Twentynine Palms each year. These visitors generate demand for a total of approximately 69,000 room nights for off-base hotel accommodation. By 2015, CB Richard Ellis Consulting estimated that total number of annual overnight visitors will be approximately 33,200 with the number staying in hotel accommodations off-base increasing to approximately 80,000 room nights in off-base accommodation. ("Downtown Revitalization Feasibility Study for City of Twentynine Palms," CB Richard Ellis Consulting, October 2006, p. iii.)

CB Richard Ellis Consulting estimated that 2006 retail expenditures for base overnight visitors at approximately \$4.3 million, of which approximately 80% or \$3.4 million. This demand base was expected to increase to approximately \$5 million by 2015. ("Downtown Revitalization Feasibility Study for City of Twentynine Palms," CB Richard Ellis Consulting, October 2006, p. iii.)

⁴CB Richard Ellis estimated that the retail sales leakage for Twentynine Palms was approximately \$150 million to \$160 million. One of the key objectives is to tap the entertainment and general merchandise expenditures of military personnel currently served by Yucca Valley.

latest figures available from the Marine Corps, a total of \$152,266,179 was awarded in personnel, goods and services contracts during FY2007.⁵

3. Make Twentynine Palms a Premier Location for Artists to Live and Military Personnel and other People to Retire. The desert lands, scenic vistas, year-round sunshine, warm winter weather, clean air, clear night skies, murals,⁶ low crime rate, excellent schools and community amenities make Twentynine Palms an excellent place to live and retire. The City's rich art heritage and numerous local artists make Twentynine Palms an ideal location for new artists to live and be creative.

The City and the Redevelopment Agency will need to focus its resources (especially with regard to the 2011 bond proceeds) to eliminate blight, create jobs and transform and revitalize the downtown. The City will spend \$25,000 on marketing and business promotion and another \$50,000 on other economic development efforts from the Redevelopment Agency. These funds will be combined with \$90,000 tourism advertising budget and the \$25,000 business recruitment and promotion budget in the General Fund economic development budget. Funds will be spent in accordance with a marketing plan developed by elected officials, the Chamber of Commerce, the Innkeepers Association and other local businesses and interested stakeholders.

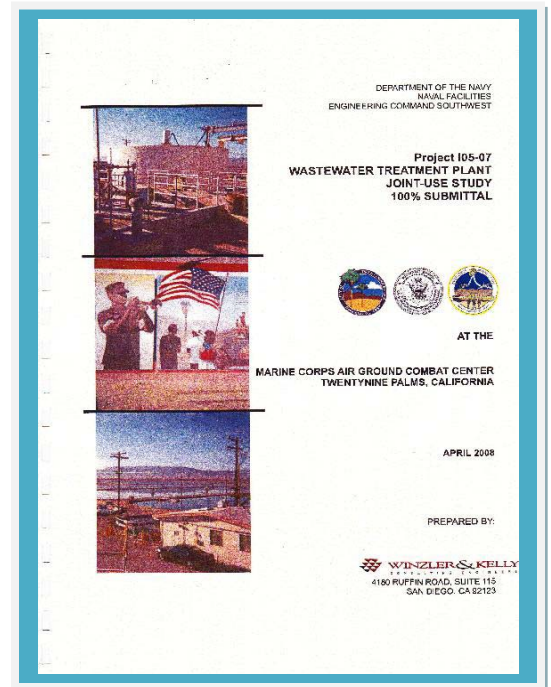
The City will continue to market itself through participation in the California Welcome Center (\$12,000) and supporting the Twentynine Palms Chamber of Commerce and Visitors Center (\$38,000). The City will spend \$50,000 on "Welcome to Twentynine Palms" Gateway signs.

Infrastructure Development

Wastewater System.

Background. The entire City, except for the annexed Mainside area at the U.S. Marine Corps Air Ground Combat Center (MCAGCC) is currently on septic systems and leach fields. In June 2003, a Joint Use Wastewater Treatment Plant Regional Facility Study for the U.S. Marine Corps Air Ground Combat Center (MCAGCC), Base and the City of Twentynine Palms was completed by Winzler & Kelly Consulting Engineers. That study recommended against a joint-use facility for the treatment of wastewater generated by the City and the U.S. Marine Corps Air Ground Combat Center (MCAGCC) due to the cost and lack of any information demonstrating there was a problem.

In April 2008, a second study by Winzler & Kelly Consulting Engineers was issued. The object of that study was to provide a basis of comparison between a joint-use facility for treatment of combined wastewater flows and a new facility for separate treatment. Two joint-use and three separate-use alternatives were evaluated for treatment



Wastewater Treatment Plant Joint Use Feasibility Study-- FY2008

⁵ "Downtown Revitalization Feasibility Study for City of Twentynine Palms," CB Richard Ellis Consulting, October 2006, p. iii.

⁶ The Oasis of Murals program consists of painting historical and cultural murals on the facades of community walls and buildings in the City. The murals have significantly increased the aesthetics in the area, promoted historical appreciation, increased cultural awareness, and spurred downtown revitalization and economic growth through increased tourism and business. The Action Council for 29 Palms, Inc. has completed 25 murals.

of the area's wastewater. Joint-use alternatives included upgrading the existing Mainside Wastewater Treatment Plant (WWTP) and construction of a new wastewater treatment plant at a location between MCAGCC and the City. Separate-use alternatives for the City include using decentralized package wastewater treatment facilities or centralized system that would use either a natural process or a mechanical process for wastewater treatment.

After comparing the total capital costs for each alternative, each was very expensive with the exception of Separate-Use Alternative #1. Because the City of Twentynine Palms currently uses individual septic systems, there is no existing infrastructure to be used for a city-wide collection program. Collection pipelines, laterals and a trunk sewer main will all be required for collecting and transporting wastewater to the desired facility. Based on the proposed area of service, it was estimated that that collection facilities and a sewer trunk line will cost approximately \$34 million.

The recommendation of the report was that Separate-Use Alternative #1 (Decentralized) be used for the treatment of the City of Twentynine Palms wastewater. Separate-Use Alternative #1 proposes the use of packaged wastewater treatment plants for the treatment of wastewater generated by major subdivisions. Capital costs for this alternative are small for the City as the construction and associated collection facilities would be financed by the developers of new subdivisions.⁷

Wastewater Treatment System Feasibility Study. The Regional Water Quality Control Board (RWQCB) has expressed concern over the potential contamination of groundwater resources by nitrates from the improper installation and maintenance of septic systems in Twentynine Palms. They have required several new subdivisions and commercial developments in recent years to incorporate into their development the construction of small "package" wastewater treatment plants and localized collection systems to collect and treat wastewater independent of the City. In addition, the Regional Water Quality Control Board (RWQCB) is requiring Yucca Valley to construct a wastewater treatment plant and collection system and the City of Twentynine Palms may be required to do so in the near future. **The City will spend \$100,000 in FY2012 to update the 2008 Wastewater Treatment Plant Joint-Use Study and examine the legal, regulatory, fiscal and technological issues surrounding the proper handling of wastewater in Twentynine Palms. The study will also include an examination and analysis of the management and maintenance of current wastewater treatment "package" plants.**

Water System.

The development of water and wastewater infrastructure is a critical element in developing a strong residential, commercial and industrial base.

Water System Overview. Water services are provided to the Twentynine Palms planning area by the Twentynine Palms Water District (TPWD). The Twentynine Palms Water District's (TPWD) potable water system consists of over 200 miles of distribution pipelines, 10 active production wells, eight booster stations and 10 water storage reservoirs. The Twentynine Palms Water District (TPWD) also operates a fluoride removal water treatment plant designed to remove high levels of fluoride from the local ground water.

⁷ Wastewater treatment "package plants" treat multiple dwellings or heavier users, such as industrial or commercial development. Package treatment plants operate in a similar manner as centralized municipal facilities. Wastewater is accepted into the package plant where it goes through a process of solids removal, aeration, clarification and chlorination prior to discharge into a leach field. There are numerous manufacturers for a variety of sizes of package treatment plants. There are currently three package treatments plants in operation in Twentynine Palms. They are Desert Knoll subdivision, Turtle Rock subdivision, and the Holiday Inn Express. An additional 11 package treatment plants have been proposed or are approved for various residential tract maps.

The Twentynine Palms Water District (TPWD) maintains approximately 7,700 meter services within its boundaries, 93% of which are residential connections. Water demand for the Twentynine Palms Water District (TPWD) service area was last estimated in 2004 during preparation of the 2005 Urban Water Management Plan (UWMP). Water demand in 2004 was approximately 3,286 acre feet per year (AFY). Today, water demand is estimated to be at approximately 3,286 acre feet per year (AFY).

Water System Improvements (FY2012). The Twentynine Palms Water District will spend \$500,000 during FY2012 to complete engineering for the expansion of its water treatment plant. They will also spend \$250,000 to replace the district parking lot in front of the building and \$150,000 in parking lot improvements in the rear of the building. A vehicle will also be replaced for \$55,000, computer hardware and software replacements will be made for \$15,000, and another \$15,000 will be set aside for emergencies and contingencies.

In addition to these capital expenditures, the Twentynine Palms Water District will shortly be updating their Urban Water Management Plan. This is a very important document for the City, Water District and the people of Twentynine Palms and it is important that elected officials, staff and interested resident be involved in this process. California Water Code, Division 6, Section 10610 et seq. requires all urban water suppliers within the state to prepare Urban Water Management Plans (UWMPs) and update them every five years. Such plans satisfy the requirements of the Urban Water Management Planning Act (UWMPA) of 1983, including amendments to the Act. The code requires that an Urban Water Management Plan (UWMP) must include historic, current and future supplies and demands for water; address conservation measures, and describe potential supply deficiencies during drought conditions and the ability to mitigate these conditions; compare total projected water use and water supply sources over 20 years in 5-year increments, for a single dry water year and for multiple dry water years; and provision for recycled water use, demand management measures and a water shortage contingency plan.

Parks and Recreation.

Parks and recreation programs will continue to be a major priority in Twentynine Palms. The Community Services Department will continue to offer a wide range of recreation programs and will continue its partnership with community non-profit organizations and other community partners including the Youth Club, Morongo Unified School District, Hi-Desert Youth Football Association, Twentynine Palms Little League, Hi-Desert Pony League, Sky's the Limit Observatory and Nature Center, Public Arts Advisory Council, Theatre 29, Knott's Sky Park Preschool and the Twentynine Palms Swim Team.

In addition to continuing its current programs, the Community Services Department will spend \$75,000 to rebuild the well in Luckie Park, \$15,000 to slurry seal the Community Center parking lot and \$70,060 to upgrade the swimming pool to meet new San Bernardino County standards. \$80,000 will be spent in Knott's Sky Park to complete an electrical master plan and install the underground electrical facilities at the park. \$20,000 has also been reserved in the General Capital Projects Fund to replace the mural removed by Walgreens.

Street and Sidewalk Infrastructure.

The improvement of the City's street, curb, gutter and sidewalk infrastructure will be a major priority for the City Council during FY2012. The City will contribute \$200,000 to the widening of Highway 62 from Sunrise to Canyon to include a turn lane and two traffic lanes in each direction. The environmental document has been approved, the engineering has been completed and this project was sent out to bid by the California Department of Transportation (CalTrans) in May 2011.

In addition to this highway widening project, the City will use \$500,000, including \$200,000 in Measure I funds and \$300,000 from the Redevelopment Agency Capital Projects Fund to complete the environmental document, engineering and phase I construction of street widening, curb, gutter and Sidewalk from Encelia Avenue to Split Rock Avenue on Highway 62.

To allow residential areas north of the City better access to the commercial areas on Highway 62, the City will spend \$200,000 from the General Capital Projects Fund to construct 0.25 miles of two-lane road on Encelia Drive from Sunnyslope Avenue to Two-Mile Road.

During FY2012, the City will also spend \$450,000 to construct curb, gutter and sidewalk on the west side of National Park Drive from Highway 62 to the Joshua Tree National Park Headquarters to promote economic development and improve pedestrian circulation between the National Park and downtown. Project includes constructing sidewalk completely around the Old School House Museum and in front of the 29 Palms Art Gallery. The City has reserved another \$500,000 for curb, gutter and sidewalk construction in the downtown area at a location to be determined by the City Council.

The City will also spend \$245,000 in Transportation Development Act Article 3, Pedestrian Bicycle funds obtained through the San Bernardino County Associated Governments (SANBAG) to construct new sidewalks near Oasis Elementary School, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive. The sidewalks are designed to increase safety in the area for residents, especially children and youth traveling to and from school, who currently have to walk in the street or navigate dirt paths adjacent to the roadway. The SANBAG grant will also allow the City to link the curbs, gutters and sidewalks project with a previously installed curb, gutter, and sidewalk project near the same area using a California Department of Transportation (CalTrans) Safe Routes to School grant. This project will also include \$106,000 from the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund to match the grant funds from SANBAG and \$200,000 in Measure I funds to reconstruct Sun Valley Drive.

In addition to the projects mentioned above, the City will spend \$200,000 in Transportation Development Act (TDA) funds for slurry seal projects, \$728,800 in Measure I funds for advanced seal projects and another \$1,918,000 in Measure I for street overlays throughout the City.

Undergrounding of Overhead Power Lines.

The Public Utilities Commission requires Southern California Edison to set aside a portion of the revenue derived from Twentynine Palms customers for the undergrounding of overhead power lines. There is currently \$863,410 in this account and this amount increases by approximately \$69,059 per year. The City staff is currently studying potential undergrounding projects and will shortly bring forward options for the City Council to consider.

Redevelopment.

Redevelopment Agency Capital Projects Fund also includes \$285,000 to eliminate abandoned, dangerous and blighted buildings, \$300,000 to develop and implement a property improvement program to assist business owners, \$25,000 for sidewalk repairs, \$750,000 for Project Phoenix, and \$150,000 for projects to be designated at a later date by the City Council. **Total Redevelopment Agency Capital Projects Fund spending during FY2012 will be \$2,261,500. The City will also spend \$863,410 to underground power lines during FY2012.**

Federal and State Impacts on Twentynine Palms

As you can see, Twentynine Palms is moving forward and has a bright future. However, the City is faced with many challenges brought on by events beyond Twentynine Palms' City limits and beyond the control of the City Manager and City Council. The national economy and state economy, as well as Federal and State governmental laws and regulations, will continue to have a huge influence on the City of Twentynine Palms.

Since the passage of Proposition 13 in 1978, there has been a trend toward increasing centralization of political power in Sacramento, decreasing financial control by city governments, and loss of home rule for cities and counties. These trends will probably continue in FY2012 and beyond.

National Economy.

Economic Growth. The national economy will continue its slow recovery in 2012. Consumer spending, which accounts for about two-thirds of total Gross Domestic Product (GDP), slowed in the first quarter of 2011 to an annual increase of 2.7%. That is down from the fourth quarter of last year when consumer spending was rising 4% per year. The Gross Domestic Product (GDP) rose a tepid 1.8% during the first half of 2011.⁸ However, continuing improvement in the economy will result in an increase in Gross Domestic Product (GDP) of 3% for the year. Durable goods orders and industrial production are up, even though housing remains weak.⁹

Gross National Product 3% growth in 2011 after increasing 2.9% in 2012.	Trade Deficit \$498 Billion in 2011 \$510 Billion in 2012
Interest Rates No change in Prime Rate at 3.5% 10-Year Treasury rates will vacillate between 3.25% and 3.75%.	Energy Crude oil settling into a \$95-\$105 trading range.
Inflation 1.5% in 2011 3% in 2012	Housing Sales 2% decline in home values in 2011 2 million foreclosures in 2011
Unemployment Bouncing around during the year, but finishing at 9% at year end.	Retail Sales Rising about 3% during 2011
Business Spending 8% in 2011 after increasing 5.6% in 2010. Rising energy costs could roll business spending back to 2010 levels.	Consumer Sentiment Rising gasoline prices renew worries.

The California Legislative Analyst Office (LAO) projects that the national Gross Domestic Product (GDP) will grow no more than 3.1 % per year between now and 2016.¹⁰ Unfortunately, even a 3% increase in Gross Domestic Project (GDP) will not be enough to make much of a dent in unemployment. It would take growth of 4% for a full year to lower the unemployment rate—now at 8.8% by just one percentage point. Federal Reserve Chairman Ben Bernanke estimates that annual growth around 3.5 % means that it would take five or six years for the job market to return to normal.

What Is Causing the slow recovery? The slow recovery results from a combination of (1) excess inventories of residential and commercial real estate, (2) severely depressed economic confidence among both individuals and firms, and (3) for many consumers, a considerably weakened financial capacity to spend and invest. Consumers are attempting to restore their personal finances amidst the weak labor markets and diminished housing wealth. Credit remains very tight. While businesses have been spending more in recent quarters to address equipment, software, and other needs they deferred during the recession, they remain very reluctant to hire. The construction industry remains flat on its back—with few immediate prospects—due to the massive fall in residential and commercial real estate markets. While massive fiscal stimulus from the federal government helped cushion the fall, the 2009 stimulus program spending will taper off in the coming quarters, and the

⁸ "Economic Outlook, Indicators, Forecasts," Kiplinger.com, April 21, 2011, p. 1.

⁹ [The Kiplinger Letter](http://TheKiplingerLetter.com), Vol. 88, No. 17, April 29, 2011, p. 1.

¹⁰ "The 2011-12 Budget: California's Fiscal Outlook," [California Legislative Analyst Office](http://CaliforniaLegislativeAnalystOffice.com), November 10, 2010, p. 11.

likelihood that Congress will enact additional fiscal stimulus appears remote. The Federal Reserve continues to take actions to stimulate the economy, but, with interest rates already at very low levels, its ability to achieve much in this regard is limited.¹¹

“Double-Dip” Recession is not likely. While the economic and revenue forecasts reflect very modest assumptions about near-term growth, they are by no means a worst-case scenario. A minority of economic commentators have suggested that a double-dip recession—another period of diminished economic output—is possible due to the coming declines of federal economic stimulus, continued weakness in consumer spending, turmoil in the world’s sovereign debt and currency markets, and other factors. These forecasts reflect the consensus view that a double-dip recession will not occur. While employment, personal income, output, and housing permit growth are very weak by historical standards during a recovery, they are not shrinking. In addition, while there will probably be low inflation through 2015–16, there will probably not be a period of deflation in the U.S. economy. In large part, our economic outlook reflects the view that some key economic measures (such as construction activity) have fallen so far that there is little room to fall even more.¹² The good news is that nearly all states are now out of recession. Only two (Mississippi and Nevada) are continuing to shrink.¹³

Business Spending. Business spending for things like buildings and equipment is expected to increase by 8% this year, even though firms are coping with rising energy costs and concerns about a weakening economy. This assumes that the global economic environment does not become more hostile due to rising energy costs. A less conducive environment would likely have businesses just match last year’s pace of a 5.6% increase in business spending.

Spending on construction will continue to be soft, until vacancy rates for offices, industrial space and retail decline. Businesses are concerned about the future economy and these fears are starting to manifest themselves in spending on equipment. Durable goods orders, excluding aircraft, fell in February 2011. Even though weather played a potential role in the decline, it is clear that this decline was widespread and included everything from machinery to primary metals.

After increasing nearly 8% in the fourth quarter of 2010, business investment in equipment likely rose only 5% in the first quarter of 2011. If oil prices stay between \$100 and \$110 a barrel, business investment in equipment could increase to 12% per year.

Meanwhile, a significant increase in spending on construction – the other component of business investment -- will require sustained job growth of more than 200,000 new jobs a month into the fall, when companies will be mapping plans for 2012. Nevertheless, a small increase of only 2% is probably likely. This is a big improvement over 2010, when the number of jobs in the economy contracted by 13.8%.¹⁴

Inflation. Despite the sluggish pace of the economic recovery, price increases are starting to spread, raising alarms about inflation. With the economy still in low gear, an inflationary spiral is not a huge possibility during 2012. Unemployment is still very high, making it difficult for workers to demand big wage hikes. But there’s increasing evidence that the tide is changing. Consumer prices rose 0.4% in April following price gains of 0.55% in February and March 2011. The Consumer Price Index (CPI) rose 3.2% over a 12-month period from April 2010 to April 2011.¹⁵

¹¹ “The 2011-12 Budget: California’s Fiscal Outlook,” California Legislative Analyst Office, November 10, 2010, p. 12.

¹² “The 2011-12 Budget: California’s Fiscal Outlook,” California Legislative Analyst Office, November 10, 2010, p. 12.

¹³ The Kiplinger Letter, Vol. 88, No. 13, April 1, 2011, p. 1.

¹⁴ “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, April 21, 2011, p. 1.

¹⁵ “Gas, Food Costs Propel Prices,” The Wall Street Journal, May 14, 2011, p. A-2.

Consumer prices are likely to climb at least 3% this year--nearly double last year's rate of 1.5%. The core inflation rate (which does not include food and energy) will increase approximately 2% this year. **The risk of rising inflation will increase as economic growth picks up speed, unemployment declines and prices start to climb more swiftly.**

In the near future, the cost of money will rise as well, as the Federal Reserve moves from a policy of easing the money supply to neutral and then to tightening. The Federal Reserve Chairman Bernanke and his colleagues will probably raise the benchmark federal funds rate in early 2012, triggering a hike in banks' lending rates. Household rents have likely bottomed out while rents for high quality offices are already on the rise. Next year, the uptrend will spread to warehouses, storefronts and other office space, as well as to apartments. Any company that can is trying to pass on their higher operating costs. From detergent makers to pizza peddlers, manufacturers are adding pennies to price tags or reducing the size of their packages.¹⁶ Already in the past three months, prices have risen by an annualized rate of 7% or more for airfares, new cars and trucks, used cars and trucks, and medicines.¹⁷

Food prices in the United States are likely to rise 4% this year. Price increases are being driven by higher agricultural production and distribution costs, as well as the use of corn in ethanol production. In addition, as developing nations such as Brazil, China and India grow, their citizens can afford a higher quality of life and will consume more meat and grain.¹⁸

Gasoline prices, which accounted for half of the 0.4% rise in the Consumer Price Index (CPI) in April 2011, will linger around \$4 a gallon through the summer. Gas prices are up 33% over the past 12 months. However, wage increases will be minimal during 2012 due to high unemployment. Salary increases are up only 1.9% over the past 12 months.¹⁹

Inflation worries are likely to keep gold prices on a long-term upward trend. Demand from China and Russia will help to keep prices rising. They are among the investors that see gold as a hedge against both a weakening dollar and rising inflation.²⁰

Interest Rates. The Federal Reserve will keep its benchmark short-term interest rate near zero into early next year. Some observers think that policy should soon shift from easing to tightening in order to ward off inflation. But Federal Reserve Chairman Ben Bernanke still feels that the economy is still weak, especially in light of the tepid 1.8% growth in Gross Domestic Product (GDP) growth during the first quarter of 2011.

Although some members of the rate-setting Federal Open Market Committee (FOMC) question the policy of keeping rates near zero, no one formally dissented from that position at the April 26-27 FOMC meeting. Still, the Federal Reserve's recent decision to stop buying up long-term Treasury debt -- while reinvesting in Treasury debt as notes mature, keeps their U.S. Treasury portfolio debt level. This signals that the FOMC will be revisiting its policy at the next meeting.

¹⁶Jerome Idaszak, "How Big is the Risk of Inflation," Kiplinger.com, May 16, 2011; "Economic Outlook, Indicators, Forecasts," Kiplinger.com, May 13, 2011, p. 2.

¹⁷"Economic Outlook, Indicators, Forecasts," Kiplinger.com, May 13, 2011, p. 2; The Kiplinger Letter, Vol. 88, No. 18, May 13, 2011, p. 1.

¹⁸"The Rising Cost of Food," Kiplinger.com, May 2011.

¹⁹"Economic Outlook, Indicators, Forecasts," Kiplinger.com, May 13, 2011, p. 2-3.

²⁰The Kiplinger Letter, Vol. 88, No. 18, May 6, 2011, p. 1.

Federal Reserve Chairman Ben Bernanke will not take even a small step toward tightening interest rates until the unemployment rate falls from the current 8.8% to around 8%. He and his allies do not worry that low rates will lead to rampant inflation. While acknowledging that the prices of energy and other commodities are causing some inflation in the short run, they believe that the situation is “transitory” and foresee prices easing during the second half this year. With the benchmark federal funds rate staying near zero, banks will keep their prime lending rate at 3.25%. The central bank has no direct control over long-term rates. The 10-year Treasury rate is vacillating between 3.25% and 3.75%. It will end the year near the higher end of that range.²¹

Employment. Strong job growth in April 2011 will lessen concerns that the economy is faltering. The net increase of 244,000 jobs last month was slightly stronger than in the previous two months. Even so, it will hardly put a dent in the ranks of the 14 million people out of work.

Unemployment rose to 9% in April 2011, ending four straight monthly declines. The jobless rate is not likely to fall much lower this year. This is because people who lost their jobs grew discouraged and quit looking for work. Now, as they see hiring on the upswing they will try to re-enter the labor force. That drives up the number of active job seekers and keeps the unemployment rate elevated, even as more jobs are created and more people are hired. Approximately two million jobs will be created this year -- not good enough to quickly recover the more than eight (8) million jobs lost in the recession. **By year-end, the unemployment rate is not likely to be much different from what it is now.**

Job gains were broad-based in April 2011. Manufacturing added 29,000 jobs, health care added 37,000 jobs, hotel and restaurant employment rose by 46,000 and retail jobs increased by 57,000. Even construction, flat over the past 12 months, added 5,000 jobs. In the other direction, the number of government jobs continues to shrink, with federal payrolls dropping by 2,000 and state and local governments shedding 22,000 net jobs.

While the latest Labor Department report was a plus, some trouble spots remain. The number of people working part-time who want a full-time job inched up to 8.6 million from 8.43 million. In addition, the average hourly earnings increased only 1.9% over the past 12 months. This means that workers are not keeping up with inflation, which increased about 3% over the same period.²² To keep the economy humming at an average Gross National Product (GDP) growth rate of three percent (3%) per year, two (2) million jobs will need to be created and incomes need to rise.²³

Trade. The trade deficit is likely to increase this year, to around \$510 billion from \$498 billion in 2010. Driven by a weak U.S. dollar, exports set a new record of \$172.7 billion in March. With imports of \$220.8 billion, the trade deficit climbed to \$48.2 billion in March, up from \$45.4 billion in February 2011. The trade deficit will continue to grow as demand for foreign goods picks up with the ongoing United States recovery, and as a slowdown in some of the world’s fastest-growing economies reduces demand for goods from the United States.

Exports will climb 10% in 2011 compared with a 17% jump last year. March 2011 exports rose nearly 15% over the previous year, and about 4.5% over February, the biggest month-to-month gain in 17 years. Exports of industrial supplies and materials, automotive vehicles and capital goods were higher than in February 2011.

Imports to the United States will also see slower growth this year. Following a 20% increase last year -- the largest since 1984 -- the value of U.S. purchases from abroad is likely to grow by about 11% this year. Climbing oil prices will keep the total dollar amount up, despite declines in the value of many imported goods,

²¹ “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, May 13, 2011, p. 2.

²² “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, May 13, 2011, p.3.

²³ [The Kiplinger Letter](http://TheKiplingerLetter.com), Vol. 88, No. 18, May 6, 2011, p. 2.

including apparel and telecom equipment. Imports increased in March for industrial supplies, automotive vehicles, and capital goods, while consumer goods decreased.

The soft dollar will continue to push exports higher by making American goods cheaper overseas. The dollar has been weighed down as the Federal Reserve continues to ease the monetary supply in the U.S. to nudge the economic recovery along. However, the dollar is likely to strengthen as foreign nations raise interest rates to ward off higher inflation.²⁴

Energy. West Texas Intermediate (WTI) crude oil prices to remain in a trading range of \$95-\$105 per barrel in coming weeks after pulling back from the \$115-per-barrel level. What happened? A classic market correction, as traders realized that prices were not sustainable on a fundamental supply and demand basis.

But falling oil prices will not spell immediate relief at the gasoline pump. In fact, gasoline, at the national average of \$3.90 per gallon, is up almost \$1 over last year. However, the national average price is not likely to climb to over \$4 per gallon even as the U.S. enters its high driving season. Gasoline prices lag oil prices by several weeks so the oil sell-off will not be reflected in the price at the pump until June at best. Gasoline prices may even fall further this spring, perhaps retreating to the \$3.75 level. Diesel, at \$4.01 per gallon, is also up more than \$1 over the year-ago price, but will slowly decline, following the price of oil.

West Texas Intermediate (WTI) crude oil, the benchmark for oil pricing in the United States, now stands at around \$100 per barrel. The top overseas oil benchmark, Brent Crude or North Sea oil, is trading just over \$110 per barrel, having retreated from over \$120 per barrel.

Crude prices still carry a \$10- to \$15-per-barrel “risk premium” stemming from disturbances in the Middle East and North Africa. Although there are no real supply disruptions, traders’ fears about the potential for shutdowns keep prices higher than they normally would be given supply and demand. That means prices are likely to fall further still if the Libyan situation gets resolved anytime soon. Of course, if the troubles in the Middle East and North Africa spread to large oil producers such as Saudi Arabia, all bets are off and oil could spike to higher levels. But currently the Saudis say supplies are plentiful, and they have even cut back shipments by 800,000 barrels per day because of lack of demand.

Natural gas prices continue to be a bargain. At Henry Hub, the pricing point for natural gas futures on the NYMEX, prices dropped to \$4.18 per million British thermal units this week from \$4.34 per MMBtu a week ago.²⁵

Housing. **The long-awaited recovery in housing starts and sales now looks unlikely until next year.** The bottom appears to have been reached, but the sector is not generating any momentum. Average prices will decline another 2% this year.

There continues to be too many distressed sales resulting from foreclosures. In addition, legal battles over the accuracy of mortgage paperwork is delaying selling off a high inventory of unsold homes. Foreclosures totaled about 1.8 million in 2010 and will hit about 2 million this year.²⁶ One in four mortgages remain underwater, but as layoffs continue to decline and hiring shows modest gains, fewer borrowers will wind up defaulting on loans.²⁷ The homeownership rate has slipped from a peak of 68% to 66.5% this year and is headed back to the historical norm of 64%.²⁸

²⁴ “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, May 13, 2011, p.3.

²⁵ “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, May 13, 2011, p. 3.

²⁶ “Economic Outlook, Indicators, Forecasts,” Kiplinger.com, May 13, 2011, p. 3.

²⁷ [The Kiplinger Letter](http://TheKiplingerLetter.com), Vol. 88, No.10, March 11, 2011, p. 2-3.

Job creation could nurture a rebound in home sales but it will take a few more months of healthy hiring. Another impediment to housing growth is banks' increased caution. In the wake of the financial crisis in 2008, they raised lending requirements such as down payments and credit scores, and erected other hurdles for potential borrowers. This situation is not going to change in 2011. **Tighter lending is canceling out a recent drop in interest rates, with the 30-year fixed-rate mortgage averaging around 4.6%. It is likely to inch up to slightly over 5% by year-end.**

In addition to foreclosures and tighter lending requirements by banks, poor weather this winter in much of the country certainly did not help sales or construction. Housing starts will increase to about 600,000 this year, compared with about 585,000 in 2010. It will be at least 2013 before annual housing starts reach 1 million units. New-home sales will total about 330,000 this year, up from 322,000 in 2010, while sales of existing homes should total about 5.1 million, up from 4.9 million.²⁹ Mortgage interest rates remain attractive, with a 30-year fixed rate near 5%.³⁰

Retail Sales. Retail sales look solid, but with consumers spending more on gasoline, there's less buying of other things, such as furniture, electronics, restaurant meals and sporting goods. That shift showed up in April 2011 and will continue as long as gas prices remain elevated -- through the summer, at least.

Retail sales are projected to increase by a bit more than 3% this year, compared with a 2010 gain of over 4% from the dismal 2009 levels. Overall, retail sales in April 2011 rose 0.5% over the previous month. Excluding autos and gasoline, which yields a better picture of the basics, retail sales were up 0.2%.

Value will drive shoppers, who will only splurge for special occasions. They will only pay out more bucks for more expensive products, but only if they are convinced that the extra funds are worth it. In addition, shoppers are less likely to be coaxed into parting with their money before they need to. They will not, for example, buy warm-weather gear until the weather dictates the need for it, even if store displays turn to beachwear months before the chill is out of the air. As a result, retailers can expect to see their biggest sales gains around holidays and changes in the seasons -- a return to a more traditional seasonal pattern now that the recession has put an end to most recreational spending.³¹

Online sales will grow more than four times as fast as overall retail in 2011. E-commerce purchases will be up more than 13%, compared with 3% increase in overall retail sales. That follows a 12% rise in Internet sales in 2010. Growth will slow slightly over five years. However, there will be a 10% jump in online purchases for each year in that period.³²

Federal Budget Deficit Damage. There will be a price paid for the massive federal spending underway. Though President Obama pledged to cut half of the 2010 deficit of \$1.3 trillion by 2013, he has made no serious attempts to do so. The magnitude of the problem is sobering. An estimated \$1.6 trillion federal budget deficit is projected in 2011, according to President Obama's own proposed budget. The national debt will rise to \$15.5 trillion.

²⁸ The Kiplinger Letter, Vol. 88, No.10, March 11, 2011, p. 1.

²⁹ "Economic Outlook, Indicators, Forecasts," Kiplinger.com, April 21, 2011, p. 4.

³⁰ The Kiplinger Letter, Vol. 88, No.10, March 11, 2011, p. 1.

³¹ "Economic Outlook, Indicators, Forecasts," Kiplinger.com, May 12, 2011, p.4.

³² The Kiplinger Letter, Vol. 88, No.14, April 8, 2011, p.23.

This means that there will be a tremendous debt to be serviced. Uncle Sam already owes a sum that equals 41% of the gross domestic product (GDP). By 2019, the national debt could amount to twice that percentage as expenses for Medicare, Social Security and other programs pile up quickly with the huge bulge of baby boomers retiring. Interest will claim much more of the federal budget. Payments already account for 4.2% of federal outlays. By 2013, they will be about 11% and headed higher.³³

The Social Security Trust Fund is paying more money in benefits than it is collecting from workers. By 2036, the Social Security Trust Fund will be broke. Medicare's Hospital Insurance Trust Fund reserves are projected to be exhausted in 2024, five years earlier than the federal trustees projected just a year ago. Spending on these two entitlements will grow 50% faster than the economy between 2007 and 2030. Social Security's unfunded liability would raise the public debt by 20% of the Gross National Product (GNP) by 2035.³⁴

Time is running out to attack the deficit. The once-distant problem is now up close. Soaring deficits are jacking up the national debt, resulting in higher interest rates and raising the odds of an even weaker dollar, stunting economic growth and lowering Americans' future standard of living.



Federal spending is out of control. For years, it averaged 20% of Gross Domestic Product (GDP). This year it is 25% of the GDP. Some of that is due to war spending and efforts to cushion the recession such as unemployment benefits as well as aid to banks, state governments and more, plus diminished tax receipts as the economy shrank. Even as the economy fully recovers, federal spending will not decrease. Growing ranks of retirees mean Medicare and Medicaid costs will keep soaring, even if health care reform successfully curbs increases in the cost of care—something highly unlikely.

³³The Kiplinger Letter, Vol. 86, No.13, March 26, 2009, p. 3. Also The Kiplinger Letter, Vol. 88, No. 9, March 4, 2011, p. 1.

³⁴“Social Security and Medicare Finances Continue to Falter,” Investor’s Business Daily, May 16, 2011., p. A-1.

The mountain of debt will continue to accumulate, even if politicians in Washington manage to rein in spending and trim the yearly deficit. In FY2009, federal public debt rose by a third, to \$7.8 trillion. By 2014, it will equal a whopping two-thirds of the Gross Domestic Product (GDP). Interest payments alone will be staggering, soaring as much as \$800 billion a year by the end of the decade and gobbling up 16% of the total budget. Servicing the debt may become the single biggest item in the federal budget, surpassing Medicare and defense.³⁵

Time alone will not wash away the deficit; nor can the United States grow its way to a surplus. An improving economy adds jobs and boosts receipts, but not fast enough to close the revenue-to-cost gap. Quick deep cuts are sure to stunt economic growth.³⁶

The United States will reach its borrowing limit any day, but default is not imminent. Treasury Secretary Timothy Geithner has said that the government can pay bills until August 2 without violating the statute or risking financial ruin if the debt ceiling is not raised.³⁷ If there is no action on the debt limit, there will be no payments made to millions of people including military personnel and Social Security recipients. In addition, there would be no interest payments on the existing national debt. Benefits could be restored quickly, but investor doubt may last for years.³⁸ With the cost of not acting so high, lawmakers will reach a compromise to avoid default. Republicans will win White House support for some spending cuts. But they will not get President Obama to back big Medicare and Medicaid changes.³⁹ The new debt ceiling will be at about \$15 trillion, up from the \$14.3 trillion.⁴⁰

The inevitable result will be either higher taxes or less money to spend on everything else the federal government does from food safety to road building, education, health care, energy, the environment, even homeland security and defense. For the President, Congress and other policymakers, there will be a long list of tough choices to be made. In any case, the Federal Government will have to borrow much more to cover its spending. Long-term treasury rates will climb to attract the investors needed. As U.S. households increase savings in a new, more austere economic climate, their 5% of Treasuries will increase. In the 1990s, before the allure of stocks and real estate surged and bond yields fell, households held 20% of U.S. Treasuries. But even if that level were regained, and it is unlikely, it would not be enough to fund the \$4.2 trillion increase in Treasury borrowing coming in the next few years.

Treasury rates will rise several percentage points to keep foreigners lending. There will be no escape from inflation either. All that cash the Federal Reserve is pumping into the ailing economy now will become excess as consumer spending recovers and the slack in the economy is absorbed. This will likely begin to occur in 2011.⁴¹

³⁵[The Kiplinger Letter](#), Vol. 87, No. 3, January 15, 2010, p. 1.

³⁶[The Kiplinger Letter](#), Vol. 88, No. 9, March 4, 2011, p. 1.

³⁷[The Kiplinger Letter](#), Vol. 86 No. 13, March 26, 2009 p. 3.

³⁸[The Kiplinger Letter](#), Vol. 88 No. 15, April 15, 2011, p. 2.

³⁹[The Kiplinger Letter](#), Vol. 86 No. 13, March 26, 2009, p. 3.

⁴⁰[The Kiplinger Letter](#), Vol. 88 No. 15, April 15, 2011, p. 2.

⁴¹[The Kiplinger Letter](#), Vol. 88, No. 19, May 13, 2011, p. 2.

California Economy.

California began to recover modestly in 2010 from the worst recession since the Great Depression. Economic output and personal income grew in the nation and in California. Job growth resumed once again in California. But these gains and many others like them pale in comparison to the losses incurred during the recession. The recession lasted 18 months, ending officially in June 2009



The principal cause of the recession was a financial crisis instigated by risky financial activity that led to the bursting of the housing bubble. Based on historical experience, economic recoveries following recessions caused by financial crises are slower and more drawn out than those stemming from other causes. This recovery follows that experience.

Although California is more than 18 months into the recovery, many Californians believe that the economic conditions have not improved. By most measures, the California economy was on the mend in 2010. However, the slowdown wrought by the housing implosion and financial crisis was so severe that the pace of economic recovery continues to be discouraging. Unemployment remains high across the country and especially in California. Home building still lags below the pace of construction set before the housing bubble inflated. Similar trends continue in other areas such as industrial production and notably, home, and retail sales.

The nation and California started 2010 mired in an anemic recovery brought about by the nature of the recession that preceded it. The financial balance sheets of many households were still reeling from the financial upheaval and the decline in home values. It is estimated that the financial crisis cost households and non-profit organizations \$11 trillion in assets —nearly a year’s worth of national economic output. The loss of these assets led to financial retrenchment as consumers became thrifter, and households began saving more. While this will have positive effects in the long run, it means less consumer spending now. In turn, this lower level of consumer spending makes businesses cautious. Thus, despite surging profits, corporations have refrained from hiring and have instead opted to increase their cash reserves. Unfortunately, weak employment growth restrains consumption spending.⁴²

The California economy entered 2011 in the midst of a recovery. A sharp rebound does not appear to be likely. Rebuilding household balance sheets requires restrained consumer spending; and that restraint in turn will provide for only modest job growth for some time.⁴³ Despite recent positive indications, the return to pre-recession conditions will be slow and steady. Financial crises have historically lead to prolonged readjustment periods that last for years. The steep drop in home values means that a full recovery in residential construction and all associated sectors could be delayed for several years. Likewise, government spending and private sector employment will be lower for the foreseeable future.⁴⁴ The University of the Pacific Eberhardt School of Business projects that the recovery could take five years.⁴⁵ (Please See Figure 7.)

Employment. California unemployment peaked at 12.5% in the fourth quarter of 2010.⁴⁶ The state’s unemployment rate decreased to 11.2% in April 2011. California gained 96,500 nonfarm jobs in April

⁴² “California Economic Indicators,” California Department of Finance, November-December 2010, p. 5.

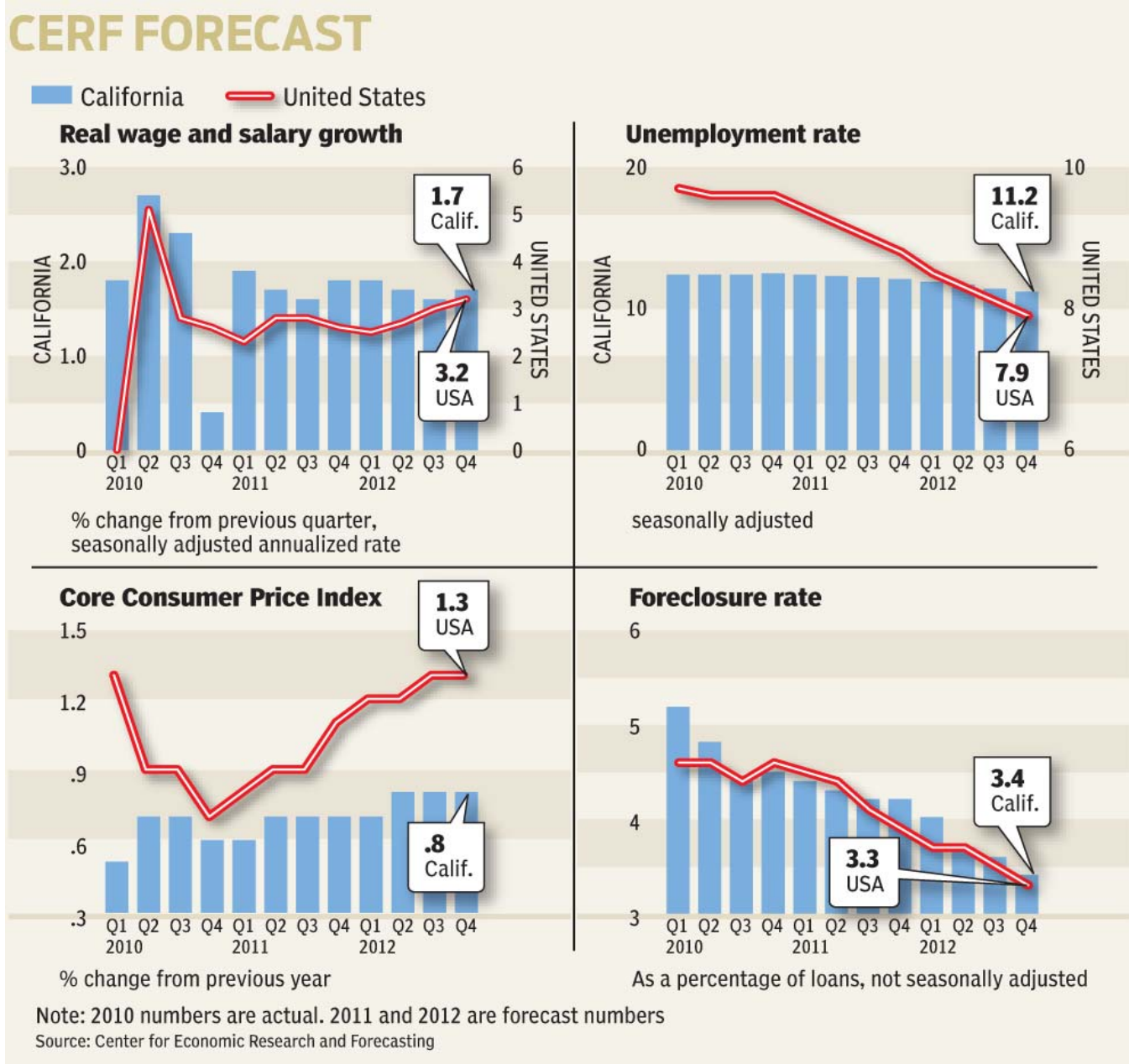
⁴³ “California Economic Indicators,” California Department of Finance, November-December 2010, p. 5.

⁴⁴ Governor’s Budget May Revision 2011-12.

⁴⁵ “California and Metro Forecast: April 2011,” University of the Pacific, April 19, 2011, p. 1.

⁴⁶ “California and Metro Forecast: April 2011,” University of the Pacific, April 19, 2011, p. 3.

Figure 7
California Economic Forecast



2011—the largest-to-month gain in a record going back to 1990. This was also the fifth in a string of monthly job gains that average 41,600. The job gains were widely spread, with government the only major industry sector to lose jobs. Professional and business services added 39,700 jobs; construction, 15,500; information, 15,500; trade, transportation, and utilities, 9,100; leisure and hospitality, 5,900; other services, 3,800; manufacturing, 3,600; financial activities, 2,500; educational and health services, 2,000; and mining and logging, 100. The public sector lost jobs 1,200 jobs in February 2011.

Nonfarm payroll employment rose 196,400 from February 2010 to February 2011—the fifth consecutive annual gain and the strongest growth (1.4 %) since October 2006. Employment rose 100,000 in professional and business services; 49,200 in educational and health services; 38,200 in trade, transportation, and utilities; 32,000

in leisure and hospitality; 24,800 in information; 9,500 in manufacturing; 6,400 in construction; and 1,300 in mining and logging.

Over the year, the public sector accounted for most of the jobs lost. Employment fell by 62,000 in government; 2,500 in other services; and 500 in financial activities. The state’s unemployment rate fell to 12.2% in February 2011—the second consecutive month-over decline and the lowest rate since December 2009. The number of people unemployed in California was 2,202,000—down 44,500 over the month, and down 49,500 compared with February of last year. Total nonfarm employment was still down 1,134,800 from the beginning of the national recession in December 2007.⁴⁷

Payroll jobs bottomed out this summer nearly 1.33 million jobs below their 15.2 million job peak in summer 2007. **California will add 254,000 jobs over the next 12 months, less than one-fifth the total lost during the recession. Jobs will not recover their pre-recession peak until midway through 2015.**⁴⁸

Three-Year Trend in California and U.S. Unemployment Rates
April 2011; Seasonally Adjusted Data

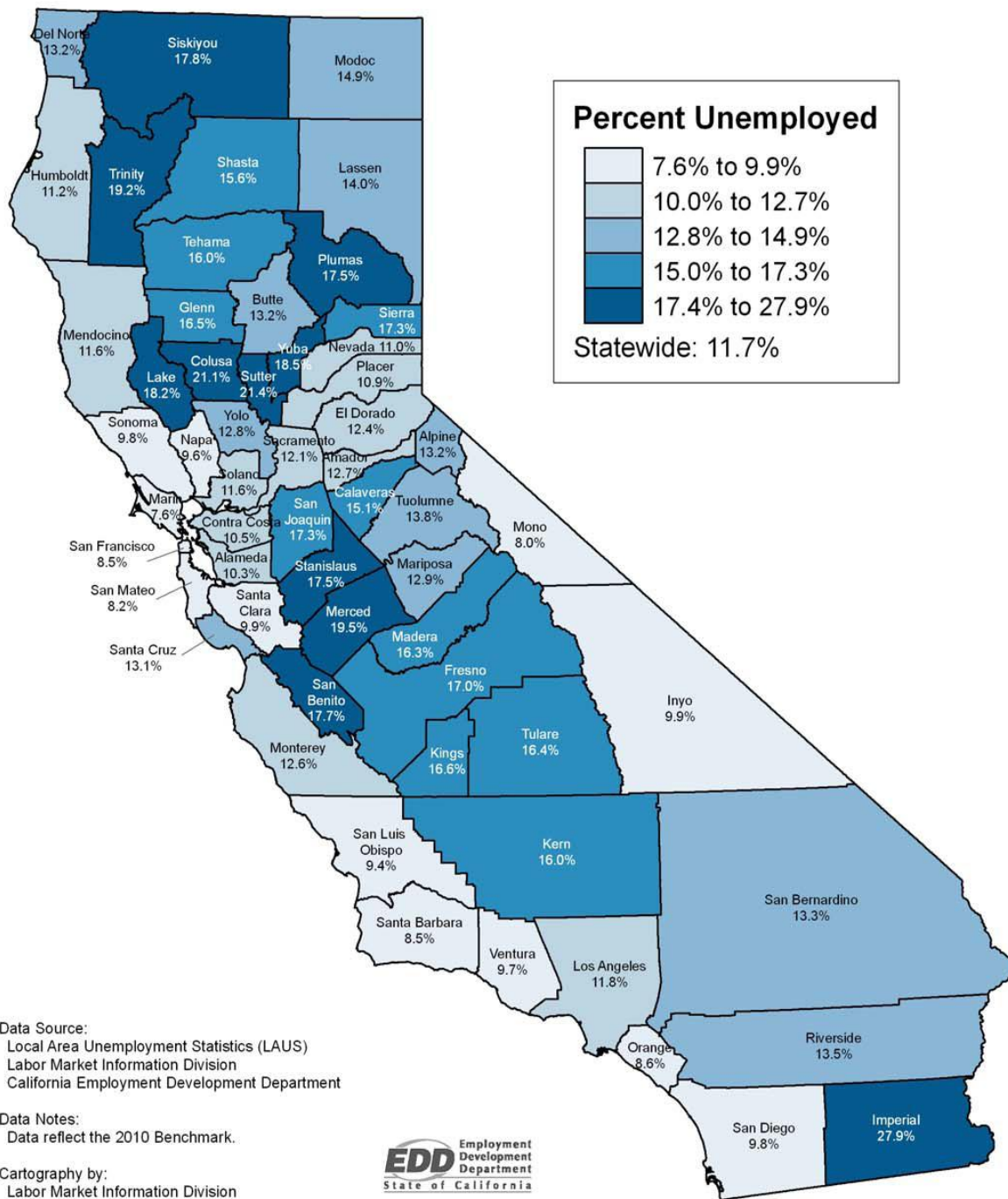


⁴⁷ “Finance Bulletin,” California Department of Finance, April 2011, p. 1.

⁴⁸ “California and Metro Forecast: April 2011,” University of the Pacific, April 19, 2011, p. 3.

County Unemployment Rates

April 2011 (Not Seasonally Adjusted)



Data Source:
 Local Area Unemployment Statistics (LAUS)
 Labor Market Information Division
 California Employment Development Department

Data Notes:
 Data reflect the 2010 Benchmark.

Cartography by:
 Labor Market Information Division
 California Employment Development Department
<http://www.labormarketinfo.edd.ca.gov>
 May 2011



In the future, California job creation will be sluggish. Its unemployment rate is predicted to be 10.3% next year, substantially above the national average. Job creation, though more rapid in late 2011, 2012 and 2013, will not be fast enough to push the unemployment rate below double digits until the start of 2013.

The drivers of the recovery in California will be education, health care and technology as well as residential construction. The expectation for 2011 is 1.1% growth in employment. The bulk of this growth will occur in the latter part of the year. The end of the year growth will be slightly faster in California than the U.S. as increases in U.S. consumption levels will be magnified in California's logistics industry and increases in exports to the growth economies of Asia will disproportionately affect California. Employment growth is expected to speed up in 2012 and 2013 as the recovery takes hold. Real personal income growth is forecast to be 1.3% in 2011 and 3.7% in 2012 and 4.1% in 2013. The unemployment rate had been stuck between 12% and 13% throughout 2010. Employment growth in 2011 and 2012 will only push unemployment down marginally and it probably will not reach 9.7% until the first quarter of 2013. The unemployment rate is projected to remain elevated at 8.9% through 2013.⁴⁹

Personal income will have modest growth during 2011, followed by low growth in 2012 and 2013. Personal income is projected to grow 3.8% in 2011, 4% in 2012, and 5.1% in 2013. This is a definite improvement from the 2.4% decline suffered in 2009, but weak compared to the 5.1% average annual growth rate achieved from 1989 to 2009.⁵⁰

Retail Sales. Spending by consumers increased in California in 2010 after dropping sharply in 2009. Retail sales fell by 12.9% in 2009 but rose by an estimated 6.6% in 2010. Modest increases in retail sales are expected in 2011 and 2012. Many of the state's automotive dealers, who were hard hit during the downturn, also are experiencing moderately better sales, including those selling products by America's three large automotive companies.⁵¹

World Trade. Activity at the state's ports increased dramatically during 2010. Growth will continue through 2011 and 2012. Port workers, truckers, railroads and distribution companies are not the only beneficiaries. California's manufacturers and producers of agricultural products increased export sales as well.⁵²

In addition to port activity, imports and exports through California's three customs districts surged in 2010 after plunging in 2009. Exports and imports both increased sharply, reflecting the brisk economic recovery occurring in key Asian markets and the need to refill inventory pipelines in the United States. During the first 11 months of 2010, the value of exports through the state's customs districts soared by 23.5%, while imports grew by 21.9%.

Exports started to improve in late in 2009 and grew strongly through 2010. Demand was boosted by early economic recoveries in the Asian emerging nations led by China. Imports followed suit in early 2010, also increasing by double-digit rates. Rising sales of retailers, distributors and manufacturers—signs of economic recovery in the United States, forced these firms to increase orders from their foreign suppliers. Trade flows

⁴⁹ "National Economy is 'On the Mend' as GDP Growths Steadily and Payroll Employment Increases; In California, Slow Growth Expected Through 2011 as Jobs Slowly Return," UCLA Anderson Forecast, March 2011, p. 1.

⁵⁰ "California Economic Indicators," California Department of Finance, November-December 2010, p. 5.

⁵¹ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 30.

⁵² "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 30.

through California will increase further in 2011 and 2012, but at a slower pace, reflecting that most companies supply pipelines have been restocked.⁵³



Housing. The worst of the housing slump may be over in California. Home building permitting, which suffered a long steady three-year decline starting in 2006, stabilized at a very low level in 2009. Spurred by the on-again/off-again federal home buyers tax credit and, to a lesser extent, by California's first-time buyer tax credit, permitting improved fitfully throughout most of 2010. The issuance of housing permits rose nearly 18% during the first ten months of the year from the same months of 2009. However, the number of permits issued was still down 80% from the peak reached in mid-2005.

Home building fell for a second consecutive month in February 2011 following an end-of-the-year surge to beat the imposition of new building codes that took effect at the beginning of 2011. Despite the weak showing in the first two months of the year, the average pace of permitting during the four months ending with February was up 6% from the same period a year earlier. In February, residential permits were issued at a seasonally adjusted annual rate of 28,652 units, down 39% from a year earlier. Single-family permits were down 33%, while multi-family permitting was down over 48%.⁵⁴

Multi-family housing starts are expected to rebound modestly in 2011, while starts of more economically significant single-family homes remain in a depressed state. Housing starts should top 150,000 units per year by 2015, but include more multi-family housing units than in recent decades.⁵⁵

Real estate markets for existing homes were stuck in neutral in February. Sales of existing, single-family detached homes—497,700 units at a seasonally adjusted annualized rate—dropped 9% from January. The median sales price also dropped 2.8% in February—to \$271,300—and was down 2.5% from a year earlier. The unsold inventory index rose to 7.3 months. The median number of days needed to sell a home lengthened to 64.4 days—the longest median registered since February 2008.⁵⁶ However, despite some modest gains in housing, weak real estate markets and constrained home building are significant impediments to a strong recovery. There is some uncertainty about the resilience of the stability achieved during 2010. It is still unclear how much of the improvement seen in 2010 was the result of the temporary boost provided by tax credits. Fears persist of a “shadow supply” of existing homes, including bank-owned properties being held out of the market by lenders and investors. A “shadow supply” could prevent further home price recovery. This, in turn, could lead to depressed home building into the future.⁵⁷

Agriculture. It was a better year for agriculture in 2010, with revenues boosted by higher prices and increased exports of California-grown products. However, increased costs remain a concern, especially for fuel, energy and feed. The situation looks better in 2011. Some product prices are rising, and water supplies seem likely to stabilize for the moment. Farm statistics usually take a considerable time to release. However, here is the information most currently available:

⁵³ “2011-2012 Economic Forecast and Industry Outlook,” Los Angeles County Economic Development Corporation, February 2011, p. 30.

⁵⁴ “Finance Bulletin,” California Department of Finance, April 2011, p. 1.

⁵⁵ “California and Metro Forecast: April 2011,” University of the Pacific, April 19, 2011, p. 3.

⁵⁶ “Finance Bulletin,” California Department of Finance, April 2011, p. 1.

⁵⁷ “California Economic Indicators,” California Department of Finance, November-December 2010, p. 5.

Total gross farm receipts in California declined by 9.6% in 2009, primarily due to plunging prices of dairy products and livestock. However, gross receipts were up by 5.9% in the first 11 months of 2010, most due to higher livestock prices.

Exports of California-grown and bottled-products increased by 18.6% during the first 11 months of 2010 after declining by 4.8% in 2009. 2010 exports could set a new record. In addition, 372,300 workers were employed by California's farms and nurseries, down slightly from the same period in 2009. Assuming the weather cooperates and court mandated water restrictions are not too severe (both rather large assumptions), 2011 could be a better year for California's farmers than 2010. However, feed and fuel costs are rising and cutting into profitability.⁵⁸

Rice planting begins in the Sacramento Valley after a slow start due to cool and wet spring weather, reports the California Farm Bureau Federation. The recent warm weather has allowed fields to dry out and farmers to begin their planting process. Farmers are about seven to 10 days behind where they normally are in early May; however, they are farther along than last year when they started two to three weeks behind schedule. In 2010, rice growers harvested 558,000 acres; the 2011 expectation is 575,000 acres, an 8% increase. This includes 530,000 acres of medium grain, 40,000 acres of short grain, and 5,000 acres of specialty and long grain. Prices for rice should remain at the same level as last year, and farmers are optimistic they will have a profitable crop. California exports about 60% of their rice crop, mostly to Northeast Asia, the Mideast, and Northern Africa.⁵⁹

Travel and Tourism. 2010 was a very good year for California's tourism industry after a very difficult 2009. According to Smith Travel Research, the state's hotels reported an average increase in the occupancy rate of 6.1% along with roughly even room rates. This combination caused total hotel room revenues to grow by 7.4% and allow owners to begin to recover some of their 2009 losses. The San Jose/Santa Cruz hotels recorded a 14.8% increase in room revenues in 2010, driven mostly by higher occupancy. Los Angeles increased their revenues by 10.2%. Annual increases in room revenues at other major locations were smaller, ranging from 5.5% in Sacramento to 2.7% in Riverside-San Bernardino Counties.

Tourism revenues should continue to increase in 2011. The pace of business and leisure travel is quickening. Intrastate travel is also likely to show steady improvement. In addition, tourist industry operators will attempt to increase fares and room rates despite travelers' efforts to find bargains.⁶⁰

Water. Despite December's heavy rains, California's water supply continues to be in short supply, though last year's precipitation turned out to be pretty good overall. However, many areas in the state are still facing restrictions on water use, because water levels in the state's reservoirs fell so far in earlier years. Complicating matters further, environmental rulings have the potential to place at risk not only the state's premier agricultural industry but also urban areas that rely on water traversing the Sacramento-Bay Delta.⁶¹

⁵⁸ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 30.

⁵⁹"California Regional Bulletin," California Employment Development Department, May 20, 2011, p. 2.

⁶⁰ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p.33-34.

⁶¹ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 29.

Energy. **There will be no electricity shortages this summer.** The slow economy has reduced demand. Still the California Energy Commission is encouraging conservation.⁶²

Hydrogen and electricity are favored for powering the state's future vehicles in a blueprint released this month by the California Energy Commission. The agency plans to spend \$176 million over the next two years on alternative fuels. About 40 million is to be spent on the effort to install 11 hydrogen stations in California.

Electricity charging stations will also be built with \$46 million for electricity and hybrid cars, trucks and buses. The alternative energy mix also includes fuel vehicles, in which hydrogen is converted to electricity to power motors. Losing out at the California Energy Commission were bio-fuels. The Commission reduced funds for ethanol from \$22 million to \$12 million in its plans. Much of the money will be spent on about 50 E85 stations in the State to be added to two dozen or so existing ones.



State Growth. The state's population number 38.7 million persons as of July 1, 2010. That total is expected to swell by 350,000 persons annually. By mid 2012, the state will have 39.5 million residents.

Population growth has slowed since the early 2000s, primarily because the state has experienced negative net domestic migration; i.e., the number of Californians moving out of state is greater than the number of out-of-state residents moving here. Most of the state's population growth comes from natural increase (births minus deaths), with the remainder from international migration.

A growing population benefits the California economy. Growth ensures a firm, underlying demand for housing, furniture and appliances (at least during normal, non-recessionary periods). This demand is not being met now but will boost residential construction and the associated retail sales whenever credit conditions improve and the economic picture brightens.

Growth in the population also supports growth in the state's health care and education sectors. Finally, the enormous size of the consumer market in California represents a huge opportunity for retailers and other consumer-serving industries who find the market simply too big and too attractive to ignore.⁶³

New State Legislation and Ballot Initiatives.

State Legislation will continue to play out in the shadow of a State Legislature dominated by Democrats. Liberal lawmakers pushed outgoing Governor Schwarzenegger harder as he was nearing the end of his term as Governor.



New State Laws. Over 700 new state laws went into effect after January 1, 2010. Additional state laws have been passed by the State Legislature and signed by Governor Brown since that time. Below are a few of the laws that will impact the residents, businesses and City government of Twentynine Palms:

1. **Insurance Premiums.** AB 119 prevents insurance companies from charging different premiums for men and women for identical coverage.

⁶²The Kiplinger California Letter, Vol. 45, No. 10, May 27, 2009, p. 3.

⁶³ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 31.

2. **Eviction of Tenants that are Victims of Domestic Violence or Stalking.** Starting July 1, 2011, SB 782 prohibits landlords from evicting tenants that are victims of domestic violence or stalking.
3. **Local Traffic Ordinances.** SB 949 prohibits local government authorities from enforcing a local ordinance on any matter covered by the California Vehicle Code. This law goes into effect on July 1, 2011, and has been enacted to ensure that traffic convictions are recorded by the California Department of Motor Vehicles (DMV).
4. **Renewable Energy Sources for Utilities.** This law increases the amount of electricity that must be generated from renewable sources from 20% by 2020 to 33% by 2020.
5. **Driving Under the Influence (DUI).** This bill (AB 1601) authorizes a court to order a 10-year revocation of the driver's license of a person convicted of a third or subsequent DUI violation, with possible reinstatement after five years if specified conditions are met. This law becomes effective on January 1, 2012.
6. **Sex Offender Penalties.** AB 1844, informally known as Chelsea's Law, will increase penalties, parole provisions and oversight of sex offenders, including a "one-strike, life-without-parole penalty" for some offenders.
7. **New Firefighter Endorsement.** AB 1648 simplifies the proper licensing of firefighters while continuing to ensure public safety. The law exempts operators of fire fighting vehicles from the Commercial Driver License (CDL) program and creates a new license endorsement process.
8. **Traffic Violator School Program.** AB 2499 allows traffic violators to complete a court-approved California Department of Motor Vehicles (DMV) traffic school violator course through home study or on-line. This law will have a three-year implementation process.
9. **Motorcycle Instruction Permit.** AB1952 requires a person under 21-years of age to complete an approved motorcycle safety course before being issued an instruction permit. There are currently more than 6,000 drivers, 19 years and younger, who are licensed to ride a motorcycle in California.
10. **Marijuana Possession.** This bill (SB1449) makes the possession of up to one ounce of marijuana an infraction with a penalty of a \$100 fine.
11. **Vehicle Insurance.** This law (AB 1871) will allow people to lease out their cars when they are not being used—alleviating the need to purchase additional insurance.
12. **Use of Food Stamps.** AB537 makes food stamps an acceptable form of payment at farmers markets through an EBT process. .
13. **Social Media.** This legislation (AB 1411) makes it a misdemeanor to maliciously impersonate someone via a social media outlet or through e-mails. The new law punishes the harming, intimidating, threatening or defrauding of another person online with up to a year in jail and a fine of \$1,000.
14. **Green Building Codes.** AB 715 makes a change to the California Green Building Code standards to require new California buildings to be energy efficient.

15. **Guns.** This new California law (AB 97) makes it harder to get ammunition for guns by requiring stores to keep ammunition behind the counter so sales only occur with face-to-face transactions. The law also requires that buyers provide a thumb print and an ID.
16. **Trans Fats.** This bill (AB97) outlaws oil, shortening or margarine containing artificial trans fats in restaurant food as well as other food including baked goods.
17. **License Plates.** This legislation requires that all license plates will be required to be mounted parallel to the ground so the characters are upright and displayed from left to right.
18. **Post-Foreclosure Protection for Tenants.** SB 1149 requires a notice to terminate a residential tenant who remains after a foreclosure sale must generally include a statutory notice of the tenant's rights. This requirement, which sunsets on January 1, 2013, applies to an immediate successor-in-interest for one year after a foreclosure sale. The tenant's rights must be on a separate cover sheet or, for a 90-day termination, incorporated into the notice to terminate. Another provision of the bill protects a residential tenant's credit by generally prohibiting the court clerk from revealing unlawful determiner court records unless the plaintiff prevails at trial.
19. **No Short Sale Deficiencies.** SB 931 provides that when the seller of a one-to-four unit residential property with only a first deed of trust sells the property as a short sale, the lender cannot come after them for the unpaid balance. It states that by approving the short sale, the lender is deemed to have released the seller from any liability for the unpaid balance. The new law does not apply to loans secured by other types of properties nor does it apply to second or other junior liens against the property. The new law also does not apply if the trustor is in a corporation or a political subdivision of the state. There are two exceptions to this protection. The first is if the trustor commits fraud and the second is if the trustor commits waste. In either of these situations, the laws does not limit the ability to seek damages. The fraud that would remove the protection might have occurred at the time the loan was obtained, but also might be contained in the information provided to the lender to induce them to approve the short sale. Misrepresentations of hardship or concealment of additional offers might be sufficient to open the door to liability of the unpaid loan balance. Waste is a legal concept in which a party acts in a manner which diminishes the value of the property. Examples might be removing or stripping electrical fixtures. Such acts could remove the protections granted by the new law.
20. **Protections Against Real Estate Fraud.** AB 1800 protects consumers from real estate fraud by expanding the foreclosure consultant law to include (1) someone who performs a forensic audit of a residential mortgage loan, (2) requiring any mailed solicitation that offers to provide a copy of an owner's grant deed or their title records for a fee and (3) increasing the criminal punishment for renting out a residential dwelling without the owner's consent to a one year imprisonment, plus a \$2,500 fine.
21. **Energy Audit in Home Inspection Report.** AB 1809 requires that an energy audit be included in a home Inspection Report upon a client's request.
22. **Enforcement of Mortgage Loan Originator (MLO) Requirements.** SB 1137 requires that anyone acting as a mortgage loan originator (MLO) without an MLO license endorsement will be guilty of a crime punishable by six months in jail and a \$20,000 fine. In addition, a broker cannot employ or compensate a real estate licensee for MLO activities unless that licensee has a MLO endorsement. .

- 23. Restriction on Adverse Possession Claims.** AB 1684 states that a claim for adverse possession requires, among other things, certified records of the County Tax Collector showing that all state, county, or municipal taxes have been timely paid for the five-year period the property has been occupied and claimed.
- 24. Proposition 26.** California voters approved Proposition 26 on November 2, 2010 by 52.5%. The law in some limited instances may require new fees, or existing fees that are extended or increased, to be classified as special taxes requiring approval by a two-thirds vote of local voters. The League's Proposition 26 Implementation Guide details how most fees that cities and other local agencies seek to adopt likely fall into one or more of the seven exceptions contained in the law's provisions that are applicable to local government.

In short, Proposition 26 contains these exceptions:

- A. The Special Benefit or Privilege Exception;
- B. The Government Service or Product Exception;
- C. The Licenses and Permits Exception;
- D. The Local Government Property Exception;
- E. The Fines and Penalties Exception;
- F. The Property Development Exception; and
- G. The Prop. 218 Exception.

Taxes. Tax law changes will affect most firms in California as the State Legislature struggles to raise more revenue, close the budget deficit gap and promote "green technology." **Some of the tax law changes enacted in 2009 that Governor Brown wishes to extend for five years include:**

1. **Sales and Use Tax Rate Increased by One percent.** Beginning April 1, 2009 and effective through June 30, 2011, the state sales and use tax rate is increased by 1%. The increase is extended through June 30, 2012, if an amendment to the California Constitution related to certain budget matters is approved in a statewide election.
2. **Vehicle License Fee Increase.** Effective May 19, 2009, the state Vehicle License Fee (VLF) is increased from 0.65% to 1.15%. The increase does not apply to certain truck trailers, semi-trailers, and other commercial vehicles. The VLF rate increase is effective through June 30, 2011, and will be extended to June 30, 2013, if voters approve a Constitutional amendment related to budget matters.
3. **Individual Income Tax Rates Increased by 0.25%.** For tax years beginning on or after January 1, 2009, the individual tax rates are increased by 0.25%. The rate increase applies to resident and non-resident individuals, to taxable estates and trusts, and to regular and alternative minimum tax (AMT) rates.

The rate increase is reduced to 0.125% if California receives at least \$10 billion from the federal government. To qualify, the federal funds must be made available to California by June 30, 2010. The rate increase, whether ultimately 0.25% or 0.125% is effective through December 31, 2010. The increase will be extended through December 31, 2012, if voters approve a Constitutional amendment related to budget matters. S Corporate tax rates (including S corporations) remain unchanged.

4. **Dependent Credit Reduced by \$210 or More Per Dependent.** For tax years beginning on or after January 1, 2009, the dependent credit is reduced to an amount equal to the individual personal exemption credit. Based on 2008 amounts, the 2010 dependent credit will be reduced by \$210 per dependent. This dependent credit reduction will

be extended through December 31, 2012, if voters approve a Constitutional amendment related to budget matters.

5. **Small Business Hiring Tax Credit.** For taxable years beginning on or after January 1, 2009, a credit against individual and corporate income/franchise tax is granted in an amount equal to \$3,000, prorated as provided, for each qualified full-time employee hired during the taxable year by a qualified employer. A “qualified employer” must have 20 or fewer employees on the last day of the preceding tax year, and may only claim a credit on the net increase in “qualified employees” for the current year in comparison to last year. New businesses reflect all qualified employees as net increases. Credits will cease to be granted in the calendar quarter when the total credits claimed on all state returns for all eligible years under this statute cumulatively total \$400 million.

6. **Economic Nexus Defined.** For taxable years beginning on or after January 1, 2011, “doing business” for purposes of whether taxpayers have economic nexus, and are thereby subject to corporate income tax, is redefined to include any of the following.
 - A. Organized commercially domiciled in California.
 - B. In-state sales exceed the lesser of \$500,000 or 25% of total sales.
 - C. In-state real and tangible personal property exceeds the lesser of \$50,000 or 25% of total property.
 - D. In-state payroll exceeds the lesser of \$50,000 or 25% of total payroll.

In-state sales, property, and payroll are determined by application of the corporate apportionment rules, including alternate apportionment rules.

7. **Definition of “Gross Receipts” Codified.** For taxable years beginning on or after January 1, 2011, “gross receipts” for purposes of income tax apportionment is redefined to codify recent court decisions. Gross receipts include all gross amounts realized but, shall not include the following items.
 - A. Repayment/redemption of loans, bonds, etc.
 - B. Amounts received from repurchase agreements.
 - C. Amounts from stock issuance or sale of treasury shares.
 - E. Damages and other amounts resulting from litigation.
 - F. Property acquired by agent on behalf of another.
 - G. Tax refunds and other tax benefit recoveries.
 - H. Pension reversions.
 - I. Contributions to capital.
 - J. Income from discharge of indebtedness.

8. **Elective Single-Sales-Factor Apportionment.** For tax years beginning on or after January 1, 2011, an apportioning trade or business may elect to use a single-sales-factor apportionment formula in lieu of the four-factor formula (property, payroll and double-weighted sales.)
9. **Expanded Sales Factor “Finnigan” Again.** Prior to December 31, 2010, the California Franchise Tax Board treats each corporation in a combined return group as a separate taxpayer for purposes of the sales factor source and throwback rules. For tax years beginning on or after January 1, 2011, the Finnigan rule is adopted. Accordingly, all sales of a combined reporting group are included in the numerator of the sales factor if any member of the combined reporting group is subject to tax in California. Sales shipped or delivered outside California are not included (i.e. “thrown back”) in the sales factor numerator if any member of the combined reporting group is taxable in the state of the purchaser.
10. **Sourcing for Sales of other than Tangible Personal Property.** For tax years beginning on or after January 1, 2011, gross receipts from various revenue-generating activities will be sourced using a “market” or “customer location” sourcing rule. Sales of items other than tangible personal property are sourced as follows.
 - A. Services are in California to the extent the purchaser receives benefits in California.
 - B. Sales from intangible property are sourced to California to the extent the property is used in California.
 - C. Sales from licensing, leasing, or renting real or tangible personal property are in California if the property is located in California.
11. **Motion Picture Tax Credits.** For taxable years beginning on or after January 1, 2011, a credit against individual and corporate income tax is granted in an amount equal to a specified percentage of the qualified expenditures attributable to the production of a qualified motion picture in California. Credits must be certified in advance by the California Film Commission. Credits are granted on a first-come, first-serve basis, and are limited in total. These credits can be assigned to a member of the unitary group, and in some cases, sold to third parties. Elections are available to convert the credits for use against California sales or use tax in lieu of the income tax credit.
12. **Sales Tax Exemption for Alternative and Renewable Energy.** In March 2010, the Legislature passed and the Governor signed SB 71, an urgency bill that took effect immediately. This bill established new sales and use tax exemptions (including the local share) for broadly-defined alternative or renewable energy and advanced transportation technology projects. The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) is responsible for approving tax exemptions.

New Regulations for 2011 and 2012. State regulators have been busy issuing new regulations that will impact the City of Twentynine Palms, its economy and its businesses. They include:

1. **Greenhouse Gas (GHG) Emissions.** The California Air Resources Board (CARB) is churning out new rules. Many industries now have to disclose greenhouse gasses including electricity generating facilities, power marketers, electricity retail providers, oil refineries, hydrogen plants, cogeneration facilities, cement plants, food processor,

oil and gas producers, mineral processors and glass container makers.

2. **Cargo Ship Fuel Regulations.** The California Air Resources Board (CARB) has issued new regulations that require all ocean-going vessels within 24 nautical miles of the California coastline to use a cleaner-burning diesel fuel, called lower-sulfur marine distillates, rather than heavy-fuel oil.
3. **Diesel Trucks and Buses.** The California Air Resources Board (CARB) is requiring hundreds of thousands of vehicles to install needed retrofits or they must be replaced in the next few years to capture pollutants discharged into the air. Affected are on-road heavy-duty diesel trucks weighing more than 14,000 pounds, yard trucks with off-road certified engines and all diesel-fueled shuttle vehicles. The rules even include out-of-state trucks and buses that operate in California. Trucks in big fleets must filter out soot by 2011 and nitrogen oxide by 2013. Smaller fleets of one to three vehicles must start meeting standards by 2013. Vehicles operating fewer than 1,000 miles and under 100 hours per year are exempt.
4. **Wood Products.** Less formaldehyde will be allowed in composite products such as particleboard. Fabricators, importers, distributors and retailers have between 12 and 18 months to dispose of inventories, depending on the product.⁶⁴
5. **Green Building Codes.** The California Building Standards Commission has adopted the California Green Building Standards (Cal Green) Code. This new building code went into effect on January 1, 2011.
6. **California Cap and Trade Regulations.** The California Air Resources Board (CARB) adopted Cap and Trade Regulations under the authority of the 2006 Assembly Bill 32 (Global Warming Solutions Act) on December 17, 2010. The market will start on January 1, 2012. Between now and then, CARB will be building the market structure and finalizing details to implement the regulations. The Board also adopted a series of resolutions for additional work that needs to be done to implement the cap and trade system. One board member described the list as “longer than Santa’s list.” The Board has decided to conduct a progress review by July 31, 2011 on the progress being made on implementation issues, including the status of the Western Climate Initiative, estimates of expected offset supplies, a schedule for training covered entities, and finalization of the allowance allocation system. There will also be more work on the emissions intensity and trade exposures of different industries prior to the start of the program. CARB believes that it has legal authority to conduct an auction under the program, but does not have authority to direct expenditure of the monies. CARB resolved to deposit 10 % of the auction revenues into the Air Pollution Control Fund for appropriation by the legislature on programs for green house gas (GHG) reductions and green collar employment in disadvantaged communities.

November 2006 Ballot Measures Affecting City Governments in California During FY2012.

1. **Proposition 1B Transportation Infrastructure Bond.** Proposition 1B is part of the \$43 billion bond package to address critical infrastructure improvement and repairs. In 2000, the California Transportation Commission (CTC) stated that it had more than \$116 billion in unfunded transportation projects in the State of California⁶⁵

⁶⁴The Kiplinger California Letter, Vol. 44, No. 24, December 31, 2008, p. 4.

⁶⁵ Quoted in “Grassroots Network: Building a Better League,” by Maria Alegria, Western City, February 2007, p. 33.

Proposition 1B creates 14 transportation related programs. Funds for most of them must now be appropriated by the State Legislature. While many of the funds are self-executing, with money being added to existing programs in accordance with existing formulas, Proposition 1B has some significant additional benefits for city governments. This includes \$1 billion for cities and counties that is allocated to each city for projects to improve the local street and road system. **The City of Twentynine Palms received \$369,131 in FY2010 and will receive \$220,000 in FY2012 in Proposition 1B funding.**

Unlike Proposition 42 funding, which is dedicated exclusively to street maintenance and repair projects, cities may determine their own priorities for use of these transportation funds, including traffic congestion relief, traffic safety, transit, storm drainage, maintenance, construction and other projects to improve the local street and road system. Proposition 1B also includes:

- A. \$4.5 billion to fund performance improvements on highly congested state highways and major access routes to the state highway system. The California Transportation Commission (CTC) adopted guidelines for this program in November 2006.
- B. \$2 billion to augment the State Transportation Improvement Program (STIP). Cities are encouraged to work with their regional transportation agencies to communicate their local priorities.
- C. \$4 billion for improvements to intercity rail and other transit-related projects and improvements that will be allocated per existing formulas. The allocation schedule for these funds has not yet been determined, but does require legislation.
- D. \$125 million for seismic work on local bridges, ramps and overpasses. Cities are encouraged to work with Caltrans to access these funds, which will be used for the required 11.5 % match for Federal Highway Bridge Replacement and Repair funds for seismic work on local bridges, ramps and overpasses.
- E. \$250 million for completion of high priority grade separation and railroad crossing safety improvements. This is significant because currently only \$15 million is available each year to fund high priority grade separation projects. \$150 million of this fund will be allocated in accordance with current statute, except that a dollar-for-dollar match of non-state funds is required. The California Transportation Commission (CTC) will also allocate \$100 million in consultation with the High-Speed Rail Authority.

The bond also includes funds for infrastructure improvements to seaports, land ports of entry and airports to relieve traffic congestion along major trade corridors, improve freight rail facilities, and enhance the movement of goods from port to marketplace. Program guidelines have not been determined. The California Transportation Commission (CTC) has held listening sessions with stakeholders around the state to determine how this program is going to work. To date, a consistent vision has not been established. Legislation to establish the program is likely to further define the program.⁶⁶

⁶⁶“Infrastructure Bonds are a Positive Investment for California, but Long-Term Needs Require Additional Resources,” by Lisa Lawson Stark, *Western City*, February 2007, p. 21.

Governor Brown proposed funding Proposition 1B bond projects in his FY2012 May Revised Budget. He has asked the State Legislature to increase funding for state road projects from \$2.3 billion to \$3.3 billion. However, at the same time he has proposed funding for local projects be decreased \$35.5 million for state-local partnership programs and \$8.2 million for local bridge seismic safety due to fewer local projects ready to start. These increases and decreases are in line with the Governor's goal to fund ready-to-go projects rather than sell bonds for future projects.

2. Proposition 1C Housing Bond. Proposition 1C provides funds for housing programs throughout the State of California. Approximately half of the bond monies (\$1.375 billion) will fund existing programs offered by the California Department of Housing and Community Development (HCD) and the California Housing Finance Agency. Approximately half of this funding (\$750 million) goes to specific affordability programs like the Multi-family Housing Program, the Joe Serna Jr. Farm Worker Housing Program, and the Emergency Housing and Assistance Fund. Another \$625 million was allocated to homeownership programs like the Self-Help Housing Fund and the Building Equity and Growth in Neighborhoods (BEGIN) program.

How the remaining funds will be allocated, however, is less clear. By far the largest pot of money is the \$850 million to fund infrastructure related to infill development. There is also an additional \$200 million for urban parks and \$300 million for transit-oriented development. Of these three funds, the distribution of the transit-oriented development fund has the most developed criteria. Another \$100 million is for an Innovation Fund, but requires the Legislature to define the criteria for being innovative by a two-thirds vote of each legislative body.

The proposed FY2012 May Revised State Budget includes additional allocations of Proposition 1C funding including \$25 million for the Housing, Urban, Suburban and Rural Parks Program; \$18 million for the Transit-Oriented Development Program; and \$20 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program.

3. Proposition 84 Water Quality and Supply, Flood Control and River and Coastal Protection Bond. Proposition 84 provides \$5.4 billion in funding for safe drinking water projects and programs, flood control and environmental protection. Among the items funded are \$240 million for flood control, in addition to the \$4.1 billion for flood control included in Proposition 1E. Another \$450 million is allocated for wildlife and forest conservation.

Proposition 84 also includes funds for local and regional parks and \$580 million will be available for improving the sustainability and livability of California's communities through investment in natural resources including:

- A. \$90 million for urban water and conservation programs. This includes greening projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. Implementation legislation is needed and should provide for planning grants for urban greening projects.
- B. \$400 million for grants for local and regional parks. Funds may be allocated to existing programs or pursuant to legislation. The following conditions must be applied to any legislation:
 - (1) Acquisition and development of new parks and expansion of overused parks that provide park and recreation access to under-served communities.
 - (2) Creation of parks in neighborhoods where none currently exist.

- (3) Outreach and technical assistance to underserved communities to encourage full participation in the program or programs.
 - (4) Preference to applicants that actively involve community-based groups in the selection and planning of projects.
 - (5) Projects designed to provide efficient use of water and natural resources.
- C. \$90 million for incentive grants for local planning. These grants and incentives include revolving loan programs to encourage the development of regional and local land use plans designed to promote water conservation, reduce automobile use, cut fuel consumption, encourage infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers.

Future Ballot Initiatives Currently Being Circulated or Qualified. Groups are gearing up to put initiatives on the ballot for 2011 and 2012 general and primary elections. Likely ballot initiatives that could affect cities directly or indirectly include the following:

1. **Limits on Legislators' Terms in Office.** This initiative reduces the total amount of time a person may serve in the state legislature from 14 years to 12 years. It also allows a person to serve a total of 12 years in the Assembly, the Senate, or a combination of both. The ballot measure only applies to legislators first elected after the measure is passed and provides that legislators elected before the measure is passed continue to be subject to existing term limits. This initiative State Constitutional Amendment will be on the February 2012 ballot.
2. **Additional Tax on Cigarettes for Cancer Research and Local Revenues.** This ballot measure imposes additional five cent tax on each cigarette distributed (\$1.00 per pack), and an equivalent tax increase on other tobacco products, to fund cancer research and other specified purposes. The ballot measure requires tax revenues be deposited into a special fund to finance research and research facilities focused on detecting, preventing, treating, and curing cancer, heart disease, emphysema, and other tobacco-related diseases. This ballot initiative also creates a nine-member committee charged with administering the fund. The Legislative Analyst Office (LAO) and Director of Finance (DOF) feel that the fiscal impact will be approximately \$855 million in annual cigarette tax revenue by 2012, declining slightly annually thereafter. There will also be an increase of about \$45 million annually to existing health, natural resources, and research programs funded by existing tobacco taxes. **In addition, there will also be an increase in state and local sales taxes of about \$32 million annually.** This measure will be on the ballot in February 2012.
3. **Prohibits Political Contributions by Payroll Deductions.** This ballot measure restricts union political fundraising by prohibiting use of payroll-deducted funds for political purposes. The same restrictions would also apply to corporations, and government contractors. Employees belonging to unions would be allowed to make voluntary contributions to employer or union committees if they authorize them each year. The ballot measure also prohibits unions and corporations from contributing directly or indirectly to candidates and candidate-controlled committees. Other political expenditures remain unrestricted, including corporate expenditures from available resources not limited by payroll deduction prohibition. This ballot measure also limits government contractor contributions to elected officers or officer-controlled committees. The Legislative Analyst Office (LAO) and the Director of Finance (DOF) estimate that enforcement could "cost hundreds of thousands

of dollars annually.” Some costs might be offset by fines. This ballot measure could affect cities with unionized work forces.

4. **Requires Secret Ballot for Employees Seeking Labor Representation.** This ballot measure would amend the state Constitution to eliminate employees’ option to designate union representation by proving majority support to their employer and would require formal secret ballot election for any designation of labor representation. The Initiative also restates existing Constitutional guarantee of vote by secret ballot in elections for public office and upon an initiative or referendum. It adds that a secret ballot is a fundamental right. This ballot measure could affect efforts to organize collective bargaining units in non-union cities.
5. **Revenue Source Required for Any Statute or Initiative Affecting State Budget.** This ballot measure requires that any statute, state budget, or legislative constitutional change that decreases state revenues or increases state program or agency costs by \$25 million or more in a fiscal year must include offsetting revenues or spending cuts. It also establishes a two-year budget cycle, with five-year fiscal projections. The initiative would also permit the Governor to cut the budget midyear when a fiscal crisis has been declared and Legislature fails to act. It also requires the budget bill to be printed three days before adoption and requires state programs to undergo program performance reviews. The Legislative Analyst Office (LAO) and Director of Finance (DOF) state that there would be costs of unknown proportion to administer the statute. State and local governments could be affected by state budgetary decisions.
6. **Nuclear Power Initiative.** This ballot measure extends statutory preconditions, currently applicable to new operation of any nuclear power plant, to the existing Diablo Canyon and San Onofre plants. Before further electricity production can continue at these plants, the California Energy Commission must find that the federal government has approved technology for permanent disposal of high-level nuclear waste. The California Energy Commission must also find that the federal government has approved technology for the reprocessing of fuel rods. Both findings are subject to Legislature's rejection. The Legislative Analyst Office (LAO) and Director of Finance (DOF) feel that there will be a major impact on finances of state and local government including decreased revenues and increased costs of billions of dollars annually due to disruptions of the state’s electrical system and increases in the price of electricity. In addition, the state may have to compensate the utilities for investment losses resulting from mandated shutdown of their nuclear power plants. There could be avoidance of future state and local government costs and lost revenues resulting from the unlikely event of a major nuclear plant incident.
7. **Tax on California Oil.** This ballot initiative would impose a 15% tax on the value of each barrel of oil extracted in California. It would also allocate oil tax revenue to non-capital education funding that includes 30% to K-12, 48% to community colleges, 11% to the California State University System and 11% to the University of California system. The measure prohibits producers from passing the tax on to refiners, gasoline stations, or consumers. It prohibits loans of oil tax revenues to the General Fund and prohibits reduction of regular education funding based on additional revenues from tax. The Legislative analyst and Director of Finance (DOF) feel that the state would see an increase in revenues of \$2 billion to \$3 billion per year, dedicated to education.
8. **State and Local Spending Limitation.** This ballot measure changes how the state spending limit is calculated and places a total limit on spending. It reduces the annual cost-of-living adjustment to the spending limit and allocates excess state revenue to repayment of bonds and the closing of the education funding gap. The measure establishes a new reserve account and a new school fund and roadway construction fund. This ballot measure caps the sale of

certain state bonds and allows the state to spread out mandated payments to cities, counties and special districts. It suspends protections for local government retirees if unfunded by state and prohibits local government expenditures from exceeding revenues. The Legislative Analyst Office (LAO) and the Director of the Department of Finance (DOF) state that the revised spending limit would constrain state spending below levels that otherwise would have occurred. In addition, over time the percentage of the state budget devoted to education expenses likely would increase, and the percentage devoted to most other areas likely would decrease. The measure would also probably increase the level of state resources going to state reserves, payment of certain debts, infrastructure spending and tax rebates. There would also be a possible reduction in the amount of new bond debt that could be sold to fund infrastructure projects.

9. **Public Pension Benefits Modification and Elimination of Authority to Set Public Employee Retirement Benefits by Contract or Collective Bargaining.** This ballot measure sets the retirement age at 62 for persons who are or will be public employees. It limits pensions to 60 % of the employee's highest average base wage for three consecutive years and requires employees to match public agency pension contributions. The measure mandates public employees work fulltime for five consecutive years to receive pension and provides public agency with full discretion to modify pensions and prevents pension changes through contract or collective bargaining. The ballot measure retains current pension benefits for legislators and public employees retiring before the initiative is effective.
10. **Federal Constitutional Convention.** This ballot measure finds that California's environmental and other public benefit laws have been effectively nullified by the federal government. It directs the California Legislature to request that Congress call a federal constitutional convention to propose amendments to the United States Constitution. The ballot measure also requires California's delegate to the convention to be determined by general election after televised public debate. The Legislative Analyst Office (LAO) and Director of the Department of Finance (DOF) finds that there is no direct fiscal impact, as any effect would depend on the decisions of other states, members of the constitutional convention, and future federal and state elected officials.
11. **Election Day Holiday.** This ballot measure establishes an election day state holiday as the Tuesday following the first Monday in November during even-numbered years. The Legislative Analyst and the Director of the Department of Finance estimate the cost to the State of California to be less than \$20 million every two years.
12. **Presidential Electors Nominated by Political Parties and Election by Congressional District.** This ballot measure requires California to join two other states in selecting electors for president by plurality vote in each congressional district. Two at-large electors will be selected based on plurality of statewide vote for president. It provides for political party nomination of electors pledged to vote for that party's candidate. Mandates that electors vote for candidate for whom they are pledged. Independent electors will be chosen by independent presidential candidates and also elected by congressional district. The new law would eliminate \$10 compensation and five cents per mile reimbursement for electors. The Legislative Analyst Office (LAO) and Director of Finance (DOF) estimate that there would be a reduction of less than \$10,000 in state costs every four years.

State of California Budget Crisis.

Despite increases in State revenues, the state budget crisis continues. State General Fund revenues increased by 10% during the first six months of FY2011 (which ends June 30, 2011), primarily due to higher personal income tax and sales tax revenues. At the same time, General Fund expenditures only increased by 5.2%. While below the officially budgeted amount, the California Department of Finance (DOF) expects the state to run a deficit of approximately \$8.2 billion in FY2011.

The Governor estimates the State General Fund will run another deficit of \$17.2 billion during FY2012 and will continue to run deficits far into the future as indicated in the chart above.⁶⁷ The State Legislature and the Governor must agree on how to deal with both years' shortfalls. This deficit is driven by auto pilot state spending governed by formulas enshrined into law and cost-of-living increases governed by State statutes. Additional state spending has been caused by new state laws and the spending spree in recent years by Governor Davis, Governor Schwarzenegger and the State Legislature. Between 1998 and 2007—before the recession hit California—revenues increased an average of 64% per year, while spending increased an average of 77%. The recession only exacerbated this fiscal trend.⁶⁸



Despite Gov. Arnold Schwarzenegger's promises to reduce California's indebtedness, the state's debt has nearly tripled during the seven years he has been governor. It has been seven years since the 2003 recall election, and so it is an appropriate time to review how a central pledge in his unlikely race for governor has turned out. As of July 1, 2003, California had a total of \$27.6 billion in general obligation bonds and a total of \$23.2 billion

⁶⁷ "2011-2012 Economic Forecast and Industry Outlook," Los Angeles County Economic Development Corporation, February 2011, p. 29..

⁶⁸ "Budget Solution Hard Task for California Policymakers," Alert, California Chamber of Commerce, Vol. 35, No. 19, June 12, 2009, p. 1.

in authorized but unissued bonds, according to then-State Treasurer Phil Angelides. But according to the latest report from current State Treasurer Bill Lockyear, California's State debt is now \$77.8 billion in outstanding General Obligations (GO) bonds—nearly triple the amount of seven years ago—and an additional \$42.8 billion in authorized but unissued bonds.

General obligation (GO) bonds must be paid from revenues coming from the State's General Fund, meaning that debt payments reduce funds available for other services. In fact, along with its overall debt burden, California's debt payments have tripled, from \$1.8 billion paid in the fiscal year ending June 30, 2004, to a staggering \$5.5 billion in the current fiscal year ending June 30, 2011.⁶⁹

How bad is the State's debt situation? On May 11, 2010, California was in the top ten for highest government default probabilities in the world, just below Latvia and ahead of Sicily, and had a 20% probability of defaulting. The spread on California Credit Default Swaps (CDS) was 254. CDSs are a form of semi-insurance used by deep pocket speculators and hedgers to essentially make bets on the probability of an organization defaulting. A score of 254 means that someone buying \$10 million of default protection on California debt for five years would have to pay \$254,000.

State budgets in the past have relied on billions of dollars in assumptions that never came true, including cuts that have been blocked by the courts. Even FY2009's temporary tax increases were not enough to put California on firm fiscal footing. The national recession continued to batter the State's economy of the nation's most populous State, which has been wracked by home foreclosures and job losses across almost all sectors of the economy.



While Democrats control both houses of the State Legislature, Republican support is needed for any budget solution because of the two-thirds vote threshold required to pass a budget and increase taxes. Schwarzenegger and the Legislature approved one of the largest tax increases in State history two years ago, raising personal income tax, sales taxes as well as vehicle license fees. Republican legislators say that such a solution is off the table this year. All tax increases passed in FY2009 are set to expire in June 2011.

⁶⁹ "California Debt Levels Soar Under Schwarzenegger," *California Watch*, October 7, 2010, p. 1.

Governor Brown's May Revised Budget.

On May 16, 2011, Governor Brown released his May Revision to his proposed FY2012 State Budget. The May Revision updates policy proposals, revenue projections, and estimated expenditures for both the current and upcoming budget years. The May Revision assumes a "remaining problem" of \$9.6 billion and that revenues will be \$6.6 billion above the level forecast in January and outlines \$10.8 billion in "solutions" to close the gap remaining after enactment of \$11.0 billion in "solutions" in the March budget agreement and provide a \$1.2 billion reserve. The May Revision also notes that after implementation of the March budget agreement, but prior to the enactment of additional revenues or expenditure cuts, the state faces deficits of approximately \$10 billion for the foreseeable future and notes that the state faces a significant debt from borrowing used to balance the budget in prior years.

Significant policy proposals contained in the May Revision include the elimination of 43 state departments, boards, and commissions and elimination of 5,500 positions from the state's workforce. The May Revision reflects cuts already adopted or assumed by the Legislature as part of the March budget agreement in many areas, such as human services and higher education. In other areas, most notably the elimination of redevelopment agencies, the May Revision continues to assume savings outlined in the Governor's January Budget that still must be enacted by the Legislature. The following provides an overview of some of the key provisions of the proposed FY2012 state budget that affect cities in the State of California.⁷⁰

Tax Extensions Still Proposed, But Modified. The Governor's May Revision Budget proposes \$10.8 billion in solutions to balance the budget and achieve a \$1.2 billion state reserve. This is an improvement from earlier this year when the state faced a projected \$26.6 billion deficit.

The Governor maintained, but modified slightly, his proposal to extend taxes, despite a projected increase of \$6.6 billion in additional revenue from a recovering economy. He continued to propose a five-year extension to the temporary 1% state sales and use tax rate, and the temporary 0.50% increase in Vehicle License Fees (VLF). In January, the Governor proposed to continue the 0.25% temporary surcharge on income tax for five years. He is now proposing to reduce the surcharge term from five years to four years and delay its start until 2012.

Tax extensions are necessary, according to the Governor, to avoid making additional cuts and eliminate an ongoing structural deficit. This deficit includes a "wall of debt" accumulated from past deferrals and budget gimmicks. Gov. Brown also continues to insist that the state's voters ratify any legislative approved tax extensions in the fall.

Enterprise Zones Reformed, But Not Eliminated. The Governor's initial proposal to eliminate enterprise zones has been shifted to a focus on reform. Proposed reforms include the redefining of the tax credits to apply only to firms that have increased their total employment. It also proposes to eliminate "retro-vouchering," which allows firms to collect tax credits regardless of whether the credits played a part in their hiring decisions.

Redevelopment Proposal Remains Unchanged. Despite the April 28 Legislative Counsel Bureau's opinion that the Governor's redevelopment proposal violates the State Constitution, there have been no changes to his proposal to eliminate redevelopment agencies and shift \$1.7 billion for state General Fund purposes.



⁷⁰ California Budget Project, Revised May 20, 2011.

The California Redevelopment Association (CRA) has developed two alternative redevelopment proposals that are supported by the League including:



1. **Voluntary State Budget Assistance.** Redevelopment agencies would be granted extensions of their project life-spans in exchange for voluntarily contributing to local schools. This win-win proposal could generate approximately \$1 billion for the budget with more ongoing.
2. **Redevelopment Reform.** The League and the California Redevelopment Association (CRA) have worked with Sen. Roderick Wright (D-Los Angeles) on SB 286, a comprehensive redevelopment reform package. The measure will significantly enhance accountability of redevelopment, limit redevelopment's footprint, and focus redevelopment on key priorities like job-creation, crime reduction, revitalization of rundown and blighted neighborhoods, and toxic cleanup and affordable housing. Given its comprehensive nature, the measure remains a "work in progress" and additional amendments will be added to the bill to clarify and resolve specific concerns raised by cities and other parties.

Together these two credible proposals provide responsible and viable alternatives for Legislators to consider when responding to the Governor's elimination proposal.

Corrections and Local Law Enforcement Grants. The May Revise reflects adjustments to funding sources or removing programs not deemed to be appropriate under the realignment title because they may complicate the state-county relationship - the stated common thread determining which programs remain under state responsibility.

The realignment of corrections and rehabilitation and treatment services to counties still relies on the temporary tax extension of sales tax and the VLF through 2015. While the VLF share for the broadly defined "public safety" programs was reduced from 0.5% to 0.4%, that reduction of funding is due to reduced health and human services or swaps between county and school operations.

Local law enforcement grants, including Citizens' Options for Public Safety (COPS) programs and booking fee subventions would be funded through VLF extension, at \$504.4 million for the next four years. While the May Revise adds \$2 million to this category of funding, the additional monies represent separate local assistance programs under California Emergency Management Agency (CalEMA) and Department of Justice that were previously planned to receive realignment monies.

An additional \$44.6 million will be allocated to public defenders and district attorneys to reflect their increased duties related to parole revocation hearings. The monies will also help provide in-custody offender rehabilitation programs for those currently in jail. This small population segment was unintentionally left out of original realignment equations.

Law enforcement mandates will be funded from the General Fund, including \$40.5 million in state penalty subventions and \$50.9 million for mandate reimbursement. These monies include \$21 million for peace officer training under the Commission on Peace Officer Standards and Training (POST) and law enforcement mandates related domestic violence arrest policies, victim assistance and treatment, and child abduction recovery services. These were originally part of the realignment plan, but the reimbursement mechanism varied too greatly for different local agencies and complicated the realignment issue.

Realignment Funding. The Governor is holding tight to realignment plans moving forward July 1 and pursuing State Constitutional Amendment (SCA) 1 x 1 as the funding mechanism for realignment and local law enforcement grants. The May Revise bluntly states that without the tax extensions to fund realignment, additional cuts will be necessary to achieve a fiscally sound budget. This includes other aspects of public safety that would be affected, including the inability for the state to supervise non-serious, non-violent parolees or return parole

violators to jail unless they commit a new crime. The Governor and his staff remain focused on the current May Revise and are not discussing "Plan B" should the tax extensions fail to earn support from legislators or the voters.

Fire Service. Plans for the realignment of local fire service have been dropped entirely. The Governor no longer proposes to shift appropriations for existing contracts from the state general fund dollars to realignment monies because only three of the six local agencies are counties, making the fire service realignment inconsistent with the general realignment model. The Cal FIRE engine staffing reduction proposal is maintained in the May Revised Budget. Staffing will be reduced from four firefighters on an engine to three in FY2012.

Environment. The May Revise reflects \$33 million in cuts to state parks signed by the Governor in March. The Administration recently released a list of 70 state parks slated for closure due to these cuts. The Governor proposed no additional changes to the March budget reductions that shifted \$12.8 million from the General Fund to fee based funding. With the March budget reductions and changes, future Basin Plans developed by the state's nine regional water quality control boards will be funded through Waste Discharge Permit Fee revenues.

Transportation. The Governor's January FY2012 budget proposal shifted \$7.2 million in costs to local agencies for developing CalTrans Project Initiation Documents (PID) for local projects. The May Revise changes the proposal to allow for reimbursement for work if CalTrans completes the PID, rather than upfront fees.

The proposed allocation for capital funding of Proposition 1B bond projects is increased from \$2.3 billion to \$3.3 billion. Funding for local projects, however, is decreased (\$35.5 million for state-local partnership programs and \$8.2 million for local bridge seismic safety) due to fewer local projects ready to start. These increases and decreases are in line with the Governor's goal to fund ready-to-go projects rather than sell bonds for future projects.

Ralph M. Brown Act (Brown Act) Mandate Reimbursement. The Governor proposes to suspend Brown Act mandate reimbursements. This has already been approved by the Legislature and is pending action by the Governor.

Reducing State Government. The Governor proposes to eliminate a number of state boards and agencies to reduce the overall size of state government. Eliminations of potential interest to cities include the State Mining and Geology Board, State Office of Gang and Youth Violence Prevention, Commission on the Status of Women, Governor's Office of Gang and Youth Violence Prevention, California Council on Criminal Justice, Fair Employment and Housing Commission and the Occupational Safety and Health (OSH) Standards Board.

Housing. The May Revise includes additional allocations of Proposition 1C funding: \$25 million for the Housing, Urban, Suburban and Rural Parks Program; \$18 million for the Transit-Oriented Development Program; and \$20 million for the Building Equity and Growth in Neighborhoods (BEGIN) Program. Previously proposed language restricting the Department of Housing and Community Development's (HCD) authority to approve pending and future awards has been withdrawn. Also proposed for a reduction are 8.5 positions in the Division of Housing Policy Development within HCD. This Division is responsible for housing element reviews. Given that the budgeted staff for this unit is 21 positions, it is unclear what impact such a reduction will have on housing element reviews.⁷¹

⁷¹ "Governor Issues May Revise, Reforms Enterprise Zones but Continues to Push for Redevelopment Elimination," League of California Cities, City Advocate Weekly, May 27, 2011.

Republican State Budget Proposals.

Just four days before Governor Jerry Brown was set to release his May Revised FY2012 budget proposal, the Assembly Republican Caucus issued a budget proposal on Thursday to close the state's deficit without raising taxes through strategic spending cuts, cost savings and extra revenues derived from an improving economy. Important to cities, the proposal protects local public safety funding, pulls enterprise zones off the table, and recognizes the redevelopment funding proposal developed by the California Redevelopment Association (CRA) as a viable option.



The Republican Caucus proposal builds upon \$14.3 billion in cuts and other solutions that the Legislature has already enacted toward resolving the \$26.5 billion budget deficit. The first step outlined recognizes an additional \$5 billion in revenue (\$2.5 billion in higher tax revenues for the state's current year budget announced this week by the Department of Finance, and another \$2.5 billion for FY2012).

While identifying protection of both education and public safety as its top priorities, the Republican Caucus suggests that the budget can be closed through additional actions including: saving \$1.1 billion by cutting state employees by 10 %; agreeing to another \$1.3 billion in cuts originally proposed by the Governor; obtaining \$2.4 billion by transferring all remaining Proposition 10 (First 5 Commission) and Proposition 63 (tax on millionaires for Mental Health) funds; and accepting more than \$1 billion in cuts and other proposed solutions recommended by the Legislative Analyst and the Bureau of State Audits.

The release of this proposal establishes some interesting dynamics for the next round of budget discussions. In January, the Governor originally proposed a budget solution that relied on half cuts and half revenues from the tax extensions. Many of the cuts were adopted in late March. The Governor and Democrats have insisted that without the tax extensions there would be severe impacts to education and public safety. However, by also identifying protection of education and public safety as its top priority, the Republican Caucus proposal attempts to seize the political high ground and remove these issues from the debate over tax extensions.⁷²

Having failed to win enough Republican votes to put the taxes on the ballot in June, the Governor is expected to ask lawmakers to impose at least some of the levies first and seek Californians' blessing after the fact, said officials with knowledge of Brown's plan. Support for Gov. Jerry Brown's tax package in a potential special election continues to be mired below 50% of likely voters, according to a new poll, which is likely to further embolden Democrats and their labor allies who have called on the governor to abandon his pursuit of a public referendum. Even before this latest survey, Democrats had said they feared that lukewarm support would make an election on taxes a losing proposition.⁷³



Budget Outlook.

The constitutional deadline for adoption of the state budget is June 15. The Governor and the Republicans are far from any agreement on how to deal with the budget shortfalls. This may change since Proposition 25, approved by the voters last November, requires forfeiture of State Legislators' pay if the deadline is missed. The Governor has proposed deep cuts to social programs and tax extensions as key elements in his May Revise of the FY2012 proposed state budget. The Republicans are currently blocking any effort to bring the tax extensions to a vote.

⁷² "Assembly Republican Caucus Releases Budget Proposal in Advance of May Revise," League of California Cities, City Advocate Weekly, May 13, 2011, p. 1-2.

⁷³ "Voter Support for Brown's Taxes Still Below 50%," Los Angeles Times, June 1, 2011.

The question, as yet unanswered, is whether credit rating agencies and lenders will find the new budget credible. State lawmakers and the Governor were so worried that the FY2011 State budget would not pass the creditworthiness test, politicians included in the 31-bill budget package one measure that allows the State to sell its paper to its own State Compensation Insurance Fund (which is also for sale) and the state lottery.

All of this means that the State budget crisis is going to be with us during FY2012 and for many years to come—affecting the City of Twentynine Palms and placing its revenues in constant danger from being taken by State politicians. Unfortunately, despite the rhetoric there is no serious attempt at the State level to cut spending, reduce the work force or make significant changes in the way State agencies do business. The State Legislature will not cut spending, State employee unions will not make any concessions, and politically powerful special interests fight change. The FY2012 State budget is unlikely to solve the fundamental fiscal structural problems in the State of California. Until this is addressed, we can expect this to happen again next year--and perhaps with every business cycle in the future. It takes a State Legislature and Governor with the political will to resolve these serious structural financial problems. These two institutions in California do not have the political will now, nor are they likely to have it in the foreseeable future.

California Proposition 13 Base Value was Negative in FY2011, but Positive in FY2012 Based on Consumer Price Index (CPI) Adjustment.



California Proposition 13 base property values were reduced by 0.237% by the Board of Equalization for the FY2011.⁷⁴

This is the first time since the passage of Proposition 13 that the annual adjustment to real property was adjusted downward. Proposition 13 provides for an annual adjustment of real property (land and improvements) values based upon the Consumer Price Index (CPI), with a cap of two percent per year. The time frame for measuring the California Consumer Price Index (CPI) is from October to October.

The reduction in the Consumer Price Index (CPI) provided property owners, whose values have not been already reduced due to Proposition 8, with a slight reduction in property taxes for FY2011. Property owners whose values were reduced due to Proposition 8 to values below the Proposition 13 base, did not experience any further reduction in assessed valuation (AV). This means that all cities received less property tax revenue in FY2011.

The Board of Equalization reports that California Proposition 13 base property values will increase by 0.753% during FY2012 due to an increase in the Consumer Price Index from October 2009 to October 2010.

⁷⁴California Department of Industrial Relations, Division of Labor Statistics.

State Funding Cuts to Twentynine Palms.

City Property Tax Shift to State Government. In 1992, facing a serious State budget deficit, the State of California began taking local property taxes from cities, counties and some special districts to reduce the cost of education to the State General Fund. Under the Education Revenue Augmentation Fund (ERAF) property-tax diversions, cities, counties and special districts across the State of California have sent State government over \$97 billion since the early 1990's. Twentynine Palms currently sends approximately \$259,493 in City-levied property tax to Sacramento each year.⁷⁵ **Total property tax taken from Twentynine Palms by the State Legislature and Republican and Democratic Governors from FY1992 through FY2012 is \$4,309,324.⁷⁶ This does not include funds diverted by the State of California from the Twentynine Palms Redevelopment Agency.**

Twentynine Palms Redevelopment Agency Property Tax Shift to State Government. The State Legislature adopted legislation in September 2002 to take \$75 million in redevelopment funds from cities and counties throughout the State of California to assist in solving the State budget crisis. Twentynine Palms was required to contribute \$5,336 during FY2003 to the State's Education Revenue Augmentation Fund (ERAF). The budget passed by the Legislature on July 29, 2003, required municipal Redevelopment Agencies to pay \$135 million in local property taxes to the State Education Revenue Augmentation Fund (ERAF) by May 10, 2004. Twentynine Palms' FY2004 share was \$35,571. The agreement between the League of California Cities and the Governor included in the State budget passed by the State Legislature on July 27, 2004, required municipal Redevelopment Agencies to make additional contributions to the State Education Revenue Augmentation Fund (ERAF) in FY2005 and FY2006. Twentynine Palms' share of that State-wide contribution was \$19,823 for FY2005 and \$19,820 for FY2006.

These transfers of municipal property tax increment revenues reduced the State General Fund educational obligations. Funds collected from municipalities were distributed by the San Bernardino County Auditor in accordance with instructions received from the school superintendents and chancellors of the community colleges.⁷⁷

⁷⁵ **History of the Education Revenue Augmentation Fund (ERAF):** When Proposition 13 was on the ballot in 1978, State Treasurer Jess Unruh publicly stated that the State had an "obscene surplus" of \$4 billion. This State surplus was one of the factors that probably led to the passage of Proposition 13, which limited property taxes to one percent of the assessed valuation. After the passage of Proposition 13, the State Legislature used most of the \$4 billion to "bail out" local governments, by replacing much of the property taxes that had been lost with State funds. Since the State Legislature was prohibited from giving funds directly to cities, counties and special districts, formulas were devised wherein property taxes were shifted from schools to local governments, and the State used its funds to replace the school funds. The legislative vehicle used to accomplish the purpose was Assembly Bill 8.

This system worked until the early 1990's when the State faced huge budget deficits. The State Legislature, in addition to raising some taxes, turned to local government to collectively generate more than \$4 billion through what became known as the "Assembly Bill 8 Reversal." In effect, the State Legislature reversed what it had done after Proposition 13, by shifting property taxes from local government back to the schools, thereby freeing up a like amount of money in the State General Fund to be used for other purposes. To account for or track the funds shifted to the schools, the "Education Revenue Augmentation Fund (ERAF)" was established. It was important for the State to establish the ERAF account because, as the property tax value in the ERAF increases each year, it offsets the amount of money the State must pay schools under the Proposition 98 State funding guarantee for education. Legislative efforts by local government groups over the years to require that the growth of ERAF be given to local governments rather than the schools have been defeated or vetoed by the Governor. The California Department of Finance argued that it would result in a "cost" to the State of at least \$150 million in the first year alone, as the State would have to provide an amount to schools equal to the amount shifted to local government from the ERAF account.

⁷⁶Source: League of California Cities.

⁷⁷Source: California Redevelopment Association (CRA).

The FY2007 and FY2008 State budgets contained no Twentynine Palms Redevelopment Agency property tax shift to State Government. However, in FY2009, the State Legislature adopted AB1389 which shifted \$350 million from city redevelopment agencies across the State of California to the State Education Revenue Augmentation Fund (ERAF). The Twentynine Palms Redevelopment Agency share of this was \$20,066. **The state raids on redevelopment agency funding continued in FY2010 and FY2011 with the State Legislature and the Governor taking \$1.7 billion state-wide in redevelopment funds in FY2010 and \$350 million in FY2011. Twentynine Palms' share was \$478,586 in FY2010 and \$99,000 in FY2011.**

Staff has budgeted \$99,000 in FY2012 in anticipation of another \$350 million State raid on redevelopment agencies.

Legal Action to Protect Funding for Redevelopment Agencies. The California Redevelopment Agency Association (CRA) and the cities of Moreno Valley and Madera filed a lawsuit, seeking to invalidate the requirement that the transfers be made and to prohibit the State from enforcing county auditors to divert these redevelopment funds to the Education Revenue Augmentation Fund (ERAF).

The court ruled in favor of the cities and found that State raids of redevelopment funds to balance the State's budget were unconstitutional, violating Article XVI, Section 16 of the California Constitution. This Section in Article XVI states that redevelopment funds can only be used to finance redevelopment project activities. The judge found that taking redevelopment funds to balance the State's budget—the unquestioned reason for AB1389 does not qualify as a constitutionally permitted use of tax increment funds and is a clear violation of the California Constitution. Superior Court Judge Lloyd Connelly held that “the distribution of contributions by RDAs to their county Education Revenue Augmentation Fund (ERAF) in accordance with the requirements of Section 33685 can be expected to regularly result in the use of RDAs tax increment revenues by schools and education programs unrelated to RDAs redevelopment projects.”⁷⁸

Despite the clear unconstitutionality and the Superior Court ruling, just three months later in July 2009, State Legislators and the Governor approved budget bill ABX4-26 which authorized a \$2.05 billion raid of local redevelopment funds, including \$1.7 billion in FY2010 and another \$350 million in FY2011. The bill required these funds to be deposited by the City into the county “Supplemental” Education Revenue Augmentation Fund (SERAF) to be distributed to schools to meet the State's Proposition 98 obligations to education. The State Legislature tinkered with the language of the bill in an attempt to overcome its previous adverse court ruling on the taking. Under this bill, funds distributed to schools or county offices of education from SERAF must be used to serve pupils living in the project area or in housing supported by redevelopment funds. The State claims that funding schools within a redevelopment project area “furthers” the purpose of redevelopment.

On May 4, 2010, Sacramento Superior Court Judge Lloyd Connelly upheld ABX4-26. The California Redevelopment Association (CRA) Board of Directors voted to appeal the judge's decision and requested a stay on the payment of redevelopment funds to the State pending a decision of the Court of Appeals. Judge Connelly denied the request for a stay and California Redevelopment Association (CRA) advised its members to make their payments.⁷⁹ On May 10, 2010, the City of Twentynine Palms made its required FY2010 payment of \$478,586.

League of California Cities Executive Director Chris McKenzie reacted to the Court's decision by comparing it to an elaborate shell game with public funds:

⁷⁸California Redevelopment Association (CRA), Community Redevelopment Agency of the City of Moreno Valley, Madera Redevelopment Agency and John F. Shirley, an Individual v. Michael C. Genest, Director of the Department of Finance, and Robert E. Bryd, Auditor-Controller of the County of Riverside on his own behalf and as the representative of all other County Auditors in the State of California, and Does 1 to 30.

⁷⁹California Redevelopment Association (CRA).

“The Court upheld a scheme yesterday that lets Sacramento politicians steal local redevelopment funds for any purpose they can cook up and call it a ‘redevelopment’ purpose. Today the politicians are raiding redevelopment funds to offset what the state owes schools without actually benefiting the schools. Tomorrow, if this court decision is upheld, they will steal local funds to finance virtually any program so they don’t have to honestly balance the state budget. The possibilities are virtually endless. This type of state budget gimmickry only deepens the public’s cynical view of state officials and destroys local efforts to create jobs and stimulate California’s weakened economy.”⁸⁰

Redevelopment Agency Reform. After months of contentious debate over the Governor's proposal to abolish redevelopment agencies in California, groups representing local governments and redevelopment agencies have offered an alternative proposal that strikes a reasonable compromise for all involved. Under a compromise proposal sponsored by the California Redevelopment Association, redevelopment agencies would contribute 20% of their revenues in FY2012. These funds may be used from any redevelopment funding source, including low- to moderate-income housing funds.

In addition, agencies could contribute up to 10% of their non-housing funds for another 10 years. In exchange for these voluntary contributions, redevelopment agencies would be granted extensions of their projects' life spans. After conducting a survey of local redevelopment agencies throughout the state, we estimate this plan would raise \$700 million to \$1 billion for the first budget year, and an additional \$1.7 billion for the following nine years. In all, the plan could mean approximately \$2.7 billion over the 10-year life of the proposal, more than what the governor estimates would be available for deficit reduction from the elimination of redevelopment agencies.

While the vast majority of local agencies act responsibly, reforms are needed to increase the accountability and efficiency of all agencies. Toward that end, the California Redevelopment Association has also offered a package of important accountability reforms, including:

1. **Enhanced Reporting.** It requires the state controller to update and toughen audit guidelines for redevelopment agencies and requires agencies to file with the state an annual report on their finances and activities. The availability of consistent, transparent audits will lead to more accountability and will help expose any abuses.
2. **Focus More on Job Creation.** The reform proposal refines the statutory authority of redevelopment agencies to provide direct assistance to businesses to build new or expand existing manufacturing and industrial facilities to grow jobs. Agencies would also be authorized to assist local businesses with financing for new technologies, machinery and equipment that also expand manufacturing and industrial job-creation.
3. **Focus on Infill Development and Energy Efficiency.** The reform would expand redevelopment tools to facilitate intensified infill development of urban areas, including assisting with the creation of commercial facilities, jobs and higher-density residential housing in the urban core, close to public transit. Agencies would also be authorized to provide financial and other assistance to remodel commercial and residential buildings to be more energy efficient to reduce pollution and greenhouse gases.
4. **Promote More Affordable Housing.** Redevelopment agencies are the second-largest funder of affordable housing in California, behind only the federal government. In fact, since 1993, agencies have helped create nearly 100,000 units of affordable housing. The reform

⁸⁰“The League of California Cities Calls Ruling Upholding the State Raid on Redevelopment a Court-Sanctioned Shell Game: Decision Threatens Jobs and Economic Recovery,” *League of California Cities*, May 5, 2010, p. 1.

proposal contains 14 reforms to ensure agencies are spending housing funds responsibly. These include limitations on the use of funds for administration and other significant changes to make agencies spend housing funds more efficiently and on the actual production of affordable housing.⁸¹

Vehicle License Fees (VLF). In FY2004, the State Legislature passed a budget that allowed it to take the scheduled vehicle license fee (VLF) backfill payments for July, August and September 2003 to help close the \$38.5 billion State budget deficit. The raid on City revenue was constructed as a “loan” to the State that was to be paid back by the State Legislature in August 2006. The State of California took \$131,060 in vehicle license fees (VLF) from Twentynine Palms as a loan during FY2004.⁸²

In FY2005 the State Legislature permanently reduced the vehicle license fees (VLF), commonly called the “car tax” from 2% to 0.65% of the vehicle’s value. The vehicle license fee (VLF) backfill to cities and counties (approximately \$4.4 billion) was eliminated and replaced with a like amount of property taxes, dollar for dollar. **Subsequent to the FY2003-2004 base year, each city’s and county’s property tax in lieu of the vehicle license fee (VLF) or “VLF adjustment amount” increases annually in proportion to the growth in gross assessed valuation.** The 0.65% vehicle license fee (VLF) dedicated to local governments became constitutionally protected when Proposition 1A passed on November 2, 2004. The State of California promised to replace City vehicle license fees (VLF) with property taxes, less Twentynine Palms’ share of the \$1.3 billion contribution by city governments to state government for FY2005 and FY2006. This exchange of vehicle license fees (VLF) for property tax is commonly called the “VLF Swap.” **The FY2012 State budget contains no transfer of vehicle license fees (VLF) from cities to State Government. Twentynine Palms’ vehicle license fees (VLF) under the vehicle license fee (VLF) property tax “swap” are projected to be down from \$124,320 in FY2008 to \$75,000 in FY2011 and FY2012.**

Sales Tax Triple Flip. In FY2005 the State of California swapped one quarter percent of Twentynine Palms’ sales tax revenue for an equal amount of property tax revenue to provide a dedicated funding source for Proposition 57 (California Economic Recovery Bond Act) repayment approved by the voters on March 2, 2004. The quarter cent sales tax loss (called the “triple flip”) at the local level has been reenacted at the State level.⁸³ **The City projects that property taxes in lieu of sales taxes will be flat at \$295,000 during FY2012.**

⁸¹ “Viewpoints: Compromise Offered on Redevelopment Agency Proposal,” *Sacramento Bee*, March 29, 2011.

⁸² Report from the Division of Accounting and Reporting from the State Controller’s Office shows that Twentynine Palms’ Vehicle License Fee Assembly Bill 1457 loan is \$280,812.71. Assembly Bill 1457 requires the State to pay the cities back in August 2006.

⁸³ “The Triple flip” works as follows:

1. On August 15 of each year that the “triple flip” is in effect, the State Board of Equalization will give the Director of Finance (DOF) an estimate, based on the prior fiscal year, of what the “countywide adjustment amount” should be. **“Countywide adjustment amount” means the combined total sales tax revenue loss of the county and each city in the county for the year.**
2. On September 1, the Director of Finance (DOF) notifies the county auditor of the portion of the “countywide adjustment amount” to be allocated for each city and county.
3. In January and May (date not specific)—the county auditor allocates one-half of the amount identified on September 1 to cities and counties.
4. At the end of the fiscal year (no date specified) for which an adjustment amount was determined, the Director of Finance (DOF) recalculates adjustment amounts (combined total sales tax revenue loss of the county and each city) based on actual collections and notifies the county auditor of the recalculated amount.
5. In the fiscal year following the year in which a recalculation was made (no date specified) the county

County Property Tax Administrative Fees. The dispute over county folding of the triple flip and Vehicle License Fee (VLF) in lieu payments into the base Proposition 8 property tax formula to calculate the costs of administration continues. This action by San Bernardino County has increased the cost to San Bernardino for the collection of City property tax. The administrative fee charged to the City of Twentynine Palms by San Bernardino County increased from \$63,870 in FY2009 to \$75,000 in FY2011. **The San Bernardino County property tax administrative fees charged to Twentynine Palms is projected to be at least \$75,000 to the General Fund and \$25,000 to the Redevelopment Agency during FY2012.**

Hardliners on the County side of the issue are urging their members to hold the line maintaining that changing the methodology might also impact how supplemental rolls are handled. There have been rumors of litigation, but none has been filed. Other rumors suggest that cities in a few counties are talking about a compromise that would place the permanent Vehicle License Fee (VLF) into the Proposition 8 formula while charging just the marginal costs on the more temporary triple flip backfill.⁸⁴

Reductions in Transportation Development Act (TDA) Distributions. FY2012 will see a continued reduction in Transportation Development Act (TDA) distributions to Twentynine Palms and other cities in San Bernardino County. The amount of Transportation Development Act (TDA) revenue the City receives depends upon three things: (1) State distributions of State Transit Assistance (STA) funds, (2) State distribution of Transportation Development Act (TDA) funds from the ¼ cent sales tax dedicated to transportation and (3) the expenses of the Morongo Basin Transit Authority (MBTA) that operates the bus system in the County.

The most significant factor affecting this year's Transportation Development Act (TDA) distributions to the City of Twentynine Palms is a projected reduction in the ¼ cent State sales tax dedicated to transportation. **Lower collections of the ¼ cent sales tax dedicated to transportation along with reductions in State transit funds (STA) will result in only \$250,000 in Transportation Development Act (TDA) funds coming to the City of Twentynine Palms.** This is a substantial reduction in revenues from FY2007 when the City received \$722,477 in Transportation Development Act (TDA) funds. (Please see Figure 8.)

State Laws and Regulations that Drive Up City Costs.

In addition to taking the City's vehicle license fees and property taxes, bills in recent years also increase the cost of City government.

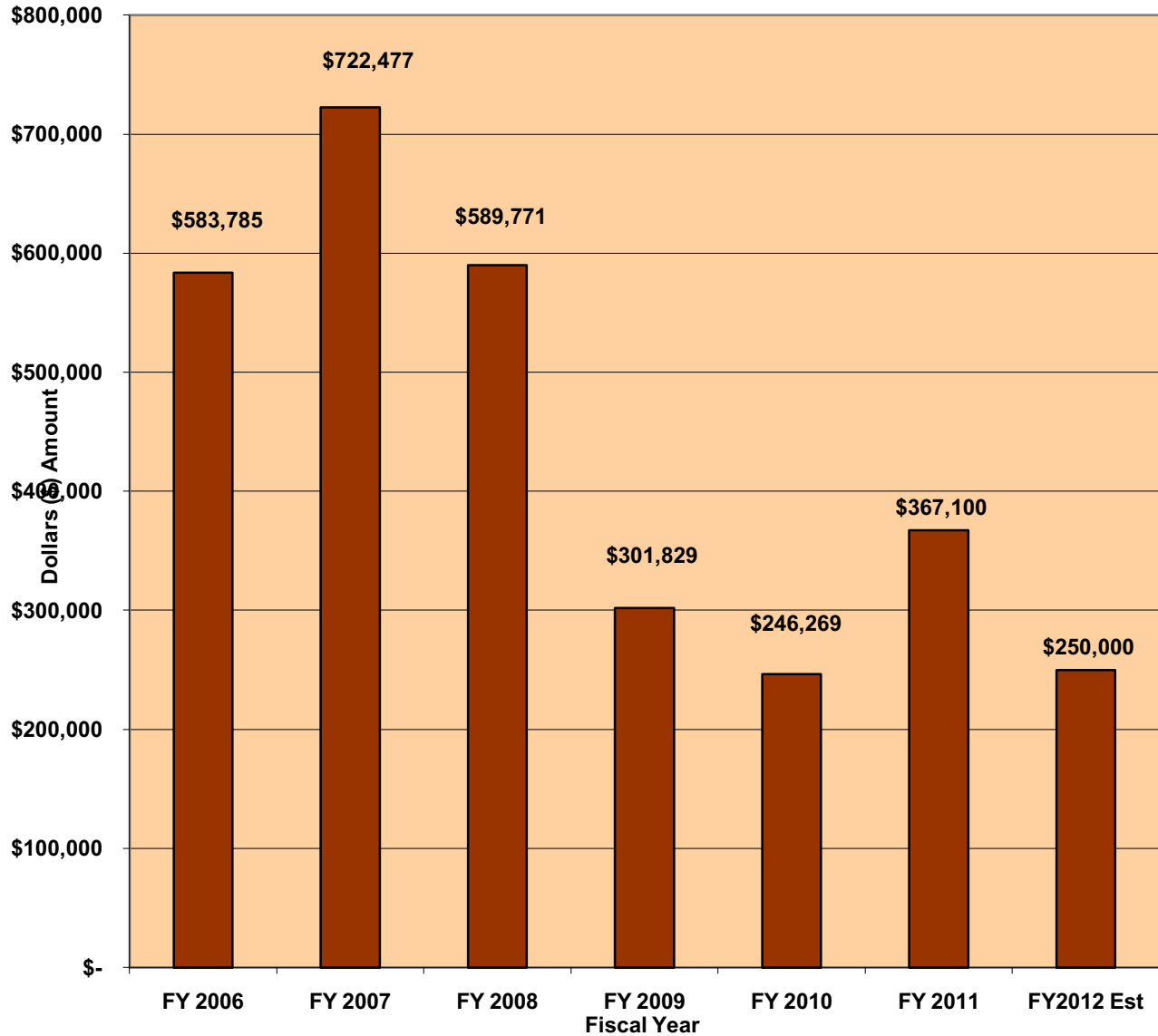
Workers' Compensation. Assembly Bill 749 substantially increased employers' costs for workers' compensation insurance by increasing employee benefits and making other changes that have resulted in workers' compensation rates that are the highest in the nation. Workers' compensation reforms adopted in Senate Bill (SB) 899 in April 2005 have made some positive changes to the workers' compensation system and have addressed some past abuses. In 2006, the Workers' Compensation Appeals Board upheld the new Permanent Disability Rating Schedule included in the Workers' Compensation reform laws. The Board ruled that stricter standards for judging disability were valid.

Public Agency Risk Sharing Authority (PARSAC), a public sector risk pool made up of 37 cities throughout the State of California, provides the City of Twentynine Palms with workers' compensation insurance coverage up to statutory limits per occurrence, including volunteer operations. The organization self-funds up to \$500,000. Losses in excess of this amount up to \$300 million are covered via the Local Agency Workers' Compensation Excess Pool (LAWCX) and reinsurance. Twentynine Palms has first dollar coverage under this

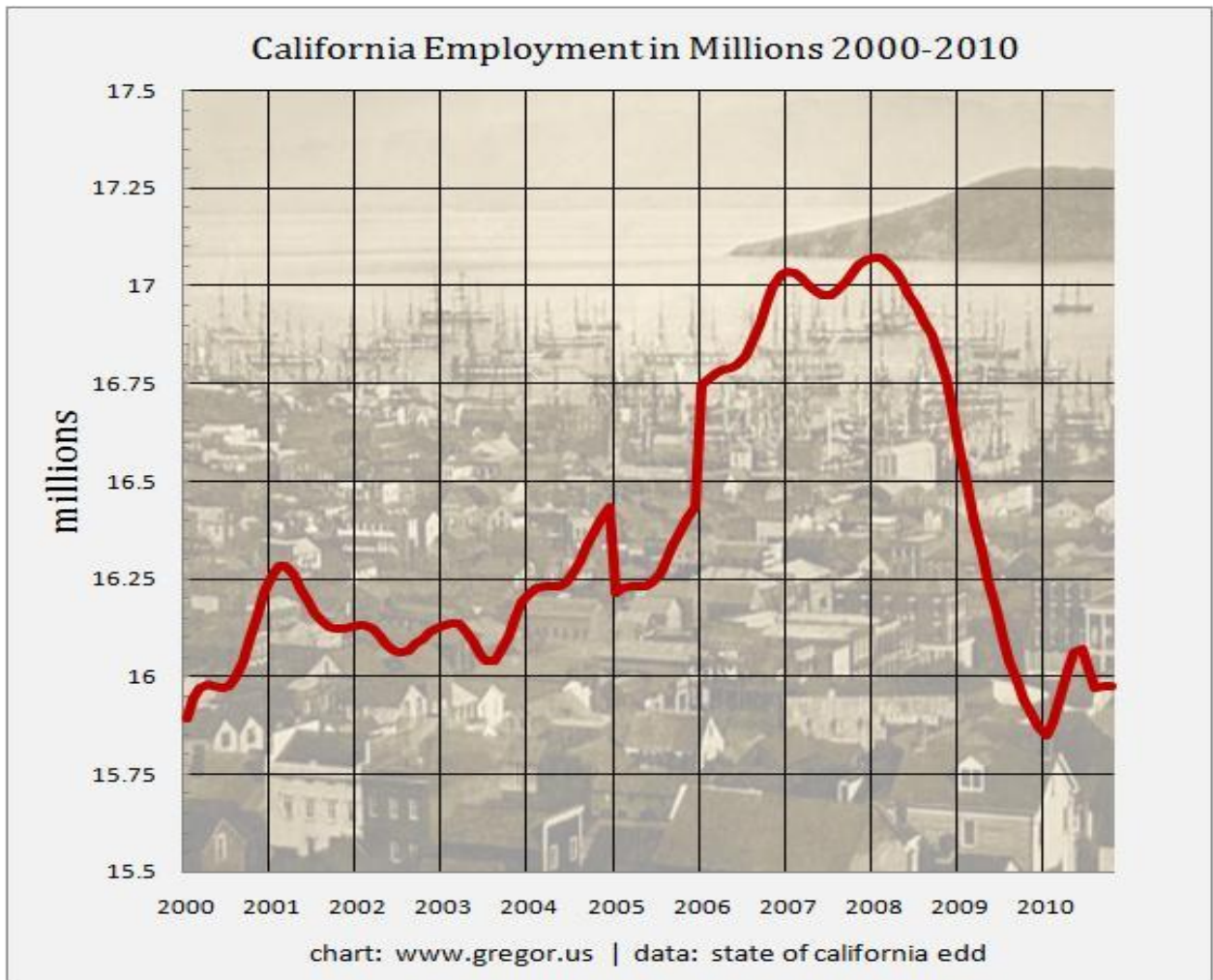
auditor shall allocate the excess amount, or for overpaid amounts, transfer it back to the Education Revenue Augmentation Fund (ERAF).

⁸⁴ "Sales Tax Briefs: Issue Update #1," The HdL Companies, June 2008, p. 2.

**Figure 8
City of Twentynine Palms
Transportation Development Act (TDA) Revenue
FY2006 to FY2012**



This Figure shows the declining Transportation Development Act (TDA) funds that the City has been receiving through the San Bernardino Associated Governments (SANBAG) for Twentynine Palms streets and roads. The City is only projected to receive \$250,000 in Transportation Development Act (TDA) funds during FY2012.



program. Twentynine Palms pays 6% of its gross payroll to PARSAC for workers' compensation insurance. This premium has not changed for many years.

Unemployment Insurance Reimbursements. Senate Bill 40 increased the unemployment benefits and unemployment insurance reimbursement costs for the City of Twentynine Palms. The maximum weekly benefit paid to the unemployed rose to \$330 in FY2002, \$370 in FY2003 and to \$450 in FY2009. This increase in weekly benefits coupled with a downturn in the economy has taken a toll on the State Unemployment Insurance Fund. The State Unemployment Insurance Fund balance has dropped from a surplus of \$5.6 billion in 2001 to a deficit of \$20 billion in 2011.⁸⁵

With nearly 2.5 million California workers jobless, the Unemployment Insurance Fund (UIF) is paying out more than \$11 billion a year in benefits while collecting just \$4.5 billion in payroll taxes. The Unemployment Insurance Fund (UIF) began running deficits in January 2009, and has been sustained by loans from the federal government. The loans have been interest-free but the State, under current federal law, must begin paying interest next year. California will have an interest payment of \$500 million in September 2011. Mac Taylor, the director of the Legislative Analyst Office (LAO) stated that the State Legislature faces difficult choices to return the

⁸⁵ "California's Other Big Deficit: Unemployment Insurance Fund," Capitol Alert, October 20, 2010, p. 1.

Unemployment Insurance Fund (UIF) back to solvency. It will need to reduce benefits, raise payroll taxes or a combination of both. Any of these choices could have an adverse affect on the fragile California economy. ⁸⁶

The funding crisis is not immediate. The State can borrow interest free from the Federal Government under Obama's economic stimulus program. Until 2011 no interest is owed. Then the State must begin paying \$609 million in interest. Full repayment is due to the Federal Government by September 2011.

To address the deficit in the State Unemployment Insurance Fund, the state will probably (1) increase the \$7,000 wage base on which payments are required and (2) increase the maximum tax rate from 6.2% to 8.1%. In return eligibility may be tightened. Claimants would have to work 7.5 weeks or more per year rather than the minimum 3.5 weeks required now. However, these cost savings measures may be offset by a boost in benefits. Coverage will be extended to many of the 40% of workers who make too little each year to be covered. The Federal Government has insisted on increasing the number of covered workers as a condition to receiving money under the federal stimulus bill.⁸⁷



Prevailing Union Wages Law. Senate Bill 975, signed into law by Governor Davis on October 14, 2001, requires cities to pay “prevailing union wages” as set by the State Director of Industrial Relations on all projects “paid for in whole or in part out of public funds.” This statute alone drives up the cost of Twentynine Palms’ public works projects by 30%-40%.

Local Government Financing Reform Ballot Initiatives.

City officials have learned from their experience in the 1990's that when the State Legislature is faced with the unpleasant job of cutting funds for services, it is easier to cut local government (which cannot give campaign contributions and frequently do not have a vocal constituency) than it is to cut funding for State programs. In times of crisis cities hear calls from State Legislators that everyone should share the pain. The obvious theory behind such calls is because everyone shared in the benefits of the previous prosperity, everyone should shoulder their “fair share” of the reductions as well. These share-the-pain arguments sound good, but the plain truth is there are rarely across-the-board budget increases or cuts. This has been the case with State funding of City programs. During the height of the State surpluses in recent years, Governor Davis, Governor Schwarzenegger and the State Legislature continued to divert billions in city, county and special district property taxes and other funds to pay for education, rather than use State General Fund monies for that purpose. City programs have typically been the last funded and the first cut by the Governor and State Legislature. In response to these raids on local governments, cities, counties, redevelopment agencies and other partners sponsored several ballot initiatives to protect local government revenues.

Proposition 1A (2004). Proposition 1A was approved by 84% of the voters in 2004 and allowed State government to take \$1.3 billion in local government revenues over FY2005 and FY2006. In return for this revenue shift to State government, Proposition 1A also has the following provisions:

1. Property Taxes. Constitutionally protects city, county and special district property taxes in the aggregate by county (including growth). Requires 2/3 vote of the State

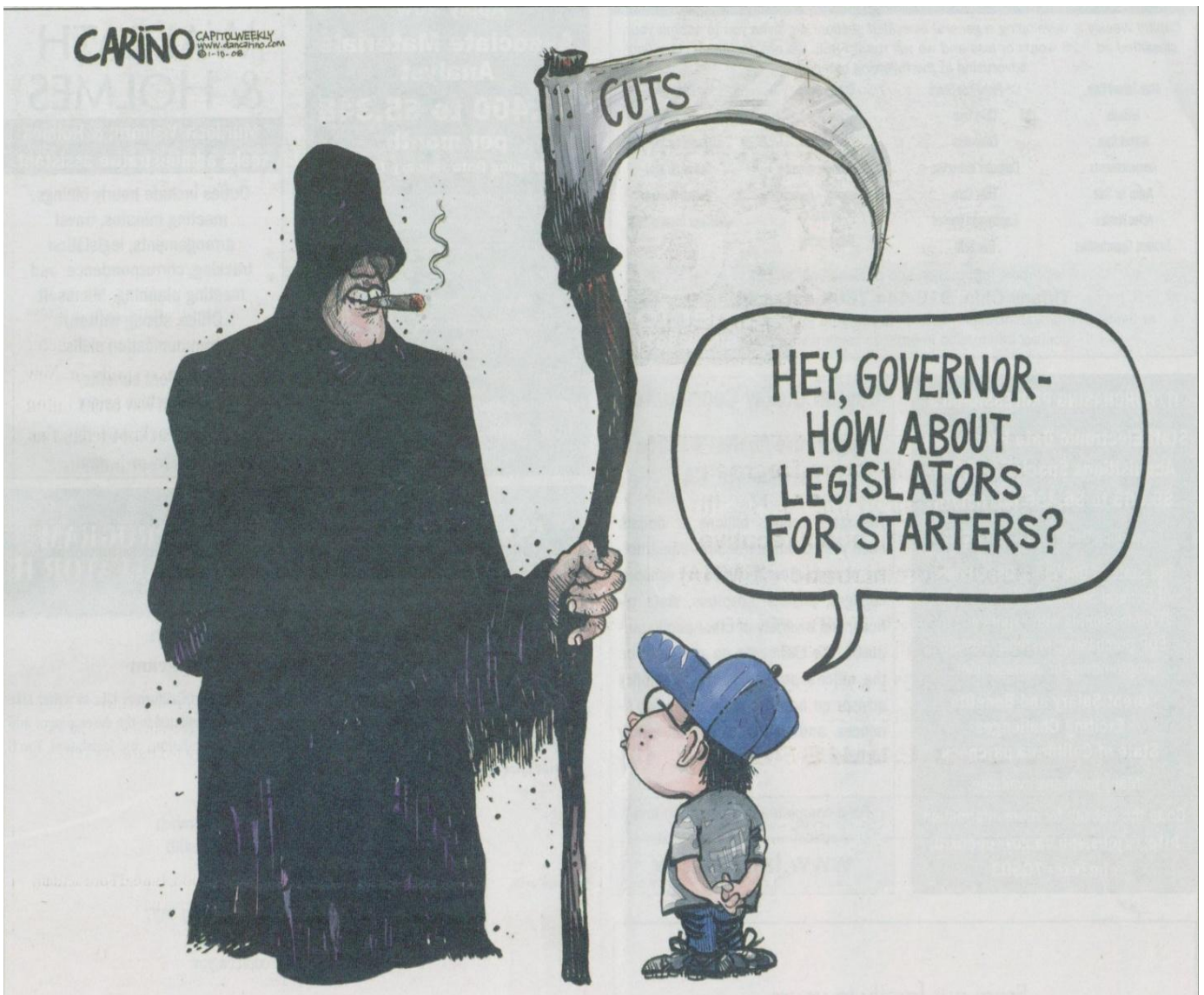
⁸⁶“California’s Other Big Deficit: Unemployment Insurance Fund,” Capitol Alert, October 20, 2010, p. 1.

⁸⁷ The Kiplinger California Letter, Vol. 45, No. 3, February 11, 2009, p. 3.

Legislature to reallocate property taxes from one local government to another within each county. It retains the existing funding shift from local governments to school districts as part of the Education Revenue Augmentation Fund (ERAF), but does not allow the State Legislature to permanently increase the amount of these shifts in the future. The State Legislature may increase local governments' share of property tax.

2. Sales Taxes. Constitutionally protects each city's and county's existing Bradley-Burns one percent sales tax rate and method of distribution (including growth), plus any local sales taxes approved by the voters for general purposes, public safety, transportation, library, etc.). Proposition 1A also guarantees return of the $\frac{1}{4}$ sales tax to cities and counties when Proposition 57 bonds are retired.

3. Vehicle License Fees. Statutorily reduces the vehicle license fee rate from 2% to 0.65% (current effective rate). City and county backfill would be replaced with a like amount of property taxes that are constitutionally protected (less the two-year "contribution" by cities and counties of \$350 million each year). The remaining 0.65% of city and county revenue is also constitutionally protected. Repayment of the FY2003 vehicle license fee backfill gap loan (\$1.23 billion) was done in FY2007.



4. Redevelopment Agencies. Proposition 1A provided no additional protection for Redevelopment Agencies. This is probably the most serious deficiency of the compromise ballot initiative. Although some argue that there are already sufficient protections in the State Constitution and in State law, the State Legislature and Governor took Redevelopment Agency property tax revenues in FY2003, FY2004, FY2005, FY2006, FY2010 and FY2011.

5. State Mandates and Automatic Suspension of Unfunded Mandates. Proposition 1A constitutionally requires annual reimbursement to local governments for state-mandated local programs or mandates must be suspended, except for specified employee rights and benefits.

6. State Fiscal Emergencies. The State may borrow local government property taxes if the Governor proclaims a “significant State fiscal hardship” and under the following conditions:

- (a) A separate urgency bill must be passed by 2/3 vote of the State Legislature.
- (b) The State Legislature must pass a statute to fully repay the loan with interest within three fiscal years at the same time the urgency bill is passed.
- (c) The State vehicle license fee gap loan must be repaid, capped at 8% of local government property tax (equivalent to \$1.3 billion in today’s property tax dollars).
- (d) No more than two loans may occur during any ten-year period.
- (e) New loans are prohibited until prior loans have been repaid.

7. Future Reforms. Constitution protection measures in Proposition 1A would retain authority for the State Legislature in the future to approve the exchange of local sales taxes for an equal amount of property taxes when requested by local governments. Any type of voluntary exchange must be revenue neutral.

Proposition 22 Local Taxpayer, Public Safety and Transportation Protection Act of 2010. This initiative prohibits the State from shifting, taking, borrowing, or restricting the use of tax revenues dedicated by law to fund local government services, community redevelopment projects, or transportation projects and services. The initiative also prohibits the State from delaying the distribution of tax revenues for these purposes even when the Governor deems it necessary due to a severe State fiscal hardship. It also requires the State Comptroller to automatically appropriate funds needed to pay a local government that successfully sues the State and wins.

Language for the proposed initiative was filed with the California Attorney General on October 20, 2009, by an alliance of local government groups, including the League of California Cities. 1.1 million qualifying signatures were filed with election officials on April 29, 2010. Their goal was to “wall off” money in local government budgets from the State government. The initiative prohibits the state from taking local government, transit and transportation funds. Proposition 1A approved by the voters in 2004 allowed the State government to borrow from some categories of local funds during fiscal emergencies.

City Economic and Fiscal Trends

Twentynine Palms is a City on the Move

Twentynine Palms Economy.

Twentynine Palms is a City on the move with a bright future. The community has many assets that make it an attractive and unique place to live, work and play. These features include desert lands, scenic vistas, year-round sunshine, warm winter weather, clean air, clear night skies, murals⁸⁸, low crime, excellent recreation amenities and a small-town rural character. Community events and cultural and artistic facilities such as the art gallery and museum are important components of the community. Its people are patriotic, hard working, and love the arts, the desert environment. They are active and engaged in the City, County, and school affairs and are eager to volunteer their time and talents to help one another and make the community a better place today and for future generations.

The City's economy is intertwined with the economy of San Bernardino County and the economic impact of Joshua Tree National Park and the U.S. Marine Corps Air Ground Combat Center.

San Bernardino County. San Bernardino County is the largest county in the nation in total land area. The county, along with Riverside County is called the Inland Empire, one of the fastest growth metro areas of the state and nation from 1997 to 2006. However, because the real estate and labor markets decline have been more pronounced in the area, the economic fallout has been severe over the last three years. San Bernardino County has a population of 2.1 million people. The California Employment Development Department (EDD) reports that 728,200 people were employed in the County during April 2011. Another 111,300 were looking for work. Unemployment in San Bernardino County stood at 13.3% in April 2011, down from 13.9 % in April 2010. San Bernardino County's unemployment rate ranked 31 among California's 58 counties.⁸⁹



The City of Twentynine Palms, excluding the Marine Corps Air Ground Combat Center (MCAGCC), had a labor force of 6,000 in April 2011. The California Department of Employment Development (EDD) reported that the City had 1,000 people unemployed for an unemployment rate of 15.9%. This was a decrease of 0.7% from an unemployment rate of 16.6% in April 2010.⁹⁰ The City's current unemployment rate is 34% higher than the State unemployment rate of 11.9% and the 76% higher than the national unemployment rate of 9%.

The per capita income in San Bernardino County was \$27,387 and the average salary per worker was \$46,393. **Real per capita incomes are projected to increase an average of 0.9% a year.**

⁸⁸The Oasis of Murals program consists of painting historical and cultural murals on the facades of community walls and buildings in the City. The murals have significantly increased the aesthetics in the area, promoted historical appreciation, increased cultural awareness, and spurred downtown revitalization and economic growth through increased tourism and business. The Action Council for 29 Palms, Inc. has completed 25 murals.

⁸⁹California Employment Development Department (EDD).

⁹⁰ California Employment Development Department (EDD).

Economic growth in Southern California declined sharply in 2008 and 2009 and job losses were the largest on record. In 2009, 35,500 total jobs were lost in San Bernardino County, representing a steep negative growth rate of negative (-) 5.9%. Employment in the construction sector fell by 8,150 workers, a decline of 24%. The contraction was due primarily to a decline in new home production (down 90% from the peak in 2004). Employment declined in both the manufacturing and retail trade sectors by just over 7,000 jobs each. The only sector to record positive job creation was education and health services. **Between 2010 to 2015, the annual job growth rate is expected to average 2% a year.** However, manufacturing, professional and business services, information, construction, financial activities, and wholesale and retail trade are expected to grow between 10% and 25%.

The population growth rate fell to 0.8% in San Bernardino County in 2009, the slowest growth in nearly 15 years. This was due to significant out-migration for the first time in the County since the mid 1990s. **Population growth is expected to be an average of 1.5% from 2010 to 2015.** Net migration into the County is expected to be 6,100 people per year.

Total taxable sales are expected to increase by an average of 2.5% per year from 2010 to 2015. Industrial production is projected to increase by an average of 3.4% per year during the same period. Farm production is forecast to decline by an average of 3.7% per year between 2010 and 2015. Dairy products are the principal agricultural products.

San Bernardino County and the entire Inland Empire economy is expected to be sluggish until at least 2012. Over the longer-term, the Inland Empire is still positioned to record greater growth than the coastal counties.⁹¹

Home Values. Home values continue to decline in Twentynine Palms. In March 2006, the median home value in Twentynine Palms was \$170,800. Since that time the median home value has fallen \$97,500 or 43% to \$73,300. Home values have fallen 23.2% over the last year and 5.5% over the last quarter.⁹²
(Please see Figure 9 and Figure 10.)

The U.S. Housing and Urban Development (HUD) Section 8 program provides rental assistance to very low income households in need of affordable housing. The Section 8 program assists a very low-income household by paying the difference between 30% of the gross household income and the cost of the rent. Most Section 8 assistance today is structured as vouchers; this allows the voucher recipients to choose housing that may cost above the fair market rent as long as the recipients pay for the additional cost. In Twentynine Palms, 17 households receive rental assistance under the U.S. Department of Housing and Urban Development (HUD) Section 8 program.

Joshua Tree National Park (JTNP). Joshua Tree National Park (JTNP) is located on the southern boundary of the City. The park was declared a National Park in 1994 by Congress, but had been a National Monument since 1936. The park encompasses approximately 800,000 acres.

**Figure 9
Twentynine Palms
Home Price Slump**

<u>Month</u>	<u>Median Price</u>
March 2011	\$ 73,300
March 2010	\$ 95,500
March 2009	\$109,300
March 2008	\$122,700
March 2007	\$163,100
March 2006	\$170,800
March 2005	\$104,300
March 2004	\$ 80,300
March 2003	\$ 62,600
March 2002	\$ 60,800
March 2001	\$ 53,700
March 2000	\$ 54,000



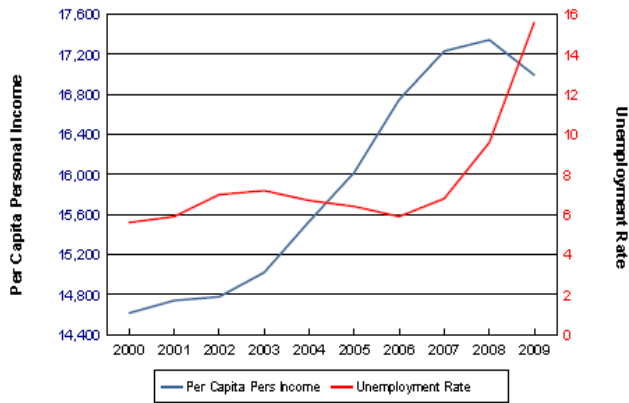
⁹¹“California County-Level Economic Forecast,” Office of Transportation Economics, Division of Planning, California Department of Transportation (CalTrans), March 2010, p. 141.

⁹² Zillow.com

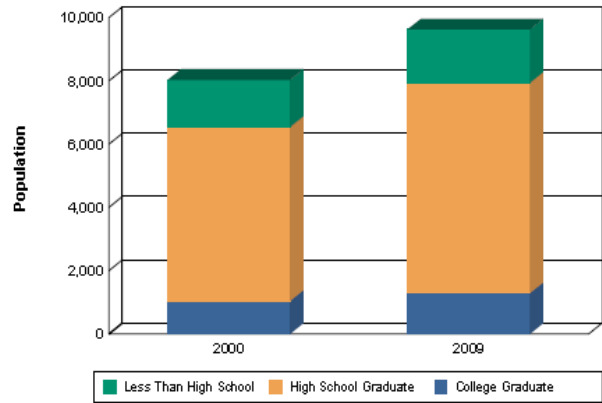
**Figure 10
City of Twentynine Palms
Demographic and Economic Statistics
2001-2010**

Year Ending	Population	Personal Income (In thousands)	Per Capita Personal Income	Unemployment Rate
2001	30,123	444,061	14,742	5.9%
2002	25,513	377,033	14,778	7.0%
2003	25,102	377,087	15,022	7.5%
2004	26,276	408,083	15,531	6.7%
2005	27,447	439,728	16,021	6.4%
2006	29,909	500,963	16,750	5.9%
2007	29,515	508,655	17,234	6.8%
2008	30,482	528,732	17,346	9.6%
2009	30,795	523,369	16,995	15.6%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

*Decennial census data

Population: California State Department of Finance

Unemployment Data: California Employment Development Department

The park appeals to diverse groups offering many different forms of recreational activities such as nature walks, hiking, mountain biking, horseback riding, camping, rock climbing, bird watching and educational programs. Along with the park's headquarters and visitor's center, park facilities also include nine campground with table, fire pit and restrooms. There are three primary entrances to the park, one of which is located on Utah Trail.

Joshua Tree National Park (JTNP) attracts 1.4 million visitors annually, with visitation to the park increasing from approximately 1.2 million since 2000, a growth rate of 11.4%. Park visitation is forecast to increase to 2 million by 2015, an increase of approximately 600,000 or 120,000 visitors annually. Between 2015 and 2025, visitation is expected to increase by an additional 900,000 to around 2.9 million by 2025. CB Richard Ellis Consulting (CBREC) estimated that visitor retail expenditures totaled \$29 million. This represented the total demand base for retail uses and space generated by Joshua Tree National Park. This demand base will grow as the number of visitors increases over time, to approximately \$40.3 million by 2015 and \$58.3 million by 2025.⁹³

U.S. Marine Corps Air Ground Combat Center (MCAGCC). The U.S. Marine Corps Air Ground Combat Center (MCAGCC) at Twentynine Palms is located on 935 square miles in eastern San Bernardino County.

This base is the primary desert and urban combat training center for all Marines heading into today's conflict areas around the globe. The base specializes in desert combat on the ground and in the air, through indispensable live-fire exercises and maneuvering called "Combined Arms Exercises" (CAXs). This is the only dedicated live-fire exercise and maneuvering range in the Marine Corps, replicating the war zones and battlefield of today. The base provides specific training for every Marine deploying to Iraq and Afghanistan, in complex large scale exercises called Mojave Viper and small customized exercises.

It also hosts the Marine Corps largest military occupational specialty school—in electronic communications. It has also been the development and testing center for unmanned aerial vehicles which have proven critical in counter insurgency operations in the Middle East.



The U.S. Marine Corps Air Ground Combat Center (MCAGCC) provides tremendous economic benefits to the City of Twentynine Palms and other communities in the region. **It is estimated that 69% of the City's population are directly employed, supported or related to the military in some way.**

The base employs 14,811 civilians and military personnel. It also generates an estimated 19,000 indirect regional jobs. The payroll and pension benefits of military retirees was estimated to be \$465,511,540 in 2006. That year, in Twentynine Palms alone, military and civilian retiree pension payments totaled \$25,020,360.⁹⁴



CB Richard Ellis Consulting estimated that 17,200 or 60% of the military visitors to the U.S. Marine Air Ground Combat Center (MCAGCC) stay on base in billeted quarters and the balance of approximately 11,400 stay in hotels in the City of Twentynine Palms each year. These visitors generate demand for a total of approximately 69,000 room nights for

⁹³ "Downtown Revitalization Feasibility Study for City of Twentynine Palms," CB Richard Ellis Consulting, October 2006, p. ii.

⁹⁴ "Community Impact Assessment," Marine Air Ground Task Force Graining Command, Marine Corps Air Ground Combat Center, May 2008.

off-base hotel accommodation. By 2005, CB Richard Ellis Consulting estimated that total number of annual overnight visitors will be approximately 33,200 with the number staying in hotel accommodations off-base increasing to approximately 80,000 room nights. During 2006 retail expenditures for base overnight visitors at approximately \$4.3 million, of which approximately 80% or \$3.4 million was for retail sales. This demand base is expected to increase to approximately \$5 million by 2015.⁹⁵

Health care expenditures in 2006 include TRICARE benefits to service members and their families and retirees totaled \$8,728,687. Naval Hospital Twentynine Palms officials estimate that at least half that amount stays with local health care providers in the Morongo Basin. Civilian health care is estimated at \$3,199,130, much of which stays local.

Military contracting stimulates the local and regional economies in direct and indirect ways. A total of \$152,266,179 in contracts are annually awarded by the base. The Provost Marshal's Office estimates that as many as 2,500 subcontractors were working on the Combat Center during the course of FY2006 for varying amounts of time, linked to the various construction and service contracts. Although a certain portion of these subcontractors are local residents, others stay in town at hotels and motels. These subcontractors also contribute to local retail revenues as they spend wages and per diem in local grocery stores, restaurants, and on automobile repair, gasoline (and associated taxes) and entertainment.

The federal government also compensates school districts for educating the dependents of federal employees including service personnel. In 2006, this amounted to \$1,676,700 from the Department of Defense and the Department of Education. The base also augments the total City population figures resulting in a higher portion of county and state tax allocation back to the City. A portion of Gas taxes and Measure I funds are allocated by population.

City Revenues.

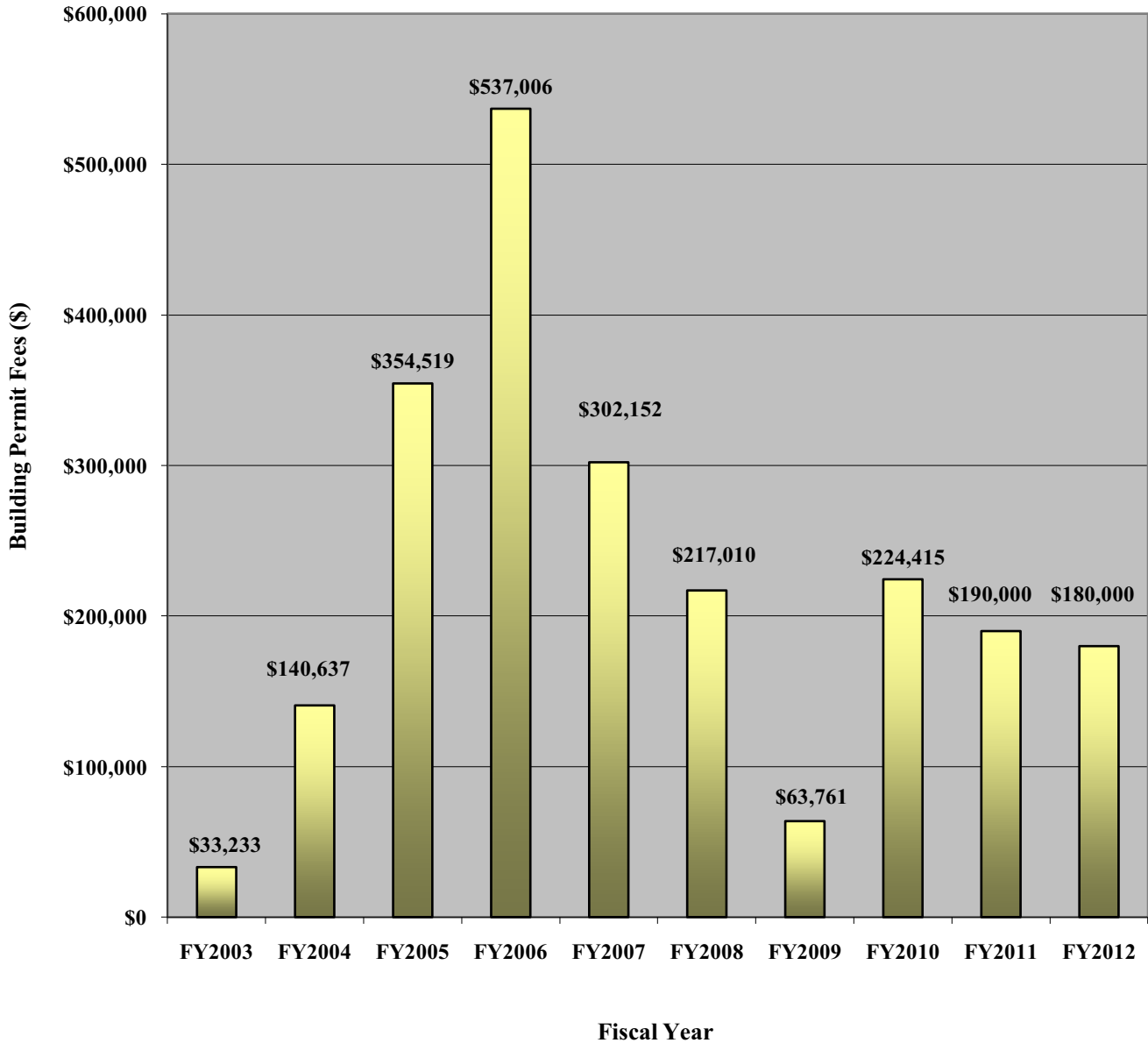
This increase in residential and commercial construction has brought new building permit revenues, sales tax revenues and property tax revenues to the community.

Building Permit Revenues. Figure 34 shows building permit revenues collected by the City of Twentynine Palms since FY2003. This table shows that building permit fees increased dramatically from \$33,233 in FY2003 to \$537,006 in FY2006. The collapse in housing construction in Twentynine Palms and throughout California has resulted in a drop of building permit revenues to \$63,761 in FY2009. **Since that time, building construction has made some recovery and building permit revenues in FY2010 were \$224,415. Building permit revenues are expected to be \$190,000 in FY2011 and \$180,000 in FY2012. (Please see Figure 11.)**

Sales Tax Revenues. The authority to collect sales and use taxes in Twentynine Palms is found in Title 3 Chapter 16 of the Twentynine Palms Municipal Code. Figure 12 shows that Twentynine Palms had a steady increase in sales tax collections from FY2003 through FY2010. Sales tax collections rose to \$674,539 in FY2003 and \$768,840 in FY2004. In FY2005, sales dipped due to the diversion of ¼ cent sales tax to the State of California for education (called triple flip). In FY2006, sales taxes again rose to \$861,459, but dropped to \$709,894 in FY2007 and \$702,363 in FY2008 due to the recession. **Sales tax collections rose 30.23% from FY2008 to \$914,726 in FY2010. FY2011 sales tax revenues are estimated at this time to be approximately \$780,000 in FY2011 and FY2012.**

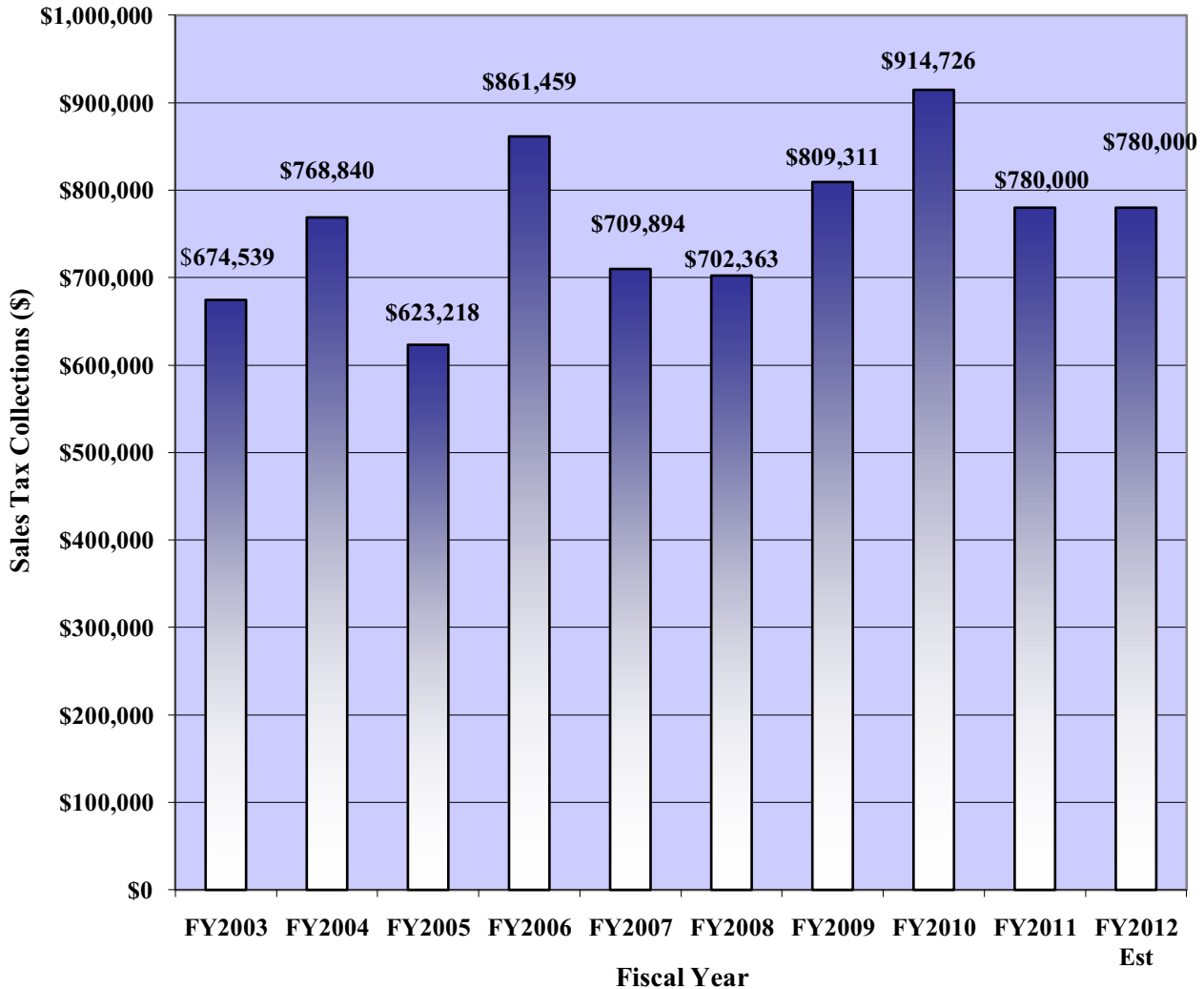
⁹⁵ ("Downtown Revitalization Feasibility Study for City of Twentynine Palms," CB Richard Ellis Consulting, October 2006, p. iii.)

Figure 11
City of Twentynine Palms
Building Permit Fees
FY2003-FY2012



This table shows the building permit fees collected by the City of Twentynine Palms from FY2003 through FY2012. Due to the slowdown in the commercial and residential construction, the City of Twentynine Palms projects that it will collect an estimated \$180,000 in building permit revenue in FY2012. Building permit revenues have fallen 64.6% from \$537,006 in FY2006 to \$190,000 in FY2011.

Figure 12
City of Twentynine Palms
Sales Tax Collections
FY2003 - FY2012



This table shows that Twentynine Palms had a steady increase in sales tax collections from FY2003 through FY2010. Sales tax collections rose to \$674,539 in FY2003 and \$768,840 in FY2004. In FY2005, sales dipped due to the diversion of ¼ cent sales tax to the State of California for education (called triple flip). In FY2006, sales taxes again rose to \$861,459, but dropped to \$709,894 in FY2007 and \$702,363 in FY2008 due to the recession. Sales tax collections rose 30.23% from FY2008 to \$914,726 in FY2010. FY2011 sales tax revenues are estimated at this time to be approximately \$780,000 in FY2011 and FY2012.

Figure 13
City of Twentynine Palms
Historical Sales Tax Collection Per Resident
FY2007-FY2010

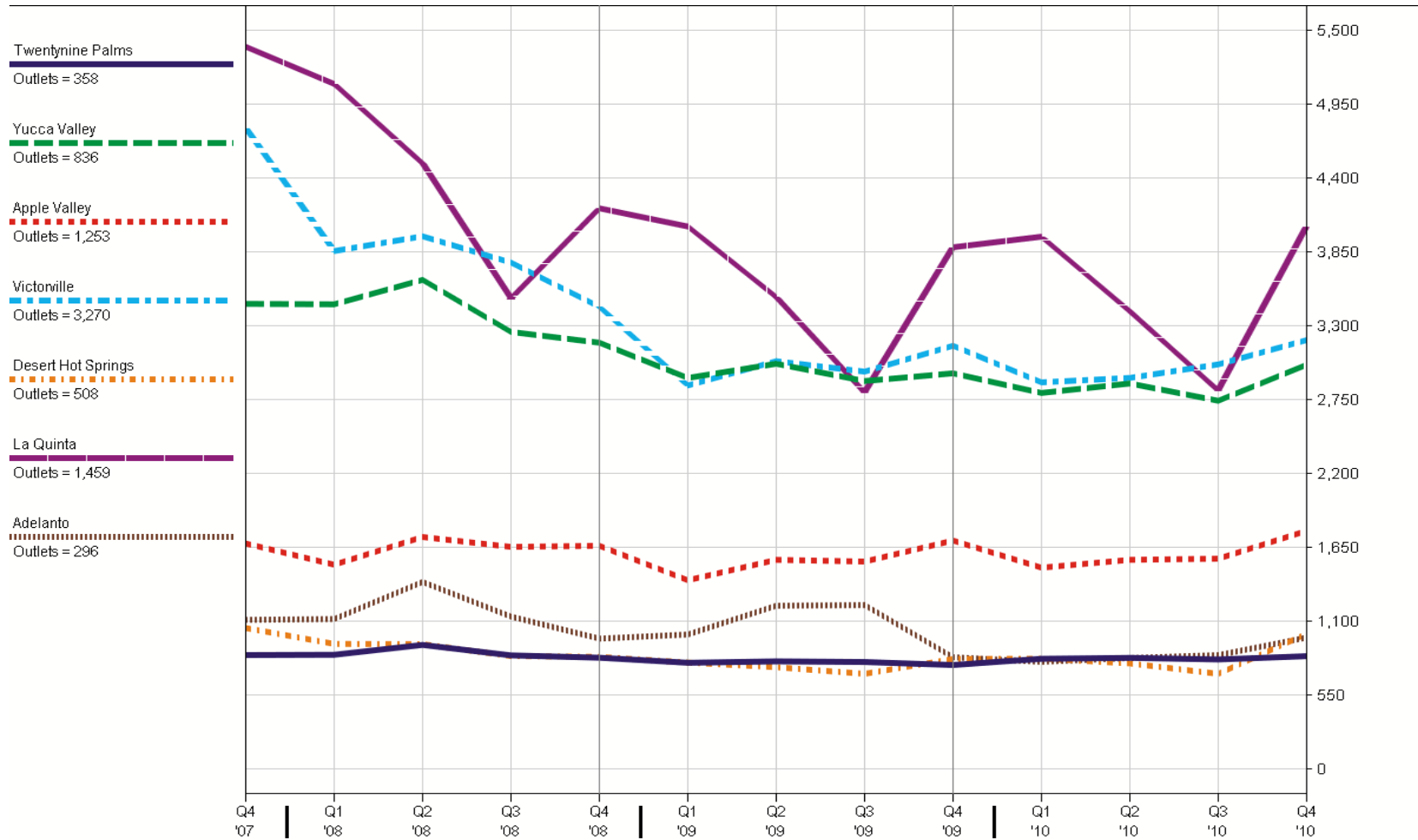


Figure 13 compares the historical quarterly sales tax collected per resident among nearby cities. This chart shows that during the fourth quarter of 2010, Twentynine Palms collected \$835 per resident in sales tax. Adelanto collected \$974 per resident, Desert Hot Springs collected \$1,002 per resident, Apple Valley collected \$1,768 per resident, Yucca Valley collected \$3,005 per resident, Victorville collected \$3,189 per resident, and La Quinta collected \$4,036 per resident.

Figure 14
City of Twentynine Palms
Secured and Unsecured Property Assessed Values
FY2000-FY2011

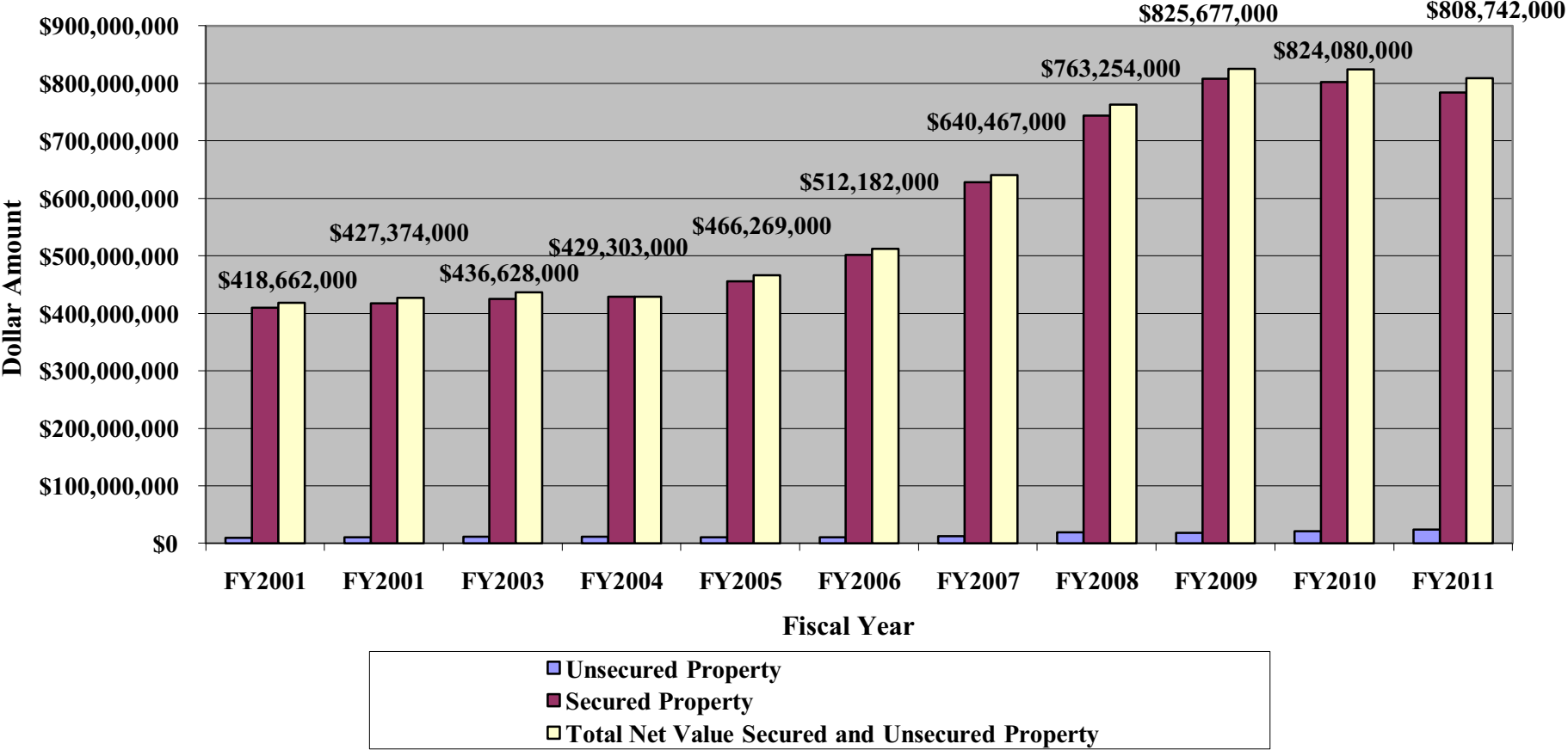
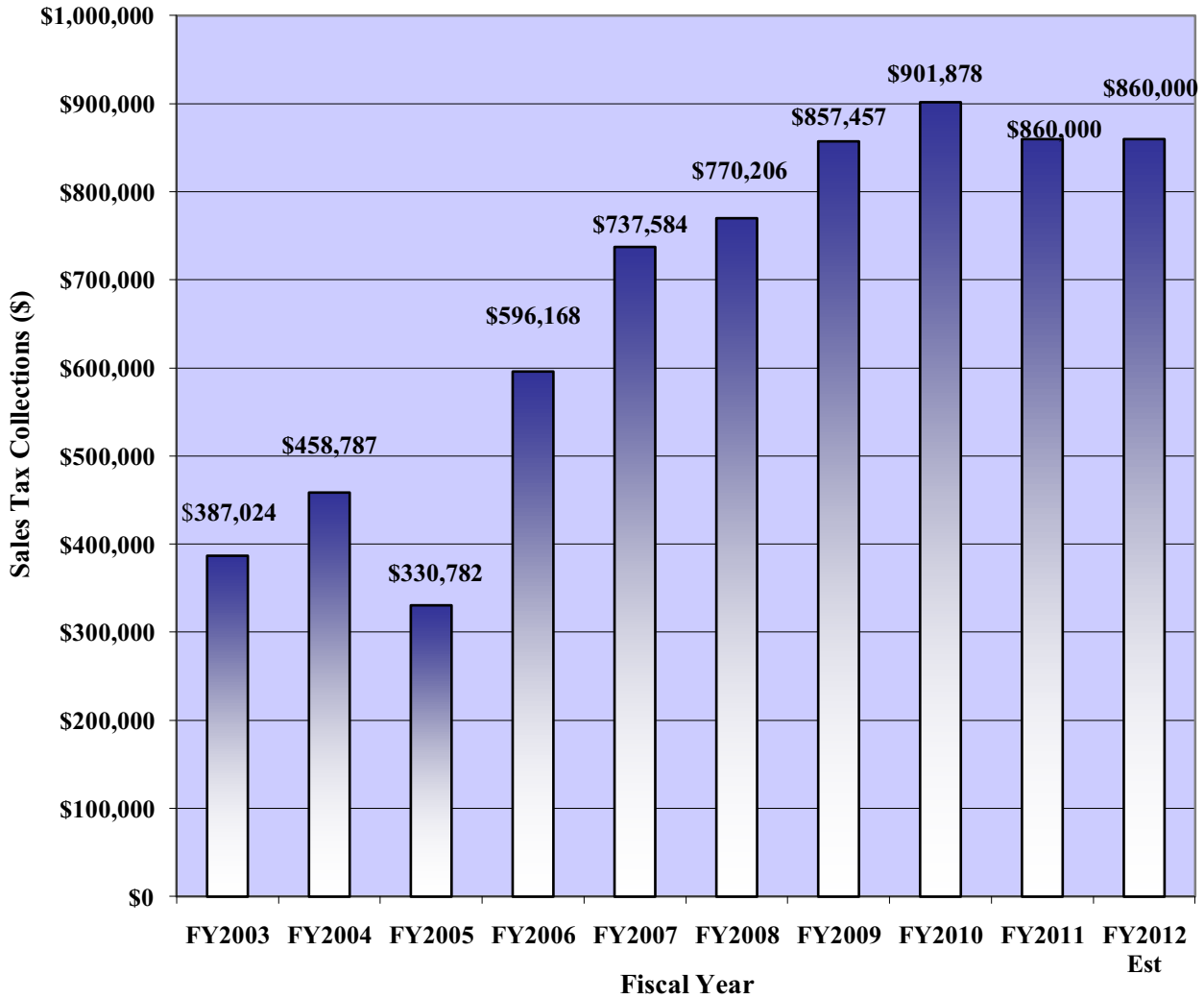


Figure 14 shows the increase in assessed values of secured and unsecured property from FY2001 to FY2011. Total property values increased 193% from \$418,662,000 in FY2001 to \$808,742,000 in FY2011. The total assessed value fell 2% from FY2010 to FY2011 resulting in a decrease in property tax revenue of \$36,500.

Figure 15
City of Twentynine Palms
Transient Occupancy Tax (TOT) Collections
FY2003 - FY2012



Transient Occupancy Taxes (TOT) rose \$131,672 from \$770,206 in FY2008 to \$901,878 during FY2010. Transient Occupancy Tax (TOT) collections have slowed and the City projects that it will collect approximately \$860,000 in FY2011. The City projects that FY2012 Transient Occupancy Taxes (TOT) will be the same as FY2011 at \$860,000.

Figure 13 compares the historical quarterly sales tax collected per resident among nearby cities. This chart shows that during the fourth quarter of 2010, Twentynine Palms collected \$835 per resident in sales tax. Adelanto collected \$974 per resident, Desert Hot Springs collected \$1,002 per resident, Apple Valley collected \$1,768 per resident, Yucca Valley collected \$3,005 per resident, Victorville collected \$3,189 per resident, and La Quinta collected \$4,036 per resident.

Transient Occupancy Taxes (TOT). Cities may impose the transient occupancy tax (TOT) on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or their lodging facility. Cities may also levy a tax on the privilege of renting a mobile home located outside a mobile home park, unless such occupancy is for more than 30 days or unless the tenant is an employee of the owner. Under certain conditions a redevelopment agency may impose the tax. Rates are set at the city's discretion and may include a specific amount as well as a percentage. (Please see Figure 15.)

The City's transient occupancy tax (TOT) (hotel/motel room tax) established by a vote of the people is nine percent. (Title 3 Chapter 24 of the Twentynine Palms Municipal Code). **Transient Occupancy Taxes (TOT) rose \$131,672 from \$770,206 in FY2008 to \$901,878 during FY2010. Transient occupancy tax (TOT) collections have slowed and the City projects that it will collect approximately \$860,000 in FY2011. The City projects that FY2012 transient occupancy taxes (TOT) will be the same as FY2011 at \$860,000.**

Property Tax Revenues⁹⁶. Figure 14 shows the changes in secured and unsecured property tax assessed values from FY2001 through FY2011. During the 11-year period, property tax assessed valuations increased 193% from \$418,662,000 in FY2001 to \$808,742,000 in FY2011. The total assessed value fell 2% from \$824,080,000 in FY2010 to \$808,742,000 in FY2011. **The recession, home foreclosures and unemployment have caused property tax collections to fall from \$1,872,433 in FY2008 to \$1,725,000 in FY2011. FY2012 property tax collections are projected to be the same as FY2011 at \$1,725,000.**

Proposition 42 Traffic Congestion Relief Revenues.

Ballot Initiative. In 2002 the voters approved Proposition 42. This ballot measure dedicated the sales tax on gasoline to transportation programs. Funds were allocated on a 40/40/20 split with 40% of the money going to cities and counties (50/50 split), 40% to State transportation projects and 20% to transit systems.

Use of Proposition 42 Funds. Proposition 42 funds could be used only for street and highway pavement maintenance, rehabilitation, reconstruction and storm drainage repair. For Proposition 42 purposes, "maintenance" means patching, overlaying and sealing. Reconstruction includes overlaying, sealing or widening of the roadway to bring the roadway width to the desirable minimum pavement width consistent with accepted design standards for local streets and roads, but does not include widening for increasing the traffic capacity of a street or road.

Maintenance of Effort (MOE). In order to receive Proposition 42 allocations, cities had to be in compliance with the maintenance of effort provision (MOE) of the law. The maintenance of effort (MOE) provision requires cities to expend from their General Fund, in the budget year in which Proposition 42 monies were allocated, a defined amount of funds for transportation purposes. This amount had to be equal to or greater than the average transportation expenditures for FY1997, FY1998 and FY1999. At the end of each fiscal year, cities had to prove to the

⁹⁶ When the Proposition 13 went into effect, the taxing agencies within San Bernardino County agreed on a distribution of the one percent among them. The City of Twentynine Palms was not incorporated at the time. Upon incorporation, the City negotiated with the county for a portion of the county allocation. Both entities agreed upon a City property tax allocation of 26.5% of the one percent.

California State Controller that they have spent the required maintenance of effort (MOE) monies. Any city that failed to do so must reimburse the State for the funds it received during the fiscal year.

Proposition 42 Payments to Cities. Proposition 42 allowed these funds to be transferred to the State General Fund and appropriated for non-transportation purposes during times when the State has a fiscal crisis. The funds were transferred to the State General Fund in FY2004 and FY2005. FY2006 was the first time since Proposition 42 passed that the \$1.3 billion in sales tax on gas was spent on transportation. Cities received \$136,102,000 in FY2006 and received \$219,997,755 during FY2007. Cities and counties received no local streets and roads maintenance funds from Proposition 42 in FY2008 pursuant to a formula in current law and under a longstanding agreement that provided cities and counties with local streets and roads funds in FY2002 and FY2003. However, under the allocation formula, cities received approximately \$266,467,000 during FY2009. **Twentynine Palms received \$242,402 in FY2009 and \$278,358 in FY2010 in Proposition 42 funds.**

Proposition 42 Elimination Through 2010 Gasoline Sales Tax--Gasoline Excise Tax Swap. On March 4, 2010, as part of a special budget session called by the Governor, the State Legislature passed ABx8 6 and ABx8 9, which contain provisions for a swap of States sales taxes on gasoline for a gasoline excise tax. The bills were signed by the Governor on March 22. Governor Schwarzenegger signed AB 70 on March 23, which is a clean up to ABX8 6 on March 23, 2010. **This legislation eliminated Proposition 42 funding for FY2011 and FY2012, and replaced it with additional gasoline excise tax allocations to cities and counties. The law included expressed legislative intent to fully replace City and County Proposition 42 state sales tax on gasoline with allocations from the new higher motor vehicle gasoline excise tax (HUTA) rate.**

The FY2010 Gasoline Sales Tax Swap with Gasoline Excise Tax law. Effective July 1, 2010 these new laws:

1. Repeal the state sales tax on gasoline. Local sales tax rates (1%) implemented pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the Transactions and Use Tax Law are not affected.
2. Increase the excise tax on gasoline by 17.3 cents and add an annual index that is intended to ensure the new excise tax keeps pace with the revenues expected from the sales tax on gas.
3. Increase the sales tax on diesel by 1.75% and allocate 75% to local transit agencies and 25% to state transit programs. The excise tax on diesel is reduced from 18 cents to 13.6 cents. Sales tax revenues from diesel must go to transit funding.

In FY2011, the revenues were allocated as follows:

1. First, state transportation debt service;
2. Second, \$54 million monthly set aside for future appropriation by the State Legislature (possibly to provide a future loan to the state General Fund under the currently flexible loan provisions of the Highway User Tax Account (HUTA);
3. Remainder allocated with 50% going to the State Transportation Improvement Program (STIP), and the



other 50% divided evenly between cities and counties using the current Highway User Tax (HUTA) Account formulas.

Beginning in FY2012, the revenues were allocated as follows:

1. First, to transportation debt service.
2. Second, divided with 44% to the State Transportation Improvement Program (STIP), 2% to State Highway Operation and Protection Program (SHOPP).
3. The remaining 44% split evenly between the cities and the counties using the current Highway User Tax Account (HUTA).

FY2011 Highway User Tax Account (HUTA) Payment Delays. The State Legislature also passed legislation that contained provisions to delay a variety of state payments to local agencies as a way to deal with anticipated state cash flow problems in FY2011. ABX5 8 allowed the state to delay a portion of the payments (\$50 million) of monthly Highway User Tax Account (HUTA) funds for the first nine months of FY2011 (July 2010 to March 2011) to be paid no later than April 28, 2011. The legislation contained an exemption for some agencies, including counties under 50,000 population and cities in those counties.

Proposition 42 Allocations. The law included expressed legislative intent to fully replace the local streets and roads funds cities and counties would have received under Proposition 42 state sales tax on gasoline with allocations from the new higher motor vehicle excise tax (HUTA) rate.

Revenue and Expenditure Forecasting

Forecasting as used in this budget document refers to estimating the future values of revenues and expenditures. It provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the coming fiscal year, along with the understanding of how the total financial program will be affected by demographic and economic forecasts driving these forecasts. The value of forecasts is in estimating whether, given assumptions about City financial policies and economic trends, the City will have sufficient resources to meet the resource requirements of ongoing, planned or mandated programs. In short, forecasting provides an estimate of the financial flexibility of the City, as well as insight into tax, revenue, and service options the City Council must address.

Revenue Forecasts. The City seeks to match revenue sources with the economic and/or demographic variables that most directly affect year-to-year changes in revenues. For example, City sales tax revenues will reflect forecasts related to taxable sales; whereas, revenue from building permits and plan checks will be tied to the expected trends in residential, commercial and industrial development. The City attempts to use as many revenue-related variables as possible in its forecasts to minimize the risks of overstating or understating revenues.

The beginning point of revenue forecasts and projections will be the previous year's collections along with an analysis of the financial trends over the last several years.

Revenue estimates will strive for accuracy by coming as close as possible to the actual outcome. However, forecasting sharp turns in the national, state and local economies is problematic. In addition, attempting to predict what the Governor and State Legislature will do with designated City revenues in their attempt to deal with the on-going State budget crisis is almost impossible. Revenue forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster.

Expenditure Forecasts. Expenditure growth is most closely linked to two major factors: (1) inflation (including general inflation, adjustments to salaries and changes in benefit costs), and (2) financial policies related to the amount of new funding for new programs or for the expansion of existing programs. For certain expenditure categories (such as fuel and utilities), the City applies inflation factors that reflect the historical rate of price inflation in these categories to overall inflation.

Appropriation Limit.

The appropriation limit imposed by Proposition 4 and Proposition 111 creates restrictions on the amount of revenue, which can be appropriated in any fiscal year. The limit is based on actual appropriations during the 1978-79 fiscal year, and is increased each year by a factor comprised of the change in population combined with the change in California per capita income. The only Fund subject to the limit is the General Fund. The Twentynine Palms Redevelopment Agency, Twentynine Palms Public Financing Authority⁹⁷ and certain revenues such as Enterprise Fund revenues, Special Revenue Fund revenues, Debt Service Fund revenues and inter-fund transfers are excluded from the appropriation limit. The State of California Department of Finance is mandated to provide the population and California per capita personal income changes data for local jurisdictions to calculate their appropriation limits. **Based on the data received from the California Department of Finance, Twentynine Palms appropriation limit is \$37,065,322.**⁹⁸ Twentynine Palms meets the requirements of the law during FY2012.

General Fund Summary

The General Fund is the primary operating fund of the City. It is used to account for all financial transactions and resources of the general government except those required by law or regulation to be accounted for in another accounting fund. The City of Twentynine operates one General Fund and it is used to account for most tax-supported activities of the City of Twentynine Palms. Expenditures for such functions as administration, community development, building inspection, code enforcement, police, streets, parks, economic development and other similar functions are accounted for in the General Fund.

This General Fund budget will provide the same level of municipal services while still holding down operating costs. Due to the uncertainties surrounding the state budget and the slowdown in the economy,

⁹⁷ The California Constitution Article XVI, Section 16, and Health and Safety Code, beginning with Section 33000, provide funding from local property taxes to promote redevelopment of blighted areas. Article XVI was approved by the voters in 1952, and therefore, the revenues it generates are not subject to the limitations imposed by the Gann Limit in Article XIII B of the California Constitution.

⁹⁸ Article XIII B of the California Constitution created by Proposition 4 passed by the voters in 1978, requires that local governments establish spending limits on funds raised through the proceeds of taxes. Proposition 4 established the 1978-79 fiscal year as the base year, limiting future spending from appropriation of taxes to the base year amount, adjusted by the increase in population and the cost of living. Senate Bill 1352, Chapter 1205, 1980, statutes adds Revenue and Taxation Code, Section 7910 which requires each local government to establish its appropriation limits by resolution each year at a regularly scheduled meeting.

the FY2012 budget year will be conservative and cautious. General Fund revenues remain flat or have declined over the last three years. Total General Fund revenues are projected to be \$7,885,000. This is a \$528,423 reduction from FY2009 when General Fund revenues were \$8,413,423.

The total assessed property value fell 2% from \$824,080,000 in FY2010 to \$808,742,000 in FY2011. The recession, home foreclosures and unemployment have caused property tax collections to fall from \$1,872,433 in FY2008 to \$1,725,000 in FY2011. **FY2012 property tax collections are projected to be the same as FY2011 at \$1,725,000.**

Twentynine Palms' property taxes under the Vehicle License Fee (VLF) property tax "swap" grew from \$2,454,926 in FY2008 to \$2,754,153 in FY2009. The recession has caused Property Tax In-Lieu of Vehicle License Fees (VLF) to remain relatively flat at \$2,748,864 in FY2010 and are projected to be \$2,697,000 in FY2011 and \$2,700,000 in FY2012.

The slowdown in residential construction and sales of existing homes reduced the real property transfer tax from \$35,808 in FY2008 to \$19,461 in FY2010. Real estate transfer tax collections (primarily from the sale of foreclosed property) will increase revenues to \$50,000 in FY2011. The City projects that real property transfer tax collections will be approximately \$40,000 during FY2012. The City of Twentynine Palms does not anticipate any major change in the value of state-assessed property within the City and projects that the utility unitary tax will be flat at \$96,000 during FY2012.

Sales tax collections rose 30.23% from FY2008 to \$914,726 in FY2010. FY2011 sales tax revenues are estimated at this time to be approximately \$780,000 in FY2011 and FY2012. The City projects that property taxes in lieu of sales taxes (Triple Flip) will be flat at \$295,000 during FY2012. Transient Occupancy Taxes (TOT) rose \$131,672 from \$770,206 in FY2008 to \$901,878 during FY2010. Transient occupancy tax collections are down and the City projects that it will collect approximately \$860,000 in FY2011. **The City projects that FY2012 transient occupancy taxes (TOT) will be the same level as FY2011 at \$860,000.** Revenues from electric, gas, waste management and cable television franchise fees are not expected to increase during FY2012. The City anticipates that it will collect \$525,000 in franchise fee revenues during the next fiscal year.

Business license fee revenues are expected to be the same in FY2012 as they were in FY2011 at \$38,000. Twentynine Palms' Vehicle License Fees (VLF) under the Vehicle License Fee (VLF) property tax "swap" are projected to be down from \$124,320 in FY2008 to \$75,000 in FY2011 and FY2012. Building permit fees increased dramatically from \$33,233 in FY2003 to \$537,006 in FY2006. The collapse in housing construction in Twentynine Palms and throughout California has resulted in a drop of building permit revenues to \$63,761 in FY2009. **Since that time, building construction has made some recovery and building permit revenues in FY2010 were \$224,415. Building permit revenues are expected to be \$190,000 in FY2011 and \$180,000 in FY2012.**

The City received \$23,440 in state booking fee reimbursements for FY2007. However, no booking fees were received in FY2008, FY2009, FY2010 and FY2011 due to the State budget crisis and subsequent cuts by the State Legislature. The City anticipates no booking fee reimbursements during FY2012. Assembly Bill 1913 or California Citizen Option for Public Safety Grant (COPS) program provides a minimum of \$100,000 to eligible front line law enforcement agencies. **The City of Twentynine Palms will receive \$103,000 in state COPS funding during FY2012, but there will be no state-mandated cost reimbursements during FY2012.** The City will transfer \$48,000 from the Traffic Safety Special Revenue Fund to the General Fund.

Department expenditures will remain conservative during FY2012. Capital spending will be limited primarily to grants and one-time intergovernmental revenues. One-time revenues will not be used for on-going operating costs. Total General Fund spending will be \$7,884,900. (Please see Figure 39.) The General Fund Unrestricted Fund Balance is projected to increase by \$100 to \$11,084,069 on June 30, 2012. This Unrestricted Fund Balance is 140% of total annual General Fund expenses.

Special Revenue Funds Summaries

Gasoline Tax Special Revenue Fund.

This Fund is used to account for revenues and the related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. These revenues come from gasoline taxes placed on motor vehicle fuels.

Gasoline tax revenue from Sections 2103, 2105, 2106, 2107 and 2107.5 of the State Streets and Highways Code are projected to be flat at \$830,000. Interest revenues are projected to be \$500 and Proposition 42 replacement funds under the Gasoline Sales Tax—Gasoline Excise Tax swap are projected to be \$117,400.

Total resources available for appropriation are projected to be \$958,900.

The City will spend \$681,700 for personnel services and \$181,600 for maintenance and operation expenses including \$13,000 for road maintenance materials, \$24,500 for equipment lease and maintenance, \$34,000 for general liability insurance, \$55,000 for street lighting and \$25,000 to install backup batteries on City traffic signals. **Total expenses for the Gasoline Tax Special Revenue Fund during FY2012 will be \$863,300.** The Fund Balance will grow \$120,660 from \$508,526 on June 30, 2011 to \$629,126 on June 30, 2012.

Bikeways and Sidewalks Article 3 Special Revenue Fund.

The City does not anticipate that it will deposit any Bikeways and Sidewalks Article 3 allocations from the revenues collected as part of the Transportation Development Act (TDA). It will use \$95,700 from the Fund Balance during FY2012. The use of \$95,700 in FY2012 from the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total resources available for FY2012 are \$95,700.**

Twentynine Palms will transfer its entire fund balance to other funds during FY2012. \$15,000 will be transferred to the General Capital Projects Fund to complete the Collins Bike Path. Another \$80,700 transferred to the AB 2766 Motor Vehicle Surcharge Special Revenue Fund during the fiscal year. **Total funds transferred out during FY2012 are \$95,700.** There will be no City funds in the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance on June 30, 2012.

AB 2766 Motor Vehicle Surcharge Special Revenue Fund.

The City anticipates that it will receive \$18,000 in grants to upgrade its heavy-duty diesel equipment to reduce nitrogen (NOx), particulate matter (PM) and reactive organic gases (ROG). Interest earnings are projected to be \$250 and another \$80,700 will be transferred from the Bikeways and Sidewalks Article 3 Special Revenue Fund. **Total FY2012 resources available for appropriation will be \$98,950.**

Twentynine Palms will spend \$15,300 to install diesel engine kits on City diesel powered trucks and equipment to reduce air pollution and improve air quality during FY2012. The AB 2766 Motor Vehicle Surcharge Fund Balance will increase to \$83,650 on June 30, 2012.

Transportation Development Act (TDA) Special Revenue Fund.

The City will continue to see a continued reduction in Transportation Development Act (TDA) Article 8 funds. Twentynine Palms has been informed that it will receive \$250,000 from the San Bernardino Associated Governments (SANBAG) during FY2012. In addition, the City will transfer \$10,000 from the Risk Management Internal Service Fund to the Transportation Development Act (TDA) Special Revenue Fund for streets and roads. Another \$1,500 will be earned in interest revenue. **Total financial resources available for appropriation are \$261,500.**

The City will spend \$220,000 in Transportation Development Act (TDA) funds during FY2012.

This includes \$20,000 for road maintenance and \$200,000 to slurry seal City streets. The Transportation Development Act (TDA) Fund Balance will increase from \$226,089 on July 1, 2011 to a projected \$267,589 on June 30, 2012.

Proposition 42 Traffic Congestion Relief Special Revenue Fund.

In 2002 the voters approved Proposition 42. This ballot measure dedicated the sales tax on gasoline to transportation programs. Funds were allocated on a 40/40/20 split with 40% of the money going to cities and counties (50/50 split), 40% to state transportation projects and 20% to mass transit systems.

On March 4, 2010, as part of a special budget session called by the Governor, the State Legislature passed ABx8 6 and ABx8 9, which contain provisions for a swap of State sales taxes on gasoline for a gasoline excise tax. The bills were signed by the Governor on March 22. On March 23, 2010 Governor Schwarzenegger signed AB 70, which is a clean up to ABx8 6. This legislation eliminated Proposition 42 funding for FY2011, and replaced it with additional gasoline excise tax allocation to cities and counties. The law included expressed legislative intent to fully replace City and County Proposition 42 State sales tax on gasoline with allocations from the new higher motor vehicle gasoline excise tax (HUTA) rate. **There will be no Proposition 42 revenues during FY2012, and the City intends to close out this Accounting Fund in FY2012.**

The City is appropriating \$337,400 in Proposition 42 Fund Balance during FY2012. The use of \$337,400 in fund balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **The City will transfer \$117,400 of the Proposition 42 Special Revenue Fund Balance to the Gasoline Tax Special Revenue Fund and \$220,000 from fund balance to the General Capital Projects Fund.** Since this accounting fund is being closed out at the end of FY2012, there will be no ending fund balance on June 30, 2012.

Traffic Safety Special Revenue Fund.

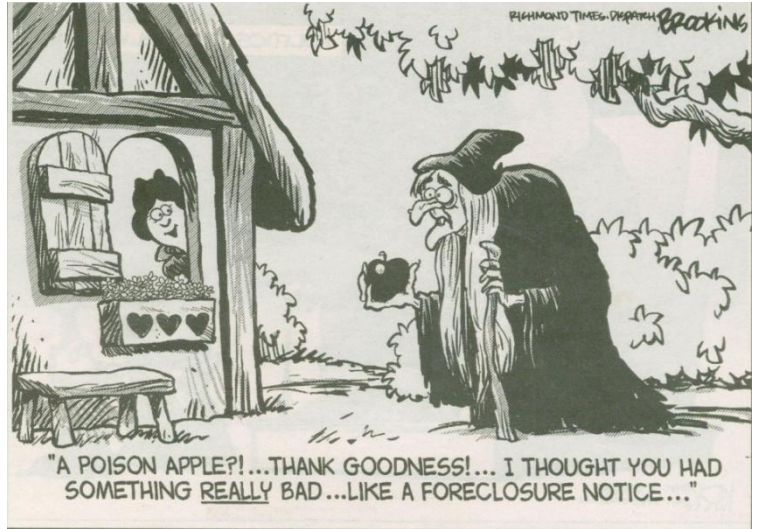
The City anticipates collecting \$90,000 from vehicle code violations and another \$2,000 in interest payments. **Total resources available during FY2012 for appropriation are \$92,000.** The City intends to enhance traffic safety and reduce accidents by spending \$31,000 for the maintenance of traffic lights and signals, \$10,000 on street striping and \$3,000 on traffic engineering. This fund will also transfer \$48,000 to the General Fund. **Total expenditures for the fiscal year will be \$92,000.** The Traffic Safety Special Revenue Fund Balance will be \$191,701 at the beginning of the fiscal year and at the end of the fiscal year on June 30, 2012.

Community Development Block Grant (CDBG) Special Revenue Fund.

Community Development Block Grant (CDBG) funds may only be used to eliminate blight, meet an urgent need or assist low- and moderate-income residents. The City received \$341,000 during FY2011 in Community Development Block Grant (CDBG) funds.

During FY2012, the City will spend \$75,000 to rebuild and upgrade the well in Luckie Park and \$38,060 to upgrade the City swimming pool to meet new San Bernardino County Health Department regulations. It will combine these funds with \$31,940 in the General Capital Projects fund to complete \$70,000 in upgrades to the swimming pool.

There will be no fund balance in the Community Development Block Grant (CDBG) Program Special Revenue Fund at the beginning of FY2012 or at the end of FY2012.



Lighting and Landscape Assessment Districts Special Revenue Fund.

The mission of the Lighting and Landscape Assessment Districts Special Revenue Fund is to account for all activities, revenues, expenditures, assets and liabilities in providing maintenance, servicing, and operation of landscape improvements, median strip improvements, parks improvements, graffiti removal and associated activities located within the public right-of-way and dedicated landscape easements in the City of Twentynine Palms Lighting and Landscape Assessment Districts.

The annual Engineer's Report describes the District, any annexations, or changes to the District, and the proposed assessments for FY2012. The proposed assessments are based on the historical and estimated cost to maintain the improvements that provide a direct and special benefit to properties within the District. The cost of improvements and the annual levy includes all expenditures, deficits, surpluses, revenues and reserves. Each parcel is assessed proportionately for only those improvements provided and for which the parcel receives benefit. The word "parcel" refers to an individual property assigned its own assessment parcel number by the San Bernardino County Assessor's Office. San Bernardino County uses assessment parcel numbers and specific fund numbers to identify on the tax roll properties assessed for special benefit assessments.

Based on the Engineer's report and the assessments that will be levied by the City Council, the Lighting and Landscape Districts Special Revenue fund will provide \$30,160 in homeowner assessments and \$240 in interest payments. **Total financial resources available for appropriation during FY2012 are \$30,400.**

FY2012 expenditures for the Lighting and Landscape Districts will be \$33,800, including \$10,000 for water and \$18,000 in contract costs to maintain the common landscape areas. The Lighting and Landscape Districts Special Revenue Fund Balance will be reduced by \$3,400 to \$45,551 on June 30, 2012.

Public Access TV Special Revenue Fund.

FY2012 projected revenues from the 1% franchise fee collected from gross cable television billings is projected to be \$10,000. In addition, the City is expected to earn \$500 in interest earnings. **Total financial resources available during FY2012 are \$10,500.**

The City will spend \$7,000 during FY2012 including \$5,000 to video tape the meetings and \$2,000 for electronic equipment. The Public Access TV Special Revenue Fund Balance will increase by \$3,500 from \$88,823 on June 30, 2011 to \$92,323 on June 30, 2012.

Landfill/Land Use Special Revenue Fund.

The mission of the Landfill/Land Use Special Revenue Fund is to account for solid waste revenues including grant revenues, and landfill tipping fee revenues from haulers outside the county as well as expenses for abandoned vehicle abatement, dangerous building abatement, graffiti removal, illegal dumping, recycling programs, hazardous household waste, litter reduction and the Mojave Desert and Mountain Integrated Waste Joint Powers Authority.

Twentynine Palms anticipates that it will receive a \$5,000 grant from the California Department of Conservation for recycling plastic containers. This grant comes from the California Redemption Value (CRV) that is charged by retailers on all beverage containers. It will also receive \$500 in interest revenue and \$50,000 in Article 19 fees from San Bernardino County landfills. **Total resources available for appropriation are \$55,800.**

The City will spend \$101,500 on solid waste programs including \$500 for abandoned vehicle abatement, \$5,000 in dangerous building abatement, \$10,000 to cleanup illegal dumping, \$10,000 for recycling programs, \$40,000 for the household hazardous waste program, and \$5,000 in plastic container litter reduction. The City will also contribute \$30,000 to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority. The Landfill/Land Use Special Revenue Fund Balance will be reduced from \$48,683 on June 30, 2011 to \$2,983 on June 30, 2012.

Internal Service Funds Summaries

Risk Management Internal Service Fund.

The City operated a Risk Management Internal Service Fund to keep track of revenues and expenditures related to the City's liability, workers' compensation, property and bond insurance coverage. The Risk Management Internal Service Fund would pay insurance premiums and then charge each accounting fund a portion of the premium. **Beginning in FY2012, to simplify the City's accounting system, insurance premiums are charged directly to each Accounting Fund and this Accounting Fund will be discontinued. The City will appropriate \$100,500 from the Risk Management Internal Service Fund Balance for transfer to other accounting funds.** This use of \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expense in FY2012.

The City will transfer \$74,000 to the General Capital Projects Fund and \$26,500 to the Gasoline Tax Special Revenue fund, Transportation Development Act (TDA) Special Revenue and the Twentynine Palms Redevelopment Agency. There will be no fund balance in the Risk Management Internal Service Fund on June 30, 2012.

Equipment Purchase Internal Service Fund.

The Purpose of the Equipment Purchase Internal Service Fund was to account for the financial resources used to purchase and dispose of cars, trucks, heavy equipment and rolling stock used in City operations and to provide City services. Departments would pay into this accounting fund each year whether or not they bought new vehicles, heavy equipment or rolling stock. When the department needed to purchase new equipment they could draw upon the funds that had accumulated in this accounting fund. **This accounting fund is being discontinued in FY2012 and the purchase of vehicles and heavy equipment will be accounted for in the appropriate Special Revenue Fund or Capital Projects Fund.** No revenues are being deposited into this Accounting Fund. The City will transfer \$35,900 to the General Capital Projects Fund to purchase equipment. The Equipment Purchase Internal Service Fund will end the fiscal year on June 30, 2012 with no fund balance.

Capital Projects Funds Summaries

General Capital Projects Fund.

The General Capital Project Fund's total revenues for FY2012 are projected to be \$962,900, including a \$245,000 Transportation Development Act (TDA) Article 3 Pedestrian Bicycle grant obtained through the San Bernardino County Associated Governments (SANBAG). The balance of the General Capital Projects Fund revenues come from transfers from other funds including \$220,000 from the Proposition 42 Traffic Congestion Fund, \$74,000 from the Risk Management Internal Service Fund, \$15,000 from the Article 3 Capital Projects Fund, \$35,000 from the Equipment Replacement Internal Service Fund and \$373,000 from the General Fund.

During FY2012, Twentynine Palms will spend \$100,000 for an update to the 2008 Wastewater Treatment Plant Joint Use Study, \$50,000 for gateway signs, \$45,000 for a new animal control truck, \$8,000 for a baseball field groomer, \$200,000 to construct 0.25 miles of road to connect Encelia Avenue from Sunnyslope Avenue to Two-Mile Road, \$15,000 for the Collins Bike Path, \$80,000 to install underground electrical utilities at Knott's Sky Park, \$20,000 to rebuild the flashing crosswalk at Highway 62 and Tamarisk, \$15,000 to slurry seal the Community Center parking lot, \$245,000 to construct sidewalks in the vicinity of Oasis Elementary school, \$90,000 for hardware and software upgrades, \$32,000 to upgrade the swimming pool at Luckie Park, \$20,000 for mural replacement or other public art and \$25,000 for a July 4 fireworks display.

Total expenditures are projected to be \$945,000. The fund balance in the General Capital Projects Fund is projected to be \$17,900 on June 30, 2012.

Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund.

Twentynine Palms allows residential, commercial and industrial developers to pay into a special accounting fund the cost of curb, gutter and sidewalk in situations where the location, geography or other factors preclude the installation of these off-site improvements at the time of development. Monies collected from this accounting fund are used exclusively to install these improvements. These development impact fees may not be used to fund salaries and benefits or to pay for on-going maintenance and operation costs.

The City anticipates collecting \$40,000 in curb, gutter and sidewalk development impact fees during FY2012. In addition, \$1,325,000 in curb, gutter and sidewalk impact fees will be transferred from the General

Fund to the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects fund. **Total financial resources available for appropriation in FY2012 are \$1,365,000.**

Twentynine Palms will spend \$450,000 during FY2012 to install curb, gutter and sidewalk along National Park Drive from Highway 62 to the Joshua Tree National Park Headquarters. The City will also spend \$106,000 to match the \$200,000 in Measure I funds and a \$245,000 Transportation Development Act (TDA) Article 3 Grant from SANBAG for the construction of new sidewalks near Oasis Elementary School. Another \$500,000 will be set aside for sidewalk construction in the downtown area at a location to be determined later by the City Council. **Total FY2012 spending in the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund will be \$1,056,000.** The Fund Balance on June 30, 2012 will be \$309,000.

Fire Development Impact Fees Capital Projects Fund.

The mission of the Fire Development Impact Fees Capital Projects Fund is to account for all development impact fee revenues and expenditures for the construction and improvement of public fire protection buildings and facilities as well as the purchase of equipment needed for new development pursuant to the State Mitigation Fee Act (Government Code 66000 *et. seq.*).

Revenues are projected to be \$40,000 based on the City issuing the historic number of commercial and single-family residential building permits during FY2012. No interest is projected because the Fire Development Impact Fee Capital Projects Fund has a negative fund balance due to the purchase of the fire ladder truck during FY2011. **Fire development impact fees collected during FY2012 will be used to amortize the debt for the fire ladder truck.** The Fire Development Impact Fee Capital Projects Fund Balance will be reduced from a negative \$300,000 to a negative \$260,000 on June 30, 2012.

Combined Measure I Capital Projects Fund.

The Combined Measure I Capital Projects Fund accounts for all activities, revenues and expenditures related to Twentynine Palms' allocation of Measure I half-cent retail transaction and use tax to construct, repair, rehabilitate and maintain streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities.

The City has received approval from the San Bernardino County Associated Governments (SANBAG) for \$600,000 in local distribution and \$200,000 in discretionary Measure I funds. In addition, Twentynine Palms will use \$1,653,800 from the Combined Measure I Fund Balance. The use of \$1,653,800 in FY2012 from the Combined Measure I Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total Measure I resources available for FY2012 are \$2,469,800.**

Twentynine Palms will spend \$1,718,000 for street construction and reconstruction projects and \$751,800 for the City Congestion Management Program, street and crosswalk repair and advanced seal projects. **Total FY2012 expenditures will be \$2,469,800.** The Combined Measure I Capital Projects Fund Balance will be reduced to \$1,694,672 on June 30, 2012.

Twentynine Palms Redevelopment Agency Special Revenue Funds Summary

Redevelopment Agency Capital Projects Fund.

The mission of the Twentynine Palms Redevelopment Agency Capital Projects Fund is to account for all activities, revenues, expenditures, assets and liabilities for the purpose of securing commercial and industrial development for job creation and revitalization of blighted residential, commercial or industrial areas in the City of Twentynine Palms.

The Twentynine Palms Redevelopment Agency Capital Projects Fund revenues are projected to be \$2,261,500 during FY2012. Revenues will include \$4,500 transfer from the Risk Management Internal Service Fund, a \$250,000 transfer from the Redevelopment Agency Debt Service Fund, \$4,000 in interest income and the use of \$2,003,000 from the Redevelopment Agency Capital Projects Fund Balance. The use of \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total financial resources to be appropriated from all revenue sources during FY2012 are \$2,261,500.**

The City and the Redevelopment Agency will need to focus its resources (especially with regard to the 2011 bond proceeds) to eliminate blight, create jobs and transform and revitalize the downtown. The City will spend \$25,000 on marketing and business promotion and another \$50,000 on other economic development efforts from the Redevelopment Agency. These funds will be combined with \$90,000 tourism advertising budget and the \$25,000 business recruitment and promotion budget in the General Fund economic development budget. Funds will be spent in accordance with a marketing plan developed by elected officials, the Chamber of Commerce, the Innkeepers Association and other local businesses and interested stakeholders.

In addition to marketing the downtown, the Redevelopment Agency will spend \$31,000 to complete the Redevelopment Agency's portion of the General Plan, or to update the Downtown Specific Plan, and \$7,000 to purchase new accounting software.

Redevelopment Agency Capital projects also includes \$285,000 to eliminate abandoned, dangerous and blighted buildings, \$300,000 to develop and implement a property improvement program to assist business owners, \$25,000 for sidewalk repairs, \$750,000 for Project Phoenix, \$25,000 for a geothermal study and \$125,000 for projects to be designated at a later date by the City Council.

The Redevelopment Agency Capital Projects Fund will also combine \$300,000 of its money with \$200,000 from the Measure I Capital Projects Fund to complete the environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue. **Total Redevelopment Agency Capital Projects Fund spending during FY2012 will be \$2,261,500. The Redevelopment Agency Capital Projects Fund Balance will be reduced from \$7,356,993 on June 30, 2011 to \$5,353,993 on June 30, 2012.**

Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund.

The purpose of the Low- and Moderate-Income Housing Special Revenue Fund in the Twentynine Palms Redevelopment Agency is to account for all activities, revenues, expenditures, assets and liabilities used for increasing or improving housing for low- and moderate-income households.

The Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund revenues and use of fund balance during FY2012 are projected to \$2,163,000. This includes \$387,000 in tax increment funds, \$12,000 in interest income, \$1,000 transfer from the Risk Management Internal Service Fund and \$1,763,000 from the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance. The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Fund Balance represented the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Expenditures in the Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Fund will include \$32,000 for personnel services, \$31,000 for maintenance and operations expenses and \$200,000 for debt service payments. \$1,900,000 is reserved for a future low- and moderate-income housing project to be determined at a later date by the City Council. **Total FY2012 expenditures are \$2,163,000.** The Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance will be decreased from \$4,781,798 on July 1, 2011 to \$3,018,798 on June 30, 2012.

Redevelopment Agency Debt Service Fund.

The Twentynine Palms Redevelopment Agency Debt Service Fund tax increment revenues during FY2012 are projected to be \$1,550,000. Interest revenues are projected to be \$10,000 and \$293,000 will be taken from the Redevelopment Agency Debt Service Fund Balance. The use of \$293,000 in FY2012 in Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's surplus and appropriating it in FY2012. **Total funds available for appropriation during FY2012 are \$1,853,000.**

Expenditures in the Twentynine Palms Redevelopment Agency Debt Service Fund include \$388,000 in pass through payments to other taxing entities, \$99,000 in Education Revenue Augmentation Fund (ERAF) payments to the State of California, \$25,000 in San Bernardino County administrative charges for the collection of property tax, \$250,000 transfer to the Redevelopment Agency Capital Projects Fund, \$50,000 in debt interest payments and \$1,041,000 in debt principal payments. **Total expenditures are projected to be \$1,853,000.** The Redevelopment Agency Debt Service Fund Balance is expected to decrease from \$2,262,180 on July 1, 2011 to \$1,969,180 on June 30, 2012.



Conclusion

This annual budget is designed to be a financial plan, policy document, operations guide and communications medium. It meets the highest national standards set forth by the Government Finance Officers Association of the United States and Canada. It is a conservative road map for the coming year and will require

Careful management to ensure that spending is contained within the limits established by the City Council. The City Council, City Manager and department heads are committed to providing the highest level of municipal services for the least cost.

The preparation of the annual budget is an arduous task. Appreciation is extended to Ron Peck, Darla Holguin, Cindy Keniry, Cindy Villescas, Richard Pedersen, and all of the department heads and other staff members for their contributions.

This budget is submitted for your careful review and to make any changes or alteration as you see appropriate to meet the goals and objectives of the City Council and the desires of the citizens of the community. We all look forward to serving you and the citizens of the City of Twentynine Palms in the coming year.

Respectfully submitted,

Richard N. Warne

Richard N. Warne
City Manager

Downtown Twentynine Palms--1940's





SECTION 1

**STRATEGIC PLANNING,
IMPLEMENTATION AND EVALUATION
DECISION-MAKING PROCESS**



Well at Smith's Ranch

STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION-MAKING PROCESS

The FY2012 Twentynine Palms budget is prepared within the broad context of the City's Strategic Planning, Implementation and Evaluation Decision-Making Process. This decision-making process provides a framework for planning, implementing and evaluating City operations, budgets, programs, service levels and capital improvements. This decision-making process is designed to:

1. Bring the City Council, community leaders, residents and special interest groups together to work toward the same objectives consistent with the community's values and vision.
2. Involve the community in actively planning for the future and build support for programs, policies, revenue-raising measures, cost-cutting strategies and capital projects. By involving community leaders, residents and special interest groups, the Strategic Planning, Implementation and Evaluation Decision-Making Process helps the City communicate with its constituents.
3. Assist the City Council, staff and City committees to allocate time more efficiently. When priorities are clear, it is easier to allocate time to the most important things.
4. Provide a framework for resource allocation during the annual budget process. If the City knows what programs, issues and action plans have the highest priority, then staff will have a better idea of how to allocate funds when preparing the annual budget. The City Council will have a better idea on where to make adjustments when approving the final annual budget.
5. Enhance communication between the City Council, City Manager and staff. Without clearly defined directions, the City Manager and staff may have difficulty establishing priorities among requests from the City Council, special interest groups and residents.
6. Provide an evaluation tool for City activities. Carefully crafted community values, community vision, mission statement, Strategic Plan, City Council legislation, Five-Year Capital Improvements Plan and annual budget are a standard against which to measure employee and organizational performance.

Strategic Planning Phase.

The strategic planning phase consists of the following components: community values, community vision, City mission statement, and Twentynine Palms Strategic Plan.

Community Values. Community values are the non-negotiable core principles or standards that the community's citizens wish to maintain. They must be acknowledged, honored and constantly defended to ensure that change and development occur in accordance with these core principles and standards. The community values held by the residents, community leaders and elected officials determine the City's character, urban design features and ultimately shape the development of the City. Community values guide the community's vision, mission, Strategic Plan as well as its goals, objectives, activities, capital projects, budgets and service levels. The following represents an overview of the community's core values that form the basis for the community's vision.

TWENTYNINE PALMS STRATEGIC PLANNING, IMPLEMENTATION AND EVALUATION DECISION MAKING PROCESS

COMMUNITY VALUES

COMMUNITY VISION

MISSION STATEMENT

STRATEGIC PLAN

COUNCIL LEGISLATIVE ACTION

ORGANIZATION STRUCTURE

FIVE-YEAR CAPITAL IMPROVEMENTS PLAN

ANNUAL BUDGET

EVALUATION

COMMUNITY VALUES

Community values are the non-negotiable core principles or standards that the community's citizens wish to maintain. They must be acknowledged, honored and constantly defended to ensure that change and development occur in accordance with these core principles and standards. The community values held by the residents, community leaders and elected officials determine the City's character, urban design features and ultimately shape the development of the City. Community values guide the community's vision, mission, Strategic Plan as well as its goals, objectives activities, capital projects, budgets and service levels.

COMMUNITY VISION

The community vision articulates the type of City that Twentynine Palms will become as it changes and grows over the next several decades. This vision ultimately influences and shapes the goals, objectives, strategies, action plans and priorities of the Strategic Plan. It will also influence the development of City ordinances, regulations, policies, procedures and urban design standards. The community vision guides the preparation of the City's Five-Year Capital Improvements Plan and annual budget.

MISSION STATEMENT
ADOPTED AUGUST 28, 2007

The mission of the City of Twentynine Palms is to maintain and improve the quality of life of those who live, work or visit Twentynine Palms by providing a safe, well-planned family atmosphere that is rich and diverse in cultural and natural resources and promotes economic and educational opportunities.

STRATEGIC PLAN COMPONENTS

<p>1. General Plan Land Use Element Traffic Circulation Element Open Space Element Noise Element Community Design Element Conservation Element Safety Element Housing Element</p>	<p>3. Strategic Plan Components Current Situation Needs Assessment Policy Determination Strategy Areas Goal Determination Action Plans Action Plan Priority</p>
<p>2. Specific Plans Parks & Recreation Master Plan Traffic/Circulation Master Plan Downtown Specific Plan Redevelopment Agency Plans</p>	

CITY COUNCIL LEGISLATIVE ACTIONS

<p>1. Ordinances 2. Resolutions 3. Regulations 4. Directives</p>	<p>5. Urban Design Features 6. Development Standards 7. Engineering Standards 8. Contracts</p>
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Ordinances, resolutions, regulations, directives, urban design features, development standards, engineering standards, contracts and other City Council legislative actions are taken to achieve the goals of the Strategic Plan and implement its policies and action plans.

ORGANIZATION STRUCTURE

The City Council and City Manager create an organizational structure to achieve the goals of the Strategic Plan, and to implement its policies and action plans within each of its Strategy areas. This might include: (1) the creation of citizen committees, offices or positions within the City government or (2) changing job descriptions or (3) making specific assignments for specific programs and projects.

FIVE-YEAR CAPITAL IMPROVEMENTS PLAN

The Twentynine Palms Five-Year Capital Improvements Plan is a multi-year guide to the construction and maintenance of community improvements such as roads, bridges, gutters, sidewalks, water system improvements, storm water system improvements, park facilities and other capital facilities needed to deliver municipal services. It is through this process that the long-range plans for the orderly maintenance and improvement of Twentynine Palms' physical assets can be accomplished. The document is intended to serve as a planning tool and is structured to present a meaningful perspective to the community's long range capital improvements goals.

ANNUAL BUDGET

The annual budget is the primary financial mechanism for achieving the community vision through achieving the goals of the Strategic Plan and implementing its policies and executing its action plans. The budget document is a (1) operations guide, (2) policy document, (3) financial plan, and (4) communication device. It shall contain:

- Executive summary and budget message.
- Summary of accounting, investment, fixed asset, financial, capital improvement and budget policies.
- Description of accounting system.
- Description of department programs, activities and service levels.
- Presentation of department & accounting fund mission statements.
- Goals and objectives for each department. These annual goals and objectives shall implement the action plans as outlined in the Strategic Plan.
- Performance measures for each department.
- Budget summaries.
- Line-item budget for each fund and department.
- Statistical section.

TWENTYNINE PALMS EVALUATION

Strategic Plan Evaluation.
Goals and Objectives Evaluation.
Action Plan Evaluation.
Five-Year Capital Improvements Plan Evaluation.
Budgeting, Financing and Resource Evaluation.

TWENTYNINE PALMS COMMUNITY VALUES STATEMENTS

Twentynine Palms is a community that:

- Recognizes that it is in the midst of one of earth's great natural treasures. Its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.
- Promotes the development of a wholesome and attractive City, resulting in orderly development and preservation of its natural beauty.
- Provides a clear, clean and open visual image of the community that reflects the highest standard of design for the public and private commercial, residential, institutional and industrial development.
- Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, desert, open and uncrowded community.
- Promotes the development of buildings and public infrastructure that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.
- Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood, and natural hazards.
- Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.
- Promotes efficient and effective municipal services and makes adequate provisions in the community's planning for police, fire, emergency, medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks, and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.
- Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.
- Provides cultural, recreational and contemplative opportunities for the residents and visitors to Twentynine Palms.

TWENTYNINE PALMS COMMUNITY VISION
ADOPTED AUGUST 28, 2007

The City of Twentynine Palms will be a distinctive desert community that encourages the involvement of responsible citizens. The City is committed to the experience of a clean, attractive, and safe City; to the maintenance of a unique desert environment; to the provision of excellent City services, facilities and infrastructure; to the creation of a prosperous local economy; and to a responsive, open and transparent City government.

- Responsible Citizens.** Our citizens will have educational opportunities to become part of a talented and creative workforce; be able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community; partner with the City to share responsibility for the health, safety and welfare of the community; be informed and be civil in interactions with each other and City officials and employees.
- Clean Attractive and Safe City.** Our City will be a safe and secure environment for all who live, work and visit; will be clean and attractive with public art and amenities; will have structurally sound and well-maintained homes, businesses, and public buildings; will have a special identity of which the community can be proud.
- Unique Desert Environment.** Our community will preserve and maintain its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.
- Excellent City Services, Facilities and Infrastructure.** Our City will provide economic and efficient City services; will be sensitive to customer satisfaction; will have exceptional parks, trails, and outdoor cultural facilities; will provide safe and convenient access within the City; will have flood control facilities, sewer, water and power systems built to protect property and public health; will provide necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings; will reflect sensitivity to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.
- Prosperous Local Economy.** Our City will offer a local economy vibrant in shopping experiences and business opportunities; will offer revitalized residential, commercial, and industrial areas; will be a visitor destination and a retirement community, offering attractive housing opportunities and recreational opportunities; will offer high quality employment opportunities within the community.
- Competent and Responsive City Government.** The City government will be competent, responsive, open, trustworthy, and transparent, and will maximize citizen participation in community decisions; will minimize bureaucracy, emphasize efficiency and be accessible to all citizens; will be fiscally responsible and financially stable; will promote long-term goals of the City while addressing immediate needs and desires; will operate in an ethical, customer-friendly, cost-conscious, collaborative and technologically advanced manner; will create a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Community Values Statements. Twentynine Palms is a community that:

1. Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.
2. Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.



3. Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.
4. Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, desert, open and uncrowded community.
5. Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.
6. Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, natural hazards and man-made disasters.
7. Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.
8. Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.
9. Promotes efficient and effective municipal services and makes adequate provision in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services.
10. Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.
11. Provides cultural, recreational and contemplative opportunities for the residents and visitors to Twentynine Palms.
12. Shoulders the full share of the community's county, regional and state responsibilities, acknowledging that the City is part of a larger community and that the provision of services and the solution to certain problems must be the result of intergovernmental cooperation.

Community Vision. The community vision articulates the type of city Twentynine Palms will become as it changes and grows over the next several decades. This vision ultimately influences and shapes the goals, objectives, strategies, action plans and priorities of the Strategic Plan. It will also influence the development of City ordinances, regulations, policies, procedures and urban design

standards. The community vision guides the preparation of the city's Five-Year Capital Improvements Plan and annual budget.

General Vision Statement: **On August 28, 2007, the Twentynine Palms City Council adopted community vision statements.** It states: The City of Twentynine Palms is a distinctive desert community that encourages the involvement of responsible citizens. The City is committed to a clean, attractive, and safe community; to the preservation of its unique desert environment; to excellent City services, facilities and infrastructure; to a prosperous local economy; and to a responsive and open and transparent City government.

Vision Statements: The vision of Twentynine Palms is:

1. Responsible Citizens. Our citizens will have educational opportunities to become part of a talented and creative workforce; be able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community; partner with the City to share responsibility for the health, safety and welfare of the community; be informed and be civil in interactions with each other and City officials and employees.

2. Clean Attractive and Safe City. Our City will be a safe and secure environment for all who live, work and visit; will be clean and attractive with public art and amenities; will have structurally sound and well-maintained homes, businesses, and public buildings; will have a special identity of which the community can be proud.

3. Unique Desert Environment. Our community will preserve and maintain its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.

4. Excellent City Services, Facilities and Infrastructure. Our City will provide economic and efficient City services; will be sensitive to customer satisfaction; will have exceptional parks, trails, and outdoor cultural facilities; will provide safe and convenient access within the City; will have flood control facilities, sewer, water and power systems built to protect property and public health; will provide necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings; will reflect sensitivity to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

5. Prosperous Local Economy. Our City will offer a local economy vibrant in shopping experiences and business opportunities; will offer revitalized residential, commercial, and industrial areas; will be a visitor destination and a retirement community, offering attractive housing opportunities and recreational opportunities; will offer high quality employment opportunities within the community.

6. Competent and Responsive City Government. The City government will be competent, responsive, open, trustworthy, transparent, and will maximize citizen participation in community decisions; will minimize bureaucracy, emphasize efficiency, be accessible to all citizens will be fiscally responsible and financially stable; will promote long-term goals of the City while



addressing immediate needs and desires; will operate in an ethical, customer-friendly, cost conscious, collaborative and technologically advanced manner; will create a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Mission Statement. The mission of the City of Twentynine Palms is to maintain and improve the quality of life of those who live, work or visit Twentynine Palms by providing a safe, well-planned family atmosphere that is rich and diverse in cultural and natural resources and promotes economic and educational opportunities.

Strategic Plan. The City Council adopts a Strategic Plan to carry out the mission of the City in accordance with Twentynine Palms' community values and the community vision statements.

1. Strategic Plan Components: The Strategic Plan consists of three components. They are:

A. General Plan. The General Plan contains a Land Use Element, Circulation Element, Housing Element, Safety Element, Conservation and Open Space Element, and Noise Element.

B. Specific Area Plans. More detailed area plans, called "specific plans," may be adopted to further outline in more detail the development of a designated area in the City. The City has a specific plan for the downtown area.

C. Utility Master Plans. The City insures the development of a Water Master Plan by the Twentynine Palms Water District, as well as a Storm Drain Master Plan by the City to guide the construction of future utility infrastructure. The utility master plans also become the basis for the adoption of development impact fees and the Five-Year Capital Improvements Plan.

2. Strategic Plan Components. Each component of the Strategic Plan will contain the following components.

- A. Description of the current situation.
- B. Needs Assessment.
- C. Development of Strategy Areas.
- D. Determination of Goals.
- E. Determination of Policies.
- F. Development of Action Plans.
- G. Priority of Action Plans.



3. Strategic Plan Development Sources. The City of Twentynine Palms uses citizen advisory committees, interviews with community leaders, input from special interest groups, public hearings, facilitators and consultants, City staff and community workshops or charettes to develop its Strategic Plan.

A. Citizen Advisory Committees. Twentynine Palms gives citizen input more weight and power by formally involving individual citizens in the Strategic Planning process through citizen advisory committees. Citizens serve on advisory boards because they have strong opinions and concerns about their community. They represent an important source of information and are removed from day-to-day administration, providing the elected officials with a fresh point of view on community issues. The participation of citizens in the strategic planning process gets them involved and develops advocates for changes that must be made.

B. Interviews with Community Leaders. Business, religious and civic leaders will have valuable insights in helping to develop the community's Strategic Plan. They are also crucial in shaping public opinion and developing consensus for City goals, objectives, strategies, action plans, activities, ordinances, policies and capital improvements that will carry out the community's vision.

C. Input from Special Interest Groups. Special interest groups will have strong opinions about specific policy areas. If they are involved in the strategic planning process they can represent a very powerful tool for gaining support for City goals, strategies, action plans, activities, ordinances, policies and capital projects that will implement the community vision.

D. Public Hearings. The public hearing is the simplest approach to letting citizens be involved in the development of the City's Strategic Plan.

E. Facilitators and Consultants. The City may retain facilitators and consultants with expertise in specific areas to generate policy options, assist with the development of the City's Strategic Plan components, help develop goals and objectives, identify alternative approaches to community issues and provide options for action plans and ordinances.

F. City Staff. City employee participation is an essential component of a strategic planning process. Employees understand the community issues and know the workings of the City government. They will be responsible for implementing action plans and administering budgets to accomplish community goals. City staff involvement improves morale, encourages employee cooperation, makes them owners of the overall objectives of the City government and improves communication throughout the governmental structure.

G. Community Workshops or Charettes. Community workshops or charettes are an effective way to bring together community leaders, City employees, special interest group representatives and interested residents to "brain storm" and develop alternative solutions to community issues in an intensive work setting.

Implementation Phase

The implementation phase of the Strategic Planning, Implementation and Evaluation Decision-Making Process consists of the following components: City Council legislation, organization development, Five-Year Capital Improvements Plan and annual budget.

City Council Legislation. Ordinances, resolutions, regulations, directives, development standards, urban design features, engineering standards and contracts consistent with the community vision are drafted to

achieve the goals and objectives, and implement the strategies and action plans of the Strategic Plan. For example, the City adopts a zoning ordinance to carry out the Land Use Element of the General Plan. The adoption of an impact fee ordinance and subsequent development impact fees by the City Council to fund the development of the City's sewer, storm drainage, fire facilities, and parks facilities are other examples where ordinances are used to implement the City's Utility Master Plan component of the Strategic Plan.

Organization Structure. The City Council and the City Manager create an organizational structure to achieve the goals of the Strategic Plan and implement the policies and action plans within each of its strategy areas. This might include: (1) creation of citizen committees, and offices or positions within the City government or (2) changing job descriptions or making specific assignments for specific programs or projects.

Five-Year Capital Improvements Plan. The City of Twentynine Palms Five-Year Capital Improvements Plan is a multi-year guide to the construction of community improvements such as roads, bridges, storm drains, curb, gutters, sidewalks, sewer facilities, storm drainage facilities and parks and recreation facilities. It is through this process that the long-range plan for the orderly maintenance and improvement of Twentynine Palms' physical assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful long-range perspective of the community's long-range capital needs and goals.

Annual Budget. The annual budget conforms to the Strategic Plan and is the primary mechanism for achieving the community vision through achieving the goals of the Strategic Plan, implementing its policies and executing its action plans. The annual budget is a (1) policy document, (2) operations guide, (3) financial plan and (4) a communications device. It shall contain:

1. Executive Summary and Budget Message.
2. Summary of City accounting, financial, investment, capital improvement, fixed asset and budget policies.
3. Description of the City accounting system.
4. Presentation of the City organizational structure.
5. Description of department programs, activities and service levels.
6. Presentation of Accounting Fund and City department mission statements.
7. Presentation of Accounting Fund and City department descriptions.
8. Presentation of Goals for each Fund and department. These goals shall conform to the Strategic Plan and the Five-Year Capital Improvements Plan adopted by the City Council.
9. Performance measures for each Accounting Fund and City department.
10. Line item budget for each Accounting Fund and City department.
11. Estimated changes in fund balance for Governmental Funds, Special Revenue Funds, Debt Service Funds or cash and investment balances for Enterprise Funds.

Evaluation Phase

The evaluation phase of the strategic planning, implementation and evaluation decision-making process is concerned with the efficiency and effectiveness that the community vision is being achieved through the City's Strategic Plan.

The department heads, City Manager and City Council evaluate their activities at least once a year. This includes a Strategic Plan Evaluation, goals and objectives evaluation, action plans evaluation, Five-Year Capital Improvement Plan Evaluation, budgeting and financial resource evaluation and employee performance evaluations. Some of the following questions should be considered as department heads, City Manager, Mayor and City Council evaluate the activities of the City's departments.

1. Questions Relating to Goals.

- A. Does the Strategic Plan have goals and strategies that will achieve the community vision?
- B. What are the goals of the City? Is there agreement from all groups on the goals of the Strategic Plan, Five-Year Capital Improvements Plan and the annual budget?
- C. Do the action plans contribute to the achievement of the goals of the Strategic Plan?
- D. Are the action plans of the Strategic Plan correctly prioritized?
- E. Is there steady progress toward the attainment of the goals of the Strategic Plan and achieving the community vision?
- F. What goals need to be modified or new goals established to reflect changes in the community values, community vision or Strategic Plan?
- G. Did City department activities lead to goal achievement?

2. Questions Relating to the Organization.

- A. How effective is the department in executing the action plans and achieving the goals of the Strategic Plan?
- B. Is the organization structured to meet the goals of the Strategic Plan, Five-Year Capital Improvements Plan and annual budget?
- C. Are responsibilities clearly defined and are mechanisms in place to ensure accountability of managers, supervisors and employees?
- D. Are reporting procedures and organizational relationships clearly defined?
- E. Is the staff using its time effectively in carrying out department activities and delivering municipal services?
- F. How effective is the organization in resolving citizen complaints and finding solutions to complex problems?

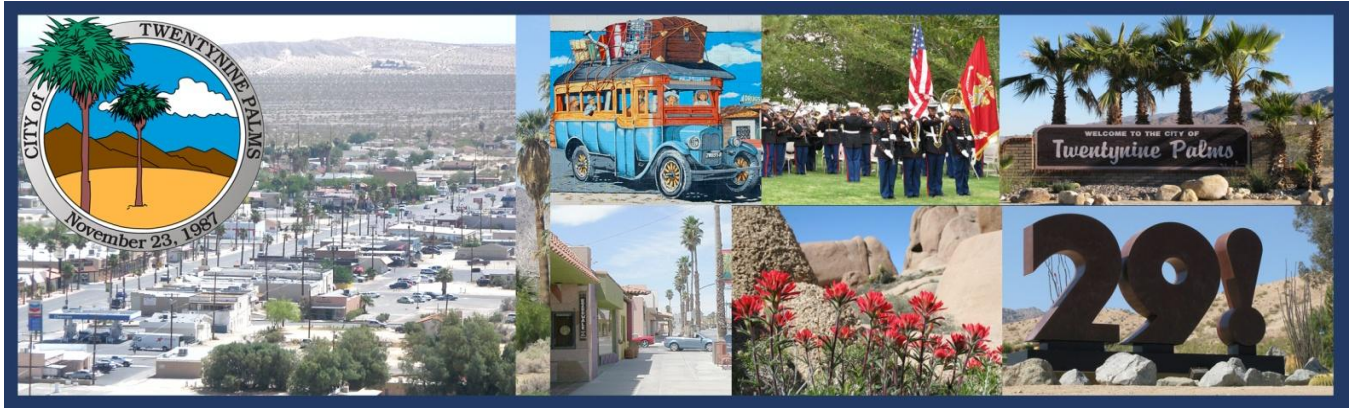
- G. What is the nature and frequency of complaints received by elected officials regarding employees, department activities, capital improvement projects or City services?
- H. What individuals or groups have been opposed to or been critical of certain City policies and activities in the past and why? Are their concerns legitimate?
- I. Are performance measures adequately measuring what is really taking place in City departments?
- J. What are the activities and service areas where the organization excels?
- K. What activities and service areas should the organization improve its performance?

3. Questions relating to budgeting, financing and resource allocation.

- A. How are time, money and personnel being allocated?
- B. What does staff perceive it needs? What problems are they experiencing?
- C. What are the financing sources for each City activity?
- D. What kinds of equipment could be purchased to make municipal services more cost-efficient?
- E. What types of revenue-raising or cost-cutting activities can be or should be implemented?



Chemehuevi Basket Weavers



SECTION 2

CITY OF TWENTYNINE PALMS ORGANIZATION



Dr. James B. Luckie—Founding Father of Twentynine Palms

CITY ORGANIZATION DESCRIPTION

Twentynine Palms History

The first recorded exploration of Twentynine Palms was made in 1855 by Colonel Henry Washington. He found Native Americans, principally from the Chemehuevi tribe, living in the surrounding hills and near the spring they called "Mar-rah", meaning "land of little water". The spring, which is now called the Oasis of Mara, is located in the grounds surrounding the Joshua Tree National Park Headquarters and Oasis Visitor Center.

The Native American inhabitants were followed in the 1870s by prospectors in search of gold. The Oasis of Mara was a favorite camping spot. There, prospectors would rest and replenish their water supplies before venturing farther into the unknown desert. The area was then generally known as Palm Springs.

Legend says that the name of Twentynine Palms was first used by these gold miners because of the twenty-nine palm trees surrounding the Oasis, and in fact the area was designated as such in the description of a mining claim by two partners known as McKenzie and Germain, who stated that their claim was a certain distance from 29 Palms Springs. However, it is also known that an A.P. Green, a member of an 1858 survey party, reported that there were 26, not 29 large palm trees at the oasis. There are many stories told of the derivation of our present name, including one that claims that it was Colonel Washington who named it for the number of palm trees he found at the oasis at the time of his 1855 survey, but this has never been authenticated.

In the 1870s, local Native Americans led prospectors to locations south and east of the Oasis where gold had been found. Thus, mining began in the area that later became known as Gold Park. It was not long before freighters were hauling supplies to be used not only in the Gold Park district, but also in the Dale district east of Twentynine Palms, where other valuable deposits had been located. Gold mining continued sporadically through the following years, but ended about the time of the onset of World War I, when no further new ore deposit discoveries were occurring.

After the war, many veterans returned to their homes suffering from tuberculosis and the effects of the mustard gas that had been used in combat. Dr. James B. Luckie from Pasadena, California, treated many of these men and in the 1920s began to search for an area in the California desert that would provide a beneficial environment for people afflicted with respiratory and heart ailments. After visiting many places, he chose Twentynine Palms because it had a moderate elevation and clean dry air, as well as being accessible to large cities. Veterans brought their families and began homesteading the 160-acre parcels then made available to settlers by the federal government at no cost. It was this homesteading that determined the large area that is called Twentynine Palms today.



**Oasis of Mara 1940s (Harlow Jones)
Desert Highway 1933 (Bill Hatch)**

Crude two rut roads were built in the area beginning in 1927. By the 1930's, occupants of the area had built a one-room schoolhouse and by 1940, the Little Church of the Desert had been built where services are still held today. During World War II, the area became important to the U.S. Army and the U.S. Navy, who practiced bombing and held aviation training exercises over Twentynine Palms. In 1952, the United States Marine Corps began to build a base which today is called the U.S. Marine Corps Air Ground Combat Center, the largest Marine Corps base in the United States.

In addition to its rich history and military importance, there is also a thriving artistic community in the City. Beginning in 1994, the City gained national recognition as an "Oasis of Murals." Artists were commissioned from around the country to paint murals located throughout the City and honor the community's history and important figures of the City's past. Two murals honor military accomplishments, including one that depicts a scene from the war in Iraq.

History, of course, is what we all make each day in our everyday lives, and Twentynine Palms has never lost its pioneer spirit as it has progressed. That spirit is catching and affects many who have chosen to make their home here and have joined with the original families (and their second and third generations) in actively supporting the goals of the community.

City of Twentynine Palms Organization

Government Organization. The City of Twentynine Palms was incorporated on November 23, 1987, under the laws of the State of California. The City is a general law City and draws its authority from the California Constitution and the laws of the State of California enacted by the State Legislature. The City has a Council-Manager form of government. Under this municipal form of government, the citizens elect five members of the City Council for four-year overlapping terms. City Council members choose the Mayor and Mayor Pro Tem from among themselves each year.⁹⁹ The Mayor presides at meetings of the City Council, signs documents, executes agreements and acts as the official representative of the City.

The City Manager is appointed by the five-member City Council by majority vote and serves at the "pleasure" of the governing body. He acts as the City's chief executive officer as well as its budget and financial officer. He is also the executive director of the Twentynine Palms Redevelopment Agency (RDA) and the Twentynine Palms Public Financing Authority (PFA).

The City Manager implements the legislative policies of the City Council, manages the day-to-day operations of the City and is responsible for efficient and effective delivery of municipal services. In his capacity, he works with the City Council on strategic planning, policy development, ordinance preparation and goals and objectives for the organization. He implements the decisions of the City Council and is responsible for all aspects of the City's financial administration and personnel administration. The City Manager oversees the work of all staff members, consultants and City departments.¹⁰⁰

Government Services. The City provides administration, police,¹⁰¹ community development, redevelopment, storm drainage, sanitation, street construction and maintenance, building inspection, economic

⁹⁹ California Government Code Section 36801.

¹⁰⁰ Twentynine Palms Municipal Code Section 2.01.070.

¹⁰¹ The city of Twentynine Palms contracts with the San Bernardino County Sheriff's Department for police services. The Sheriff's Substation Closest to the City is located at 6527 White Feather Road, Joshua Tree, California. A Public Safety Office is operated by the Sheriff's Department at Twentynine Palms City Hall, located at 6136 Adobe Road. However, this facility does not provide counter service.

development, parks and recreation services to the citizens of Twentynine Palms. Water services and fire protection service are provided by the Twentynine Palms Water District. Library services are provided by San Bernardino County.

Twentynine Palms Redevelopment Agency (RDA).

The Twentynine Palms Redevelopment Agency (RDA) is one of 422 redevelopment agencies in the State of California. Today, 81 % of the cities and 52 % of the counties have redevelopment agencies. These redevelopment agencies have 760 redevelopment project areas and receive \$3.4 billion in property tax increment revenues each year.¹⁰²

Redevelopment Agency (RDA) Organization. The Twentynine Palms Redevelopment Agency (RDA) is a blended component unit of the City of Twentynine Palms, although technically it is a separate government unit under California law. It was established in 1993 pursuant to the Community Redevelopment Law (CRL) of the State of California and the California Health and Safety Code to eliminate urban blight and administer the City's redevelopment activities and projects. California's Community Redevelopment Law (CLR) (Chapter 710, Statutes of 1951) was enacted by the California Legislature after approval of the voters of Article XVI, Section 16 of the California Constitution. The objective of the law is to allow redevelopment of those areas found in many communities that have suffered from unsafe, unfit, deteriorated, and economically dislocated properties. (Please see Figure 16.)

Blight. The Community Redevelopment Law (CRL) emphasizes redevelopment's role in eliminating blighting conditions and defines blight as physical and economic conditions that affect the health, safety, and general welfare of a community. Section 33030 of the California Health and Safety Code describes a blighted area as being predominantly urbanized and substantially affected by detrimental physical and economic conditions to such an extent that the community cannot reasonably be revived without redevelopment.¹⁰³

California redevelopment agencies (RDA) have the power to:

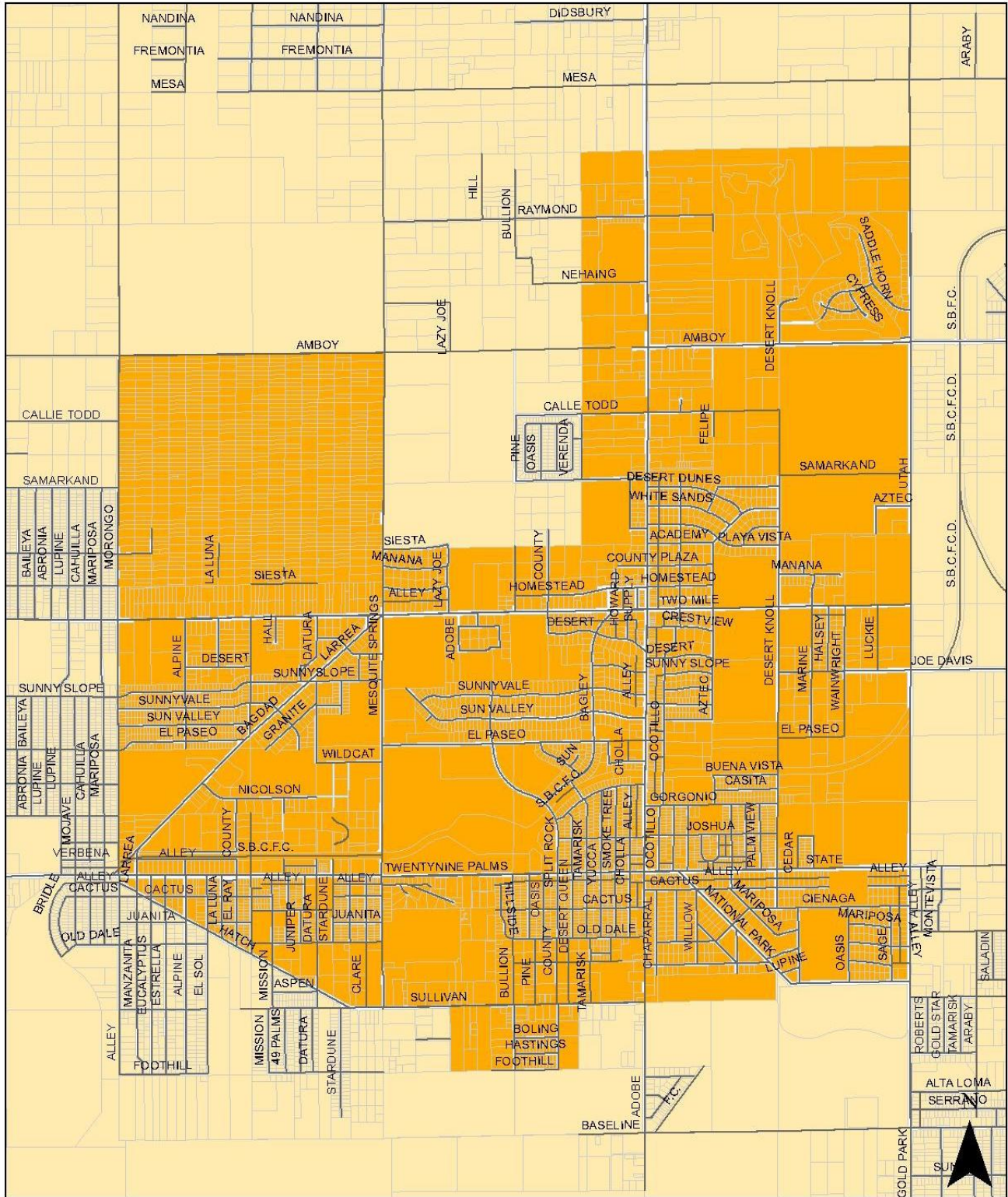
1. Plan, develop, redesign, clear, reconstruct or rehabilitate all or part of a redevelopment project area. This includes the construction or reconstruction of public improvements such as streets, curbs, gutters, sidewalks, parks, and community facilities such as libraries, community

¹⁰²California Redevelopment Association (CRA).

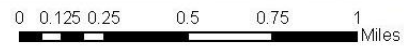
¹⁰³The physical and economic conditions that cause blight are defined as follows in Section 3303 of the California Health and Safety Code:

- Buildings with serious code violations, dilapidation, or deterioration such that it is unsafe or unhealthy for a person to live or work.
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots.
- Adjacent or nearby incompatible uses that prevent development.
- Existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes.
- Depreciated or stagnant property values.
- Impaired property values due to hazardous wastes.
- Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings in an area developed for urban use and served by utilities.
- A serious lack of commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores and banks.
- Serious residential overcrowding.
- An excess of bars, liquor stores, or adult-oriented businesses that have led to problems of public safety and welfare.
- A high crime rate that constitutes a threat to the public safety and welfare.

Figure 16
Twentynine Palms Redevelopment Agency
Four Corners Project Area



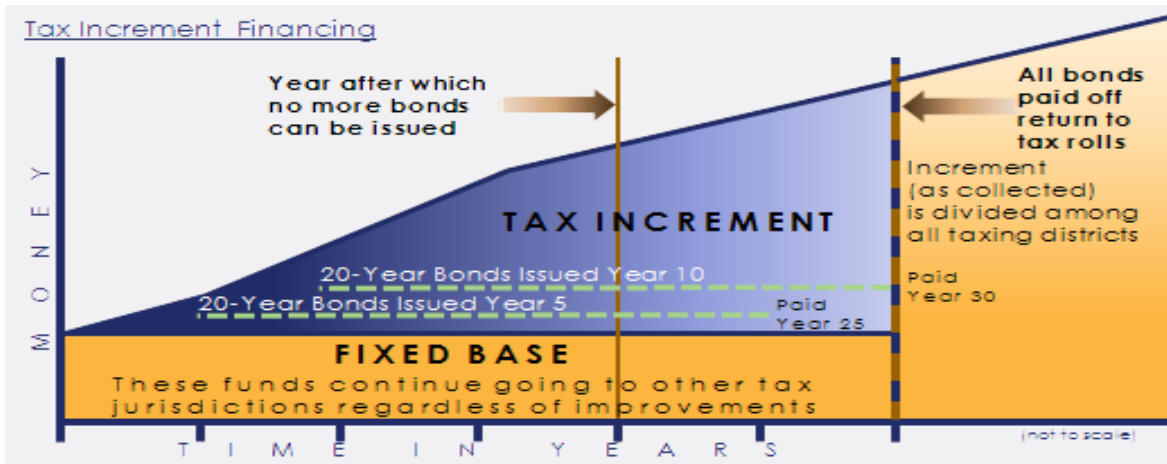
Source: San Bernardino County GIS



centers, police and fire substations.

2. Buy and sell property for redevelopment. Redevelopment agencies under California law have the power of eminent domain and may convey property to other private persons or entities for development and use.
3. Provide financial assistance for residential, commercial, industrial, public space and structures appropriate or necessary for the public good.
4. Expand employment opportunities, increase low-and-moderate income housing and provide an environment for social, economic, and psychological growth and well-being of all citizens.

Tax Increment Financing. Tax increment financing is the primary source of funding to implement redevelopment initiatives. Tax increment financing is based upon the assumption that as a geographical area is



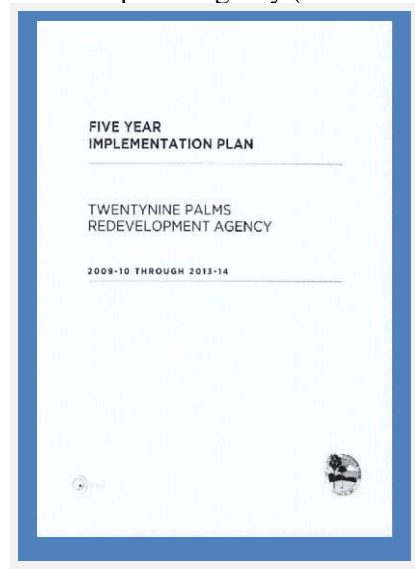
revitalized, property values will increase, and additional property taxes will be generated. When a redevelopment project area is adopted, the current assessed values of all the properties within the project area boundaries are designated as the base year value. As assessed values increase, tax increment revenue is generated from the growth in property values over the base year value. The increase in property values results in increased property tax revenue; a portion of the increased property tax revenue is allocated to a redevelopment agency (tax increment revenue) which is then charged with the responsibility of investing this revenue in the project area.

The Agency has no power to levy and collect taxes. In addition, any legislative property tax reduction might reduce the amount of tax Revenues that would otherwise be available to pay the principal and interest on debt is prohibited.

In addition to the property tax increment, other sources of funding for redevelopment agencies include loans and advances from the City's General Fund, loans or advances from developers or state, federal or local grants and loans.

All Redevelopment Agencies must adopt a Five-Year Implementation Plan within each project area. This plan is essentially the charter of the authorized redevelopment actions within a defined geographic area. The contents of a redevelopment plan are generally:

1. Legal description of the project area.



Twentynine Palms Redevelopment Agency Five-Year Implementation Plan (2009-10 through 2013-14)

2. Redevelopment goals and objectives.
3. Permitted land uses and land use controls.
4. Permitted means of financing redevelopment actions.
5. Owner participation opportunities and business reentry preferences.
6. Authority to buy and sell property.
7. Identification of proposed public improvements.
8. Affordable housing requirements.
9. Supporting actions by the community.
10. Procedures for amendment.¹⁰⁴

20% Low- and Moderate-Income Housing Fund. A portion of tax increment revenue received by a redevelopment agency must be used to preserve and increase the supply of affordable housing with a project area. The Community Redevelopment Law (CRL) requires that a minimum of 20% of tax increment revenue be set aside into a separate fund that is restricted for the purpose of creating low- and moderate income housing, known as the Low and Moderate Income Housing Fund. Redevelopment agencies (RDA) may use these funds to acquire property, construct on-site and off-site improvements (required to build or preserve affordable housing), construct or rehabilitate affordable housing, provide subsidies to ensure continued affordability, and issue bonds to raise capital for affordable housing preservation and development. Redevelopment agencies (RDA) are one of the primary entities producing affordable housing throughout the State of California.

¹⁰⁴ On October 6, 1993, Governor Pete Wilson signed Assembly bill 1290. One of the provisions of this law is the requirement that each agency adopt a five-year Implementation Plan. The requirement for implementation plans reflects a strong legislative concern that redevelopment activities should be connected with the blight that justified adoption of the redevelopment plan in the first place. The Implementation Plan is one of several requirements which now direct redevelopment agencies that activities be linked to elimination of blight. Agencies need to constantly evaluate their activities to ensure this linkage is maintained. Each agency that had adopted a redevelopment plan prior to December 31, 1993, had to adopt, after public hearing, an Implementation Plan on or before December 31, 1994. Thereafter, the Implementation Plan had to be revised and adopted every five years.

Among the other requirements, the Implementation Plan must describe specific goals and objectives of the agency for the project area, specific programs, including potential projects and estimated expenditures to be made during the next five years, and an explanation of how these goals, objectives, programs and expenditures will eliminate blight remaining in the project areas and implement the requirements of Sections 33334.2, 33334.4 and 33334.13. The Implementation Plan required of redevelopment agencies with existing project areas must describe how the agency will implement both the requirement to increase, improve and preserve low- and moderate-income housing. The section of the plan addressing low- and moderate-income housing and estimated amounts which will be deposited in the Low- and Moderate-Income Housing Fund during each of the next five years and estimates of the expenditures of the monies from the Low- and Moderate-Income Housing Special Revenue Fund during each of the five years. If the Implementation Plan contains a project that will result in the destruction of low- or moderate-income housing, a separate replacement housing plan must be prepared by an agency that, among other requirements, identifies proposed locations for the replacement of dwelling units pursuant to Section 33413.5. (This plan must be prepared not less than 30 days prior to the execution of an agreement for the acquisition of real property, or other specific agreements.)

Pass-Through Payments. Redevelopment agencies (RDA) are required to remit tax increment revenue to affected taxing agencies (counties, school districts, community college districts, and special districts) that receive property tax revenue in redevelopment project areas. The Agency has negotiated pass-through payments with eight taxing entities and does not pay statutory payments. For FY2010 Agency staff estimated that \$375,112 in pass-through payments would be made to taxing entities.

The remaining portion of the tax increment revenue, after the required 20% deposit into the Low- and Moderate-Income Housing Fund and pass-through payments to taxing agencies, is available for eligible redevelopment projects, such as infrastructure improvements, community facilities, development incentives, debt service, and general administration. Tax increment revenue cannot be used, however, to fund ongoing operations and maintenance of public facilities and infrastructure.

Four Corners Project Area. The Four Corners Redevelopment Project Area is the City's only Redevelopment Project Area. The project area encompasses 5,017 acres (7.8 square miles), which represents 13.3% of the City's total land area. The project area covers the City's central core including the downtown. The Redevelopment Project Area does not include several of the hotel properties located along Twentynine Palms Highway west of downtown. Most of the parcels within the Redevelopment Project Area are vacant.

Board of Directors. Members of the City Council automatically sit as the Twentynine Palms Redevelopment Agency Board. The City Manager is the Executive Director and the City staff provides all support services. Currently the Agency meetings are held just before regular City Council meetings. Figure 40 shows the boundaries of the Twentynine Palms Redevelopment Agency (RDA) Four Corners Project area.

Twentynine Palms Public Financing Authority (PFA).

The Twentynine Palms Public Financing Authority (PFA) is authorized by the Joint Exercise of Powers Act (JEPA), constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (GC). Pursuant to this law, a public financing authority may be formed by the execution of a joint exercise of powers agreement between two public agencies, such as a city and its redevelopment agency (RDA). The Twentynine Palms Public Financing Authority (PFA) is a blended component unit of the City of Twentynine Palms, although technically it is a separate government unit under California law. A public financing authority may borrow money for the purpose of refunding its bonds, notes and other obligations and to provide financing and refinancing for capital improvements of member entities of the public financing authority.

Given the uncertainties surrounding the state budget and the need to finance projects and infrastructure, the City of Twentynine Palms and the Twentynine Palms Redevelopment Agency (RDA) executed a joint exercise of powers agreement to form the Twentynine Palms Public Financing Authority (PFA). Under the agreement, the Twentynine Palms Public Financing Authority (PFA) is authorized to purchase bonds issued by its member entities for financing public capital improvements and to sell such bonds to public or private purchasers at public auction or by a negotiated sale. The Twentynine Palms Public Financing Authority (PFA) may also borrow money for the purpose of refunding its bonds, notes and other obligations and to provide financing and refinancing for capital improvements of member entities.

The powers granted to the Twentynine Palms Public Financing Authority (PFA) under California law provides flexibility to the City and the Agency in determining optimal financing structures and sale methods with respect to debt issued in the future. The Authority may provide financing and refinancing for capital improvements of its member entities, and in many cases, will provide the City and the Agency with more flexibility in structuring and marketing debt.

The Authority is governed by a five-member Board consisting of the City Council with the Mayor acting as the Chairman of the Authority. The City Manager serves as the Executive Director and the City Clerk serves as the Board Secretary. Twentynine Palms' Finance Director serves as the Chief Financial Officer.



Luckie Park Dedication July 4, 1965

Pictured left to right, Williams Underhill, Frank Bagley, Susan Luckie Moore, Dr. James B. Luckie, John Bagley, Dale Vaughn, Chester Ellis, Rev. LeLand Kuns and William Proctor.

PRINCIPAL OFFICIALS OF TWENTYNINE PALMS

Twentynine Palms Elected Officials

Jim Harris
John Cole
Jay Corbin
Joel Klink
Daniel Mintz

Mayor
Mayor Pro Tem
Councilmember
Councilmember
Councilmember

Twentynine Palms Appointed Officials

Richard N. Warne
A. Patrick Munoz
Char Sherwood
Donnie Miller
Ron Peck
Charles LaClaire
Jose Nieves
Randy Councill
Richard Pedersen

City Manager
City Attorney
City Clerk
Police Chief/ S.B. County Sheriff Captain
Finance Director
Community Development Director
Public Works Superintendent
Community Services Director
City Engineer



Mayor
Jim Harris



Mayor Pro Tem
John Cole



Council Member
Jay Corbin

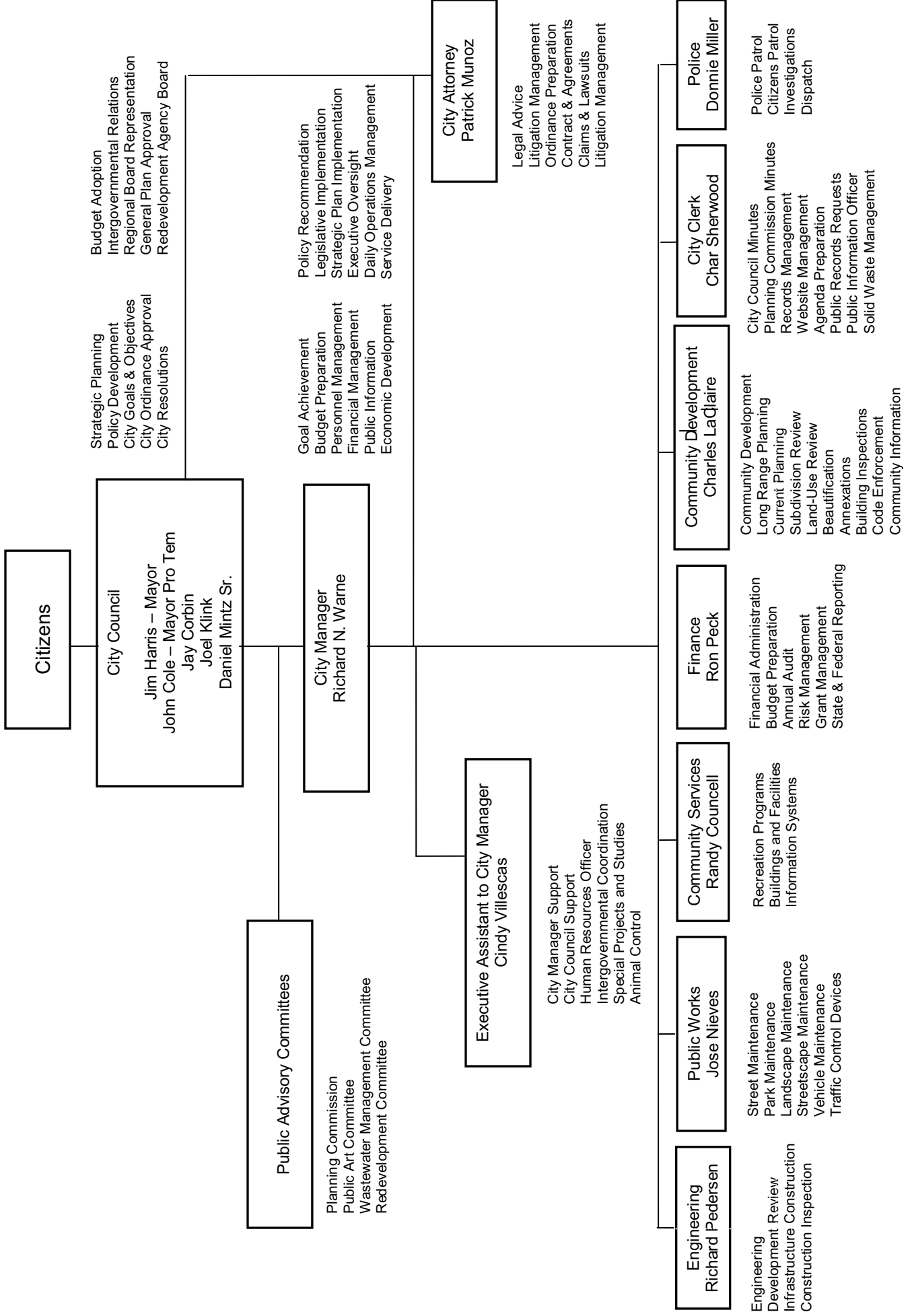


Council Member
Joel Klink



Council Member
Daniel Mintz Sr.

City of Twentynine Palms Organizational Chart



TWENTYNINE PALMS STAFFING CENSUS

The City of Twentynine Palms currently has 60 elected officials, full-time employees, part-time employees, contract employees and seasonal employees. In addition to the personnel listed below, the City contracts for its solid waste collection services. **The total number of authorized elected officials and employees will not increase during FY2012.**

Elected Officials Department

Position	FY2009	FY2010	FY2011	FY2012
Mayor	1	1	1	1
City Council	4	4	4	4
Total	5	5	5	5



Twentynine Palms City Council

Administrative Services Department

Position	FY2009	FY2010	FY2011	FY2012
City Manager	1	1	1	1
Executive Assistant to the City Manager	1	1	1	1
City Attorney (Part-Time) (Contract) ¹⁰⁵	1	1	1	1
Finance Director	1	1	1	1
Finance Technician II	2	2	2	2
City Clerk	1	1	1	1
Deputy City Clerk	1	1	1	1
Office Assistant II	1	1	1	1
Community & Marketing Specialist (Part-Time)	0	1	1	1
Total	9	10	10	10



Finance Staff



City Clerk Staff

¹⁰⁵ The City of Twentynine Palms contracts with Rutan and Tucker for legal services. A. Patrick Munoz is the City Attorney.

Community Development Department

Position	FY2009	FY2010	FY2011	FY2012
Community Development Director	1	1	1	1
Community Development Technician	1	1	1	1
Code Enforcement Officer	1	1	1	1
Code Enforcement Officer (Part-Time)	1	1	1	1
Office Assistant I	1	1	1	1
Building Inspector (Contract) ¹⁰⁶	1	1	1	1
Total	6	6	6	6



Community Development Department

Police Department Sheriff's Office Law Enforcement Contract

Position	FY2009	FY2010	FY2011	FY2012
Police Chief/Sheriff Captain (Part-Time) (Contract) ¹⁰⁷	1	1	1	1
Lieutenant (Part-Time) (Contract)	1	1	1	1
Administrative Sergeant (Part-Time) (Contract)	1	1	1	1
Total	3	3	3	3

¹⁰⁶ On January 9, 1992, the Twentynine Palms City Council entered into an agreement with Charles Abbott Associates, Inc. to provide building inspection services for the City. Compensation to consultant is 66 and 2/3% of all building permit fees collected by the City. Twentynine Palms deposits 33 and 1/3% of the building permit fees into the City's General Fund. The agreement may be terminated at any time by either party upon 30-days notice.

¹⁰⁷ The City of Twentynine Palms contracts with the San Bernardino County Sheriff's Department for law enforcement services.

Engineering Department

Position	FY2009	FY2010	FY2011	FY2012
City Engineer (Part-Time) (Contract) ¹⁰⁸	1	1	1	1
Assistant City Engineer (Part-Time) (Contract)	1	1	1	1
Public Works Inspector (Part-Time) (Contract)	1	1	1	1
Total	3	3	3	3

Public Works Department

Position	FY2009	FY2010	FY2011	FY2012
Public Works Superintendent	1	0	0	0
Public Works Field Supervisor	0	1	1	1
Public Works Lead Maintenance Worker	2	1	1	1
Maintenance Worker IV	1	1	1	1
Maintenance Worker III	2	2	2	2
Maintenance Worker II	0	0	1	1
Maintenance Worker I	3	3	3	3
Total	9	8	9	9



Public Works Staff

¹⁰⁸ On December 2, 1991, the City entered into an agreement with Charles Abbott Associates, Inc. to provide engineering services, public works construction inspection services and other related services for the City of Twentynine Palms. Compensation to the consultant for any services for which the City charges are fee shall be (1) 90% of all engineering fees collected for completing any fee related engineering service; and (2) 36% of all planning fees where City Engineering review work is involved. The agreement may be terminated at any time upon 60-days notice. Non-fee related services are compensated either in a lump sum amount as agreed to by the parties in writing or an hourly rate agreed to by the City and Charles Abbott Associates, Inc.

Animal Control Division

Position	FY2009	FY2010	FY2011	FY2012
Animal Services Administrator	1	1	1	1
Animal Control Supervisor	1	1	1	1
Animal Control Officer	1	1	1	1
Animal Care Technician	2	2	2	2
Total	5	5	5	5



Animal Control Staff



Visitor Promotion

Community Services Department

Position	FY2009	FY2010	FY2011	FY2012
Community Services Director	1	1	1	1
Lead Recreation Supervisor	1	1	1	1
Recreation Supervisor	4	3	3	3
Project Manager	0	1	1	1
Recreation Coordinator	1	1	1	1
Life Guards (Part-Time) (Seasonal)	10	10	10	10
Recreation Aides (Part-Time) (Seasonal)	1	1	2	2
Total	18	18	19	19



Community Services Department

Grand Total	58	59	60	60
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DEPARTMENT ACCOUNTABILITY FOR EACH ACCOUNTING FUND BUDGET

City Department	Fund Budget Accountability	Fund Department and Division Budget Accountability
Elected Officials Department	General Fund	Elected Officials Department Budget
City Clerk	General Fund	City Clerk Budget
	Public Access TV Special Revenue Fund	Public Access TV Special Revenue Fund Budget
City Manager Finance Director Administrative Services Department	General Fund	Administration Budget
	General Fund	Finance Budget
	General Fund	Non-Departmental Budget
	General Fund	Economic Development Budget
	General Fund	Police (Sheriff's Contract)
	General Fund	Animal Control Budget
	General Capital Projects Fund	General Capital Projects Fund Budget
	Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund	Curb, Gutter, and Sidewalk Development Impact Fees Capital Projects Fund Budget
	Fire Development Impact Fees Capital Projects Fund	Fire Development Impact Fees Capital Projects Fund Budget
	Combined Measure I Capital Projects Fund	Combined Measure I Capital Projects Fund Budget
	Transportation Development Act (TDA) Special Revenue Fund	Transportation Development Act (TDA) Special Revenue Fund
	Risk Management Internal Service Fund	Risk Management Internal Service Fund Budget
	Equipment Purchase Internal Service Fund	Equipment Purchase Internal Service Fund Budget
	Redevelopment Agency Capital Projects Fund	Redevelopment Agency Capital Projects Fund Budget
	Redevelopment Agency Low- and Moderate-Income Housing Fund	Redevelopment Agency Low- and Moderate-Income Housing Fund.
Redevelopment Agency Debt Service Fund	Redevelopment Agency Debt Service Fund Budget	
Community Development Department	General Fund	Planning Division Budget
	General Fund	Building, Safety, Engineering Division Budget
	General Fund	Code Enforcement Division Budget
Public Works Department	General Fund	Public Works Administration Budget
	General Fund	Park Maintenance Budget
	Traffic Safety Special Revenue Fund	Traffic Safety Special Revenue Fund Budget
	Gasoline Tax Special Revenue Fund	Gasoline Tax Special Revenue Fund Budget
	AB 2766 Motor Vehicle Surcharge Special Revenue Fund	AB 2766 Motor Vehicle Surcharge Special Revenue Fund Budget
	Lighting and Landscape Assessment Districts Special Revenue Fund	Lighting and Landscape Assessment Districts Special Revenue Fund Budget
	Land Fill/Land Use Special Revenue Fund	Landfill/Land Use Special Revenue Fund Budget

Community Services Department	General Fund	Recreation Division Budget
	General Fund	Luckie Park Swimming Pool Budget
	General Fund	Senior Center Budget
	General Fund	Youth Club Budget
	General Fund	Community Center Budget
	Community Development Block Grant (CDBG) Special Revenue Fund	Community Development Block Grant (CDBG) Special Revenue Fund Budget

Welcome to Twentynine Palms Sign



TWENTYNINE PALMS EMPLOYEE OPERATING STATEMENT

The values and philosophy held by management and workers affects the attitudes, morale, work environment and ultimately the quality of municipal services. The Twentynine Palms Employee Operating Statement articulates the values and philosophy governing the operation of the City.

Our Mission

We deliver municipal services within the policy limits and financial constraints established by the City Council in accordance with the highest ethical and professional standards.

Our Motto

We give people their money's worth—and then some.

Our Expectations

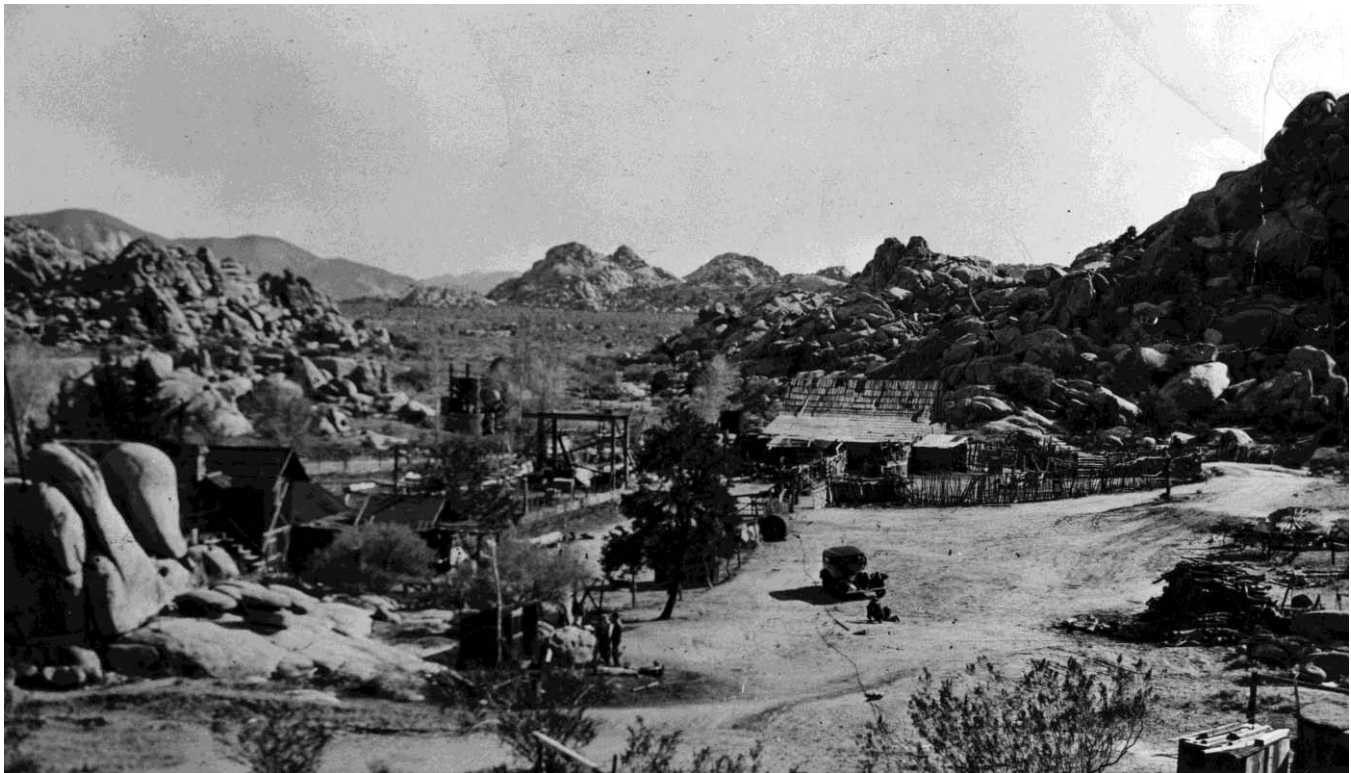
We expect the highest standards of professional conduct from those employed by the City of Twentynine Palms. Our employees will:

1. Be results-oriented individuals actively engaged in providing quality services, finding ways to improve City operations, and striving to lower the costs of these services.
2. Be competent, candid, honest and adhere to the highest standards of integrity.
3. Be loyal to City values and dedicated to using them to improve the delivery of municipal services.
4. Be innovative and creative in working for solutions to community issues.
5. Be open with elected officials, public and employees, welcoming opinions and ideas of others.
6. Respect citizen opinions regardless of whether they agree or disagree with those positions.
7. Expect to be held accountable and are willing to accept responsibility for their actions.
8. Complete staff work in a timely manner, paying particular attention to detail.
9. Understand that failure is to be learned from rather than feared.
10. Avoid last-minute surprises in work product.
11. Be recognized for competent performance as well as significant contributions.
12. Greet the public with a smile and a helpful attitude.



SECTION 3

DESCRIPTION OF ACCOUNTING AND FINANCIAL REPORTING SYSTEM



Desert Queen Ranch 1890's

DESCRIPTION OF ACCOUNTING AND FINANCIAL REPORTING SYSTEM

Twentynine Palms accounting system is organized on the basis of Accounting Funds, each of which is considered a separate government activity with its own accounting entity. The operations of each Accounting Fund consists of a separate set of accounts that comprise its revenues, expenditures, assets, liabilities and fund equity or fund balance. From a private sector perspective, each Accounting Fund can be considered a wholly owned subsidiary of the City or a separate independent business, which must support all of the direct and indirect costs of providing services to the public.

Government resources are allocated and accounted for in these individual Accounting Funds based upon (1) the purpose for which they are to be spent, and (2) the means by which spending activities are controlled. This accounting system is used to aid the City Council, City Manager and department heads to demonstrate compliance with finance-related legal and contractual requirements. A minimum number of Funds are established consistent with legal and operating requirements “since unnecessary Funds result in inflexibility, undue complexity and inefficient financial administration.”¹⁰⁹ **All City Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each year in the annual budget.**

All Accounting Funds are included in the City’s annual audited financial statements, reviewed by the City’s independent certified public accountants.

The City of Twentynine Palms currently uses 20 Accounting Funds. These Accounting Funds are put into three broad categories called Accounting Fund Types. The three Accounting Fund Types operated by the City of Twentynine Palms are Governmental Fund Types for tax-supported activities, Proprietary Fund Types for business-type activities and Fiduciary Fund Types for governmental funds held in trust as Private Purpose Trust Funds or Agency Trust Funds. These Fund Types are broken down into the individual Accounting Funds as described below.

Governmental Fund Types (Tax-Supported Activities)

The Governmental Fund Type is used to account for the acquisition of revenues, expenditures, assets and liabilities of tax-supported activities. In the City of Twentynine Palms, the Governmental Fund Type is divided into the General Fund, Special Revenue Funds, and Capital Projects Funds.

1. General Fund. **The General Fund is the primary operating Fund of the City for the delivery of general municipal services. It is used to account for all financial transactions and resources of the general government except those required by the General Accounting Standards Board (GASB) or federal, state or city law or regulation to be accounted for in another Fund.** The City of Twentynine Palms operates only one General Fund and it is used to account for most tax-support activities. Expenditures for such functions as administration, police, community development, building inspection, code enforcement, recreation, streets, roads and some other public works activities are financed by the General Fund.

2. Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. It does not include accounting for financial resources in Fiduciary Funds or major construction projects accounted for in

¹⁰⁹National Council on Governmental Accounting (NCGA) Statement No. 11.

the City's various Development Impact Fee Capital Projects Funds. These restrictions usually arise from state legislation or from federal, state and county grants. **The City operates 11 Special Revenue Funds. They are:**

A. Community Development Block Grant (CDBG) Program. The Community Development Block Grant (CDBG) Special Revenue Fund is used to account for all activities, revenues and expenditures related to the receipt of federal Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). The purpose of these federal funds is to achieve "national objectives" that include (1) assisting low- and moderate-income people, (2) eliminating urban blight or (3) to meet urgent needs.

B. Traffic Safety Special Revenue Fund. Mission of the Traffic Safety Special Revenue Fund is to account for revenues generated by traffic violations in the City of Twentynine Palms and expenses incurred to implement traffic safety measures within the community to reduce accidents. Funds cannot be used to fund police or deputy salaries.

C. Gasoline Tax Special Revenue Fund. This Accounting Fund is used to account for revenues and the related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from gasoline taxes collected under Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. These revenues come from gasoline taxes placed on motor vehicle fuels. Allocations are generally distributed by population. Funds can only be used for construction and maintenance of City streets and roads.

D. Proposition 42 Traffic Congestion Relief Special Revenue Fund. This Accounting Fund is used to account for the revenues and expenditures to construct, repair and maintain streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities to relieve traffic congestion within the City of Twentynine Palms. In order to receive Proposition 42 allocations, cities must be in compliance with the maintenance of effort (MOE) provision of the law. This provision requires cities to continue to expend from the General Fund the average of General Fund monies allocated to streets during FY1997, FY1998 and FY1999.

E. Bikeways and Sidewalks Article 3 Special Revenue Fund. The mission of the Bikeways and Sidewalks Article 3 Special Revenue Fund is to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of Article 3 funds from ¼ of one cent statewide sales tax set aside for transit, bike paths and pedestrian facilities and capital projects related to streets and roads as part of the 1972 Transportation Development Act (TDA).

F. AB 2766 Motor Vehicle Surcharge Special Revenue Fund. The mission of the AB 2766 Motor Vehicle Surcharge Special Revenue Fund is to account for the revenues, expenditures, assets and liabilities related to the Mojave Desert Air Quality Management District (MDAQMD) Mobile Emissions Reduction Grant Program to improve the quality of the air in the High Desert by funding local, cost-effective projects to upgrade heavy-duty diesel equipment. Assembly Bill AB 2766 authorized the Mojave Desert Air Quality Management District (MDAQMD) to impose up to a \$4 motor vehicle registration fee to meet new responsibilities mandated under the California Clean Air Act (CCAA).

G. Transportation Development Act (TDA) Special Revenue Fund. The City uses this Accounting Fund to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of State Transportation Assistance Funds (STA) and the ¼ cent statewide sales tax set aside for transit, bike paths and pedestrian facilities and capital projects related to streets and roads.

H. Lighting and Landscaping Districts Special Revenue Fund. The mission of the Lighting and Landscape Assessment Districts Special Revenue Fund is to account for all activities, revenues, expenditures, assets and liabilities in providing maintenance, servicing, and operation of landscape improvements, median strip improvements, parks improvements, graffiti removal and associated activities located within the public right-of-way and dedicated landscape easements in the City of Twentynine Palms Lighting and Landscape Assessment Districts.

I. Public Access TV Special Revenue Fund. The mission of the Public Access TV Special Revenue Fund is to account for all activities, revenues, and expenditures associated with collecting and spending cable television franchise fees of 1% in support of public, educational governmental purposes consistent with state and federal law. Section 5.04.020(b) of the Twentynine Palms Municipal Code states that “any franchisee operating within the boundaries of the City of Twentynine Palms shall pay an additional fee to the City equal to one percent (1%) of the gross revenue of that state franchisee, which fee shall be used by the City for public, educational and government purposes consistent with State and Federal Law.”

K. Landfill/Land Use Special Revenue Fund. The City uses the Landfill/Land Use Special Revenue Fund to account for solid waste revenues including grant revenues, and landfill tipping fee revenues from haulers from outside the county as well as expenses for abandoned vehicle abatement, dangerous building abatement, graffiti removal, illegal dumping, recycling programs, hazardous household waste programs, litter reduction and expenses related to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority.

L. Redevelopment Agency Low- and Moderate Income Housing Special Revenue Fund. The mission of the Low- and Moderate-Income Housing Special Revenue Fund in the Twentynine Palms Redevelopment Agency is to account for all activities, revenues, expenditures, assets and liabilities used for increasing or improving housing for low- and moderate-income households.

3. Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used for the purchase of major pieces of equipment and the acquisition or construction of major capital facilities (other than those required to be financed by Proprietary Funds and Fiduciary Funds). The primary purposes of Capital Projects Funds are to account for major purchases, major construction projects, to enhance understanding of capital activities and avoid the distortion of revenue and expenditure trend data in the General Fund or Special Revenue Funds. **The City operates five Capital Project Funds. They are:**

A. General Capital Projects Fund. The City uses a General Capital Projects Fund to account for activities related to the construction of major capital facilities (other than those that are constructed in the various Development Impact Fee Funds or in the Twentynine Palms Redevelopment Agency). Construction projects can include roads, curb and gutters, sidewalks bridges, buildings and other general infrastructure.

B. Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund. The City uses a Curb, Gutter and Sidewalk Development Impact Fees Capital Project Fund to account for all development impact fee revenues and expenditures paid by residential, commercial and industrial developers in situations where the location, geography or other factors preclude the installation of these off-site improvements at the time of development. Monies collected from this Accounting Fund are used exclusively to install these improvements and may not be used to fund salaries and benefits or to pay for on-going maintenance and operations.

C. Fire Development Impact Fees Capital Projects Fund. The City of Twentynine Palms uses this Accounting Fund to record revenues and expenditures for fire protection impact fees collected from new developments built in the City pursuant to the State Mitigation Fee Act (Government Code 66000 et. Seq.) . Expenditures of fire protection impact fees can only be for the construction and improvement of public fire protection buildings and facilities as well as the purchasing of equipment needed for new developments constructed in the City.

D. Combined Measure I Capital Projects Fund. The purpose of the Combined Measure I Capital Projects Fund is to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of Measure I one half cent retail transaction and use tax to construct, repair, rehabilitate and maintain streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities. Measure I Capital Project Fund is distributed by the San Bernardino Associated Governments (SANBAG) and is based on an expenditure plan.

E. Redevelopment Agency Capital Projects Fund. The mission of the Twentynine Palms Redevelopment Agency Capital Projects Fund is to account for all activities, revenues, expenditures, assets and liabilities for the purpose of securing commercial and industrial development for job creation and revitalization of blighted residential, commercial or industrial areas in the City of Twentynine Palms. The Twentynine Palms Redevelopment Agency is a blended component unit of the City of Twentynine Palms, although technically it is a separate government unit under California law. It was established in 1993 pursuant to the Community Redevelopment Law of the California and the California Health and Safety Code to eliminate urban blight and administer the City's redevelopment activities and projects. California's Community Redevelopment Law (Chapter 710, Statutes of 1951) was enacted by the California Legislature after approval of the voters of Article XVI, Section 16 of the California Constitution. The objective of the law is to allow redevelopment of those areas found in many communities that have suffered from unsafe, unfit, deteriorated, and economically dislocated properties.

Proprietary Fund Types (Business-Type Activities)

Proprietary Funds are used to account for the resources collected and used for business-type activities of the City of Twentynine Palms. Proprietary Funds can be divided into Enterprise and Internal Service Funds.

1. Enterprise Funds. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to a private business enterprise where fees are charged to external users and the intended purpose of the City is that either (1) the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; (2) or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the City has elected to apply only those applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting for its enterprise operations. **The City of Twentynine Palms does not operate any Enterprise Funds.**

2. Internal Service Funds. Internal Service Funds are used to report any activity that provides goods or services to other Funds, departments, or agencies of the Twentynine Palms Municipal Government, its component units, or to other governments on a cost reimbursement basis. **The City of Twentynine Palms has two Internal Service Funds. They are:**

A. Risk Management Internal Service Fund. The Mission of the Risk Management Internal Service Fund was to account for all revenues and expenditures related to the City's liability coverage, workers' compensation coverage, property coverage and bond insurance coverage. The City pays an annual premium to the Public Agency Risk Sharing Authority (PARSAC). **This Accounting Fund will be discontinued in FY2012.**

B. Equipment Purchase Internal Service Fund. The purpose of the Equipment Purchase Internal Service Fund was to account for the financial resources used to purchase and dispose of cars, trucks, heavy equipment and rolling stock used in City operations and to provide City services. City Departments would pay into this Accounting Fund each year whether or not they bought new vehicles or heavy equipment. When the department needed to purchase new equipment, they could draw upon the funds that had accumulated in this Accounting Fund. **This Accounting Fund is being discontinued in FY2012 and the purchase of vehicles and heavy equipment will be accounted for in the appropriate Special Revenue Fund or Capital Projects Fund.**

Debt Service Fund

Debt Service Funds: Debt service funds are normally used to build up reserves over a period of time so cash will be available to repay principle and interest on long-term debt as it comes due. The term is used more loosely when applied to California redevelopment agencies, where it is used to accumulate the 80% portion of the tax increment. In this case, it is a hybrid of a Special Revenue and a debt service fund. **The Twentynine Palms Redevelopment Agency operates a single Debt Service Fund.**

Fiduciary Fund Types (Resources Held in Trust)

Fiduciary Funds are divided into Private Purpose Trust Funds and Agency Trust Funds.

1. Private-Purpose Trust Funds. Private-Purpose Trust Funds are used to account for assets held by the City as a trustee or an agent on behalf of individuals, private organizations or other governments. Private Purpose Trust Funds cannot be used to support the government's own activities. **The City operates no Private Purpose Trust Funds.**

2. Agency Trust Funds. Agency Trust Funds are used to account for assets that the City holds for others in an agency capacity and do not present any results of operations. These Funds are used to account for situations where the role of the City is purely custodial. **The City currently operates no Agency Trust Funds.**



Oasis of Mara photograph by Harlow Jones



SECTION 4

TWENTYNINE PALMS ACCOUNTING, INVESTMENT, FIXED ASSET, FINANCIAL, CAPITAL IMPROVEMENT AND BUDGET POLICIES



Joshua Tree Inn Café, About 1930

TWENTYNINE PALMS ACCOUNTING, INVESTMENT, FIXED ASSET, FINANCIAL, CAPITAL IMPROVEMENT AND BUDGET POLICIES

Introduction

The City of Twentynine Palms has adopted accounting, investment, fixed asset, financial, capital improvement and budget policies to provide the framework for managing the City's financial resources. These policies are designed to:

1. Contribute to the confidence in the City operations and the commitment of the City Council, City Manager and staff to sound financial practices.
2. Save time and energy of the City Council and appointed officials. Once certain decisions are made at the policy level, those policies may be applied to individual situations and issues.
3. Direct attention of the City Council, City Manager, department heads and the public to the City's total financial condition and link day-to-day operations with long-range financial planning.
4. Contribute to the stability and expeditious handling of the City's financial affairs. The City Council, City Manager and department heads may change over time, but sound financial accounting policies will be in existence to guide whoever holds these positions.

Accounting Policies

Accounting Standards.

The annual budget and audited financial statements of the City of Twentynine Palms are prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to government entities. Generally Accepted Accounting Principles (GAAP) are national accounting standards adopted by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is the nation-wide accepted standard body for establishing governmental accounting and financial reporting principles and practices.

The City also complies with Financial Accounting Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Twentynine Palms' budget and audited financial statements present the financial position of the City government and its blended component units. Blended component units are entities for which the City is considered to be financially accountable. This includes the Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Finance Authority. These organizations are technically separate legal government entities, but are in substance part of the City of Twentynine Palms' government operations. The City Council acts

as the board of directors for the Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Financing Authority. City employees serve as the staff for all three of these governmental units. The budget and other financial information from these government entities are combined with the budget and financial data of the City of Twentynine Palms. The Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Financing Authority have a June 30 date for the end of their fiscal years.

Measurement Focus.

The accounting and reporting treatment applied to a Fund is determined by its **measurement focus**. All Governmental Funds (General Fund, Special Revenue Funds and Debt Service Funds) are accounted for on a **flow of current financial resources measurement focus**. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental Fund operating statements and budgets present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds (Internal Service Funds and Enterprise Funds) and all Fiduciary Funds are accounted for on a **flow of economic resources measurement focus**. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Funds operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of Accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the City's financial statements. The **Basis of Accounting** relates to the timing of revenue recognition in the City's financial statements regardless of the **Measurement Focus** applied. **The accounting basis in the City's annual budget is the same as the accounting basis used in the City's annual audited statements.**

1. Governmental Fund Types (Tax-Supported Activities). **The modified accrual basis of accounting is used by the City of Twentynine Palms to apply revenues and expenditures to its Governmental Funds.** Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay for expenditures of the current period. "Measurable" means that the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Taxes, intergovernmental revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to the accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City of Twentynine Palms considers all revenues available if they are collected within sixty (60) days after the end of the fiscal year. Revenues that are accrued include property taxes, franchise fees, interest revenue and charges for service. Sales taxes and motor vehicle license fees collected and held by the

state at year end on behalf of the City are also recognized as revenue. Licenses, permits and fines are accrued when received as they are not measurable until received in cash. Investment earnings are recorded as earned. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue meets the asset recognition criteria but does not meet both the “measurable” and “available” revenue criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, such as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

2. Proprietary Fund Types (Business-Type Activities) and Fiduciary Fund Types (Resources Held in Trust). Expenditures are generally recognized in Enterprise Funds, Internal Service Funds, Private Purpose Trust Funds and Agency Trust Funds under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due. Certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Assets, Liabilities and Fund Equity

1. Cash and Investments. Cash and cash equivalents represent the City’s cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents.

The City maintains a cash and investment pool that is available for use by all Funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund. Cash is divided into three risk levels in accordance with standards that have been developed by the Governmental Accounting Standards Board (GASB) in Statement No. 3:

A. Category 1 Investments. Insured or collateralized with securities held by the City of Twentynine Palms or by its agent in the City’s name.

B. Category 2 Investments. Collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name.

C. Category 3 Investments. Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City of Twentynine Palms’ name.

In accordance with Governmental Accounting Standards Board (GASB) 31, all City investments are stated at fair value. Fair value is based on the quoted market prices as of the valuation date. Aside from investments clearly identified as belonging to a specific fund, any unrealized gain/loss resulting from the valuation will be recognized within the General Fund to the extent cash and investments' balance exceeds the cumulative value of those investments subject to Governmental Accounting Standards Board (GASB) 31.

The fair value of the City's investment in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 is reported in the City's financial records and financial statements at amounts based on the pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

2. Internal Controls. The internal control structure of the City of Twentynine Palms is designed to ensure that the assets of the City are protected from loss, theft, or misuse. It is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls within the City of Twentynine Palms address the following issues:

A. Control of Collusion. Collusion occurs where two or more employees work in conjunction to defraud the City. The City has an organizational structure and operational policies and procedures that are designed to prevent collusion.

B. Separation of Transaction Authority from Accounting and Record Keeping. The City has segregated job duties so that the person who authorizes or performs the transactions is different from the person who records or otherwise accounts for the transaction. The City's Finance Department has divided duties and record keeping among employees with a Finance Director overseeing day-to-day operations.

C. Custodial Safekeeping. Funds collected by the City are deposited into the bank each day. Any small amounts of cash or checks held at the end of the day are placed in a safe in a locked room. Securities purchased from any bank or dealer (including appropriate collateral) for short-term or long-term cash investments are placed with an independent third party for custodial safe keeping.

D. Avoidance of Physical Delivery of Securities. The City avoids the physical delivery of securities. Book-entry securities are easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

E. Clear Delegation of Authority to Subordinate Staff Members. Staff members in the Finance Department have a clear understanding of their authority and responsibilities to avoid improper actions. Clear designation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

F. Written Confirmation of Transactions for Investments and Wire Transfers. Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions are supported by written communications and approved by the authorized supervisor. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.

G. Wire Transfer Agreement with Lead Bank. The City has a wire transfer agreement with its bank that addresses controls, security provisions and responsibilities of each party making and receiving wire transfers.

3. Accounts Receivable. Billed but unpaid services provided to individuals or non-government entities are recorded as “accounts receivable.” The Proprietary Funds include a year-end accrual for services through the end of the fiscal year, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible accounts in the Enterprise Funds.

4. Compensated Absences. It is the City’s policy to permit employees to accumulate earned (but unused vacation), sick pay and compensatory time benefits up to the limits imposed in the City of Twentynine Palms Personnel Rules and Regulations. Vested or accumulated vacation, holiday and sick leave along with any compensatory time that is expected to be paid with expendable available financial resources is reported as an expenditure and fund liability in the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No expenditure is reported for these amounts. Vested leaves in Enterprise Funds are recorded as an expense and liability as the benefits accrue.

5. Long-Term Liabilities. The government reports long-term debt of Governmental Funds at face value. Long-term liabilities for all Governmental Funds and Fiduciary Funds do not affect net current assets and are not included on their respective balance sheets in previous years. Long-term liabilities of proprietary and non-expendable trust funds are accounted for in the respective funds.

6. Inventory. Inventory is valued at the cost that approximates market, using first-in, first-out (FIFO) method. The consumption method is used to account for the inventory of Governmental Funds including the General Fund, Special Revenue Funds and Capital Projects Funds. The value of the City’s office supply inventory is not considered material and as a result, no inventory value is shown in the City’s financial statements or in the annual budget.

7. Bond Discounts. In Governmental Funds, bond premiums, discounts, and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of the bonds payable. Issuance costs are reported as an expenditure of the period. For Proprietary Funds, bond premiums and discount, with issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

8. Called Developer Bonds. Revenues from called developer bonds arising from contract defaults are deferred and recognized as revenues when the related costs to complete the project are incurred by the City.

9. Unappropriated Fund Balance and Unreserved Cash and Investments. The Unappropriated Fund Balance in Governmental Funds and Unreserved Cash and Investments balances in Proprietary Funds indicate that portion of Fund Equity which is available for appropriation in future periods. Restricted Fund Balances or Reserved Fund Equity indicates that a portion of Fund Balance or Fund Equity has been segregated for specific purposes or is not available for appropriation. Reservations of retained earnings are limited to outside third-party restrictions.

10. Contributed Capital. Contributed capital are non-cash assets recorded in Enterprise Funds and primarily represents infrastructure such as water lines, sewer lines or assets received from other funds, developers, or customers. Contributed capital designations in the Enterprise Funds cannot be spent for operating or capital needs.

Taxes and Other Significant Revenues.

1. Property Taxes. San Bernardino County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions.

Property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the state. The California property tax is ad valorem, based on the value of the property rather than on a fixed amount or benefit to the property or persons. Intangible assets and rights are not subject to taxation except to the extent that they are necessary to put real property interests to beneficial or productive use. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the San Bernardino County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name and value.

The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local taxing agencies. The property tax is guaranteed by placing a lien on the real property. For this reason, types of properties are distinguished as secured or unsecured.

Certain special exemptions to the standard assessment rules are provided in the State Constitution and state law. These exemptions include federal and state owned property, municipal owned property except property outside the legal boundaries of the agency, homeowners property tax exemption, property owned, irrevocably dedicated to religious, hospital, cemeteries and schools and the California Air Patrol; Williamson Act; disabled veterans; and other exemptions.

Property taxes are levied in equal installments on November 1 and February 1. They become delinquent respectively on December 10 and April 10. The lien date is March 1 of each year. Property taxes are accounted for in the City of Twentynine Palms General Fund and the Twentynine Palms Redevelopment Agency. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum of \$1.00 per \$100 of full cash value. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the end of the fiscal year. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual. Taxes on individual pieces of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and dispersed to the taxing units on a routine basis.

The City receives property taxes under the "Teeter Plan." The Teeter Plan allows cities to collect 100 percent of assessed taxes each year in lieu of receiving only those taxes collected by the County. San Bernardino County receives the penalties and interest when delinquent taxes are collected in future years. The County benefits by charging interest substantially higher than market rates when the delinquent taxes are collected.¹¹⁰

¹¹⁰ The Teeter Plan was enacted in 1949, an alternative method for allocating delinquent property tax revenues, authorized by Revenue and Taxation Code Section 4701, in which the County Auditor allocates property tax revenues based on the total

2. Sales and Use Taxes. California sales tax is imposed on retailers for the privilege of selling tangible personal property. A portion of the tax is a state tax and a portion is locally imposed. The tax base for the sales tax is the retail price of tangible personal property. Tangible personal property is any material asset, such as household goods and business equipment which is readily moveable and not permanently attached to real property. Sales tax applies to a transaction if (1) the seller's registered place of business in California participates in the sale and (2) title to the goods passes to the customer within the state.

The use tax complements the sales tax. It is imposed on the storage or use, or other consumption in California of property purchased from a retailer in cases where the sales tax is not collected. While sales tax is imposed on the seller, the use tax is imposed on the purchaser and at the same rates as the sales tax. The use tax was first imposed in 1935, in order to discourage buying from out of state solely for the purpose of avoiding state sales tax, and thereby placing California retailers at a competitive disadvantage.

Sales and use taxes are collected by the State Board of Equalization and remitted to the City quarterly. Sales and use taxes are recorded as revenues when received by the State Board of Equalization.

3. Franchise Fees. Franchise fees collected by Southern California Edison and The Gas Company are remitted to the City each year on April 15. Cable television franchise fees from Time-Warner are sent to the City quarterly and franchise fees from Burtec Waste Recycling Services, LLC are remitted monthly to the City.

Financial Reports.

The City staff prepares appropriate monthly financial statements reflecting the operations of individual Funds for internal use by the City Council, City Manager, department heads and the general public. The City adheres to a policy of full and open public disclosure of all financial documents.

Independent Audits.

An independent audit of the City's financial statements is conducted each year by an independent Certified Public Accounting firm. The City also participates in a number of federal and state assisted grant programs, which are subject to annual financial, and compliance audits.

amount of property taxes billed, but not yet collected. The county government then collects and keeps the delinquency, penalty and interest payments.

Investment Policies

Introduction.

Investment policies and practices of the City of Twentynine Palms are based upon state law, City ordinances, Generally Accepted Accounting Principles (GAAP), prudent money management principals and the “prudent person” standard (Civil Code Section 2261, *et. seq.*). The City has five primary goals in the investment of its public funds. They are:

1. Rate of Return. Achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default.

2. Daily Cash Flow. Meet the daily cash flow needs of the City of Twentynine Palms, Twentynine Palms Redevelopment Agency and Twentynine Palms Public Financing Authority.

3. Compliance. Comply with City ordinances and the laws of the State of California regarding investment of public funds.

4. Investment Records. Maintain accurate and complete investment accounting records.

5. Financial Reports. Prepare reliable financial reports of the investment portfolio for the City Manager, City Council and the public.

Scope.

The City’s investment policies apply to all funds under the direct authority of the City of Twentynine Palms. These funds include, but are not limited to, the City’s revenues associated with the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Project Funds, Private-Purpose Trust Funds, Agency Funds, proceeds from bond sales and any other funds under the City’s control. It is also applicable to the City’s blended component units including the Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Financing Authority.

Pooling of Funds.

Except for cash in certain restricted and special funds, the City of Twentynine Palms consolidates cash balances from all funds to maximize investment earnings. The City schedules its collection of receipts, deposits of funds and disbursements of monies to ensure maximum availability of cash for temporary investment purposes. Investment income is allocated to the various Funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

Investment Objectives.

The primary objectives (in order of priority) of City investment activities are the safety of principal and preservation of capital, liquidity, and yield.

1. Safety of Principal and Preservation of Capital. Safety and principal and preservation of capital are the foremost objectives of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest-rate risk.

A. Credit Risk. The City of Twentynine Palms will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

- (1) Limiting investments to the safest type of securities.
- (2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with whom the City of Twentynine Palms will do business.
- (3) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

B. Interest Rate Risk. The City of Twentynine Palms will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

- (1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- (2) Investing operating funds primarily in shorter-term securities or with state and local government investment pools.

2. Liquidity. The investment portfolio remains sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with the City's cash needs to meet anticipated demands (static liquidity). A portion of the portfolio also may be placed in money market mutual funds or Local Government Investment Pools (LGIP's) which offer either same-day or next-day liquidity. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets (dynamic liquidity).

3. Yield. The investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the City. Return on investment is of secondary importance compared to the safety and preservation of capital and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

A. Loss of Principal. A security with declining credit may be sold early to minimize loss of principal.

B. Security Swap. A security swap would improve the quality, yield, or target duration in the portfolio.

C. Liquidity. Liquidity needs of the portfolio require that the security be sold.

Standards of Care

1. Prudence. The standard of prudence used by investment officials is the “prudent” person standard (Civil Code Section 2261, *et. seq.*) and is applied in the context of managing an overall investment portfolio. Investment officers acting in accordance with written procedures and this overall investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and sale of securities are carried out in accordance with the terms of this policy.

Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. Public Trust, Ethics and Conflicts of Interest. Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program is designed and managed with a degree of professionalism that is worthy of the public trust.

Officers and employees involved in the investment process refrain from personal business activity that could be in conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Twentynine Palms.

3. Delegation of Authority. Authority to manage the City’s investment program is granted to the City Manager and his or her designee, hereinafter referred to as the “Investment Officer.” Responsibility for the operation of the investment program is hereby delegated to the Investment Officer, who shall act in accordance with this investment policy.

Authorized Financial Dealers and Institutions.

The City transacts business with banks and savings and loans, and with investment securities dealers in compliance with the City’s investment policy. The Finance Department will maintain a list of financial institutions authorized to provide investment services. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

1. Audited financial statements.
2. Proof of National Association of Securities Dealers (NASD) certification.
3. Proof of state registration.
4. Completed broker/dealer questionnaire.
5. Certification of having read and understood and agreeing to comply with the City of Twentynine Palms’ investment policy.

The City on an annual basis submits a copy of the current investment policy to all financial institutions approved to do business with the City. Confirmation of receipt of this policy is considered evidence that the dealer has read and understands the City's investment policy and will recommend and execute only transactions suitable for and in compliance with the City's investment policy.

In selecting financial institutions for deposit or investment of City funds, the creditworthiness of the institutions will be considered. The City will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested. The City is authorized by the City Council to conduct investment transactions with the following institutions. Investment transactions with firms, other than those appearing on this list, are prohibited.

1. State of California Government. Office of the State Treasurer, Local Agency Investment Fund (LAIF).¹¹¹

2. Banks. U.S. Bank and Pacific Western Bank.

Suitable and Authorized Investments.

The City is authorized by California Government Code Section 53600, et. seq. to invest in specific types of securities. Section 43601 of the Government Code sets limits on the type investments that may be in the City portfolio.

- 30% in Medium Term Notes.
- 40% in Negotiable Certificates of Deposit.
- 40% in Bankers Acceptance Notes, not to exceed 180 days in maturity.
- 30% in Commercial Paper, not to exceed 270 days.
- 100% in U.S. Government Treasury Obligations.
- 100% in U.S. Government Agency Debt Issues.
- 100% in Pass-Book Savings Deposits.

The City Council has established further limits on the types of securities in which the City may invest its idle cash. Any investment security (except investment of bond proceeds as explained in the next section) not listed below is not a valid investment for the City of Twentynine Palms.

1. Local Agency Investment Fund (LAIF) Investments. LAIF is a special fund of the State of California Treasury that local agencies may use to deposit funds for investment. Investments

¹¹¹ Due to the state budget and fiscal problems, some questions have been asked regarding the City's investment funds deposited in the Local Agency Investment Fund (LAIF). On May 7, 2003, Philip Angelides, State Treasurer sent a letter to cities and counties throughout the State of California. The Letter states:

"I am aware of concerns expressed on behalf of Local Agency Investment Fund (LAIF) participants as to the relationship of this program to the State's current fiscal difficulties.

"In addressing concerns regarding the safety and liquidity of your deposits in the Local Agency Investment Fund, I would like to remind you that Government Code Section 16429.3 specifically Excludes your LAIF deposits from being transferred, loaned, impounded or seized by any State Agency or Official.

"As your trustee for LAIF funds, I would oppose any statutory change in regard to the program and I will support the intent of the statute that protects your funds."

by the State Treasurer for City funds in LAIF are authorized by the City Council. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from ever declaring bankruptcy. Total investments of any one public agency in LAIF may not exceed \$50 million. Public entities are limited to 15 transactions per month per account. A minimum transaction is \$10,000.

2. United States Government Debt Obligations. These investments would include U.S. Government direct obligations such as Treasury bills, bonds, notes and other certificates of indebtedness where the full faith and credit of the United States are pledged for payment of principal and interest.

3. United States Government Agency Debt Issues. These investments include obligations, participations or other instruments of, or issued by, a Federal Agency or a United States government-sponsored enterprise, including obligations of the Federal Home Loan Bank (FHLB) or Federal Farm Credit Bank (FFCB) or other obligations or other instruments issued by, or fully guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA). While these U.S. Government debt issues are not backed by the full faith and credit of the United States, they do in fact have de facto backing from the federal government, and it would be most unlikely that the government would let any of these agencies default on its obligations.

4. Repurchase Agreements. These agreements would be limited to U.S. Government or its authorized Agencies' securities described in Number (2) and Number (3) above, provided that they are held less than a year.

5. Certificates of Deposit (CD). A Certificate of Deposit is a time deposit with a specific maturity evidenced by a certificate. Certificates of Deposit must be issued through financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account.

6. Pass Book Savings Account Demand Deposits. Savings accounts are approved by the Twentynine Palms City Council provided they are maintained only with banks and savings and loan institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account.

7. Overnight Repurchase Agreements. The City is authorized with City Council approval to set up a "sweep account" and to enter into an overnight repurchase agreement with an authorized bank to sweep cash from its checking accounts and other appropriate accounts to earn overnight interest on the funds in these accounts.

8. Zero Coupon Bonds. Zero Coupon Bonds may be purchased only for purposes of bond defeasance.

Investment of Bond Proceeds.

The City directs the investment of proceeds on bonds or similar debt instruments issued as instructed in the bond indenture or similar investment documents. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's investment policy will be considered approved when the bond indenture or similar investment document is approved by the City Manager or City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period.

Investment Parameters.

1. Diversification. Other than funds invested in U.S. Government debt obligations and the State of California Local Agency Investment Fund (LAIF), the City's remaining investment portfolio is diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Diversification is dividing investment funds among a variety of securities offering independent returns. LAIF is a special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from declaring bankruptcy.

2. Maximum Maturities. Section 53601 of the California Government Code allows the investment of City surplus funds in specified types of securities provided that, at the time of investment, the securities have a maturity of five years or less, unless the legislative body has granted expressed authority to make that investment either specifically, or as a part of the Investment Policy approved by the legislative body, no less than three months prior to the investment. It is herein authorized as part of the current investment policy to invest in securities with an estimated average life of five years or less. It is also authorized to invest in securities with a maturity greater than five years, but only when authorized by the City Council no less than three months prior to the investment.

3. Risk Tolerance. The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary liquidity. Portfolio diversification is employed as a way to control risk. The City displays prudence in the selection of securities as a way to minimize default risk. No individual investment transaction is undertaken which jeopardizes the total capital position of the overall portfolio. Funds invested in LAIF are considered consistent with this policy. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 3, the City's investment risk is divided into three categories:

A. Category 1. Securities that are insured and registered or securities held by the entity or its agent in the City's name.

B. Category 2. Securities that are uninsured and registered with securities held by the pledging financial institution's trust department or agent in the City's name.

C. Category 3. Securities that are uninsured and unregistered with securities held by the counter party, or by its trust department or agent, but not in the entity's name. This includes the portion of the carrying amount of any underlying securities.

4. Equal Opportunity. The City does not knowingly invest funds in an institution that practices or supports, directly or indirectly through its actions, discrimination based on race, religion, color, creed, nationality or ethnic origin, age, sex or physical disability.

5. Prohibited Investment Activities. This policy specifically prohibits trading securities for the sole purpose of speculating on the future direction of interest rates. It further prohibits investing in common stocks, using reverse repurchase agreements, using derivative products, buying mortgage derived interest only strips, purchasing investments using margin accounts and/or leveraging of the City's investment portfolio.

Safekeeping and Custody.

1. Custody. To protect against potential losses by the collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third party bank trust department acting as agent for the City under the terms of custody agreement executed by the bank and the City.

No outside broker/dealer or advisor may have access to City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.

2. Internal Controls. A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoidance of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian.

3. Delivery vs. Payment. All trades where applicable are executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by a third-party custodian as evidenced by safekeeping receipts.

Reporting Requirements.

The City Treasurer shall submit quarterly investment reports in accordance with California Government Code Section 53646. The report(s) shall include the following:

1. Statement indicating that all cash and investments are in conformity with this investment policy.
2. Statement indicating that there are sufficient funds to meet the expenditures for the next six months.
3. Copy of the most recent statement or statements from the institutions in which the City has funds invested.

Investment Policy Adoption and Review.

The City's independent certified public accountants annually review and make recommendations regarding the City's investment policies to the City Manager and the City Council. In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City's Investment Policy for review by the City Council.

Fixed Asset Policies

Introduction.

The City of Twentynine Palms' fixed asset policies are intended to provide specific guidance for determining which fixed assets are subject to separate accounting and reporting (i.e. capitalization). They also outline the procedures to define fixed assets and establish guidelines for their purchase, use, accountancy, inventory, transferring and disposal.

Purpose.

The City's fixed asset policies and procedures are established in accordance with Generally Accepted Accounting Principles (GAAP) and statements issued by the Government Accounting Standards Board (GASB). The objectives of the City's fixed asset policies are to:

- 1. Appropriate Use and Control.** Ensure that there is adequate control and appropriate use of the City's fixed assets for the delivery of municipal services and for the protection of the health, safety and welfare of the community.
- 2. Safeguarding and Preservation.** Carry out the City's fiduciary responsibility to establish systems and procedures to protect its fixed assets acquired with taxpayer resources from loss, theft, misplacement or inappropriate use.
- 3. Accounting and Financial Reporting.** Accurately account for and report fixed assets in financial reports issued to external reporting agencies, financial institutions, bond trustees, granting agencies and the public.

Scope.

The City's fixed asset policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Twentynine Palms. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private-Purpose Trust Funds and Agency Trust Funds. These fixed asset policies are also applicable to the City's blended component unit including the Twentynine Palms Redevelopment Agency and Twentynine Palms Public Financing Authority.

Responsibility.

The Finance Department is responsible for establishing systems and procedures so that the purposes of these policies are implemented and ensure that fixed assets are identified, processed, tracked, inventoried and appropriately reported by fund and asset category. Department Heads and Division Managers are responsible to ensure that proper budgeting and purchasing guidelines are followed, and to ensure that fixed assets are adequately controlled, safeguarded, preserved, and used only for appropriate City purposes.

Definitions.

The City of Twentynine Palms will apply the following definitions to its fixed asset policies and procedures.

1. Buildings. Structures of a fixed or semi-fixed nature, which provide shelter and/or create interior space. Buildings also include picnic shelters, storage sheds and restrooms.

2. Construction in Progress. Assets that are being built that are not usable at the end of the fiscal year, such as an incomplete building, waterline, sewer line, storm drain line, street, road, traffic signal, or other public improvement or infrastructure.

3. Capital Expenditure. A Capital Expenditure is an outlay of funds for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.

4. Design in Progress. Capital improvement projects that are in planning or the design stage. The expenditure of these projects is capitalized at year-end if the design has exceeded \$5,000.

5. Equipment. Moveable personal property with a useful life of more than one year and a value of \$500 or more. Such items as furniture, machines, tools, vehicles, and computers are included in this category.

6. Fixed Asset. Tangible and intangible property owned by the City with a value of \$5,000 or more and a useful life of at least one year.

7. Improvements. Physical property of a fixed nature that is added (affixed) to land or buildings. These assets include ground improvements, sidewalks, driveways, landscaping, sprinklers, fences, parking lots, etc. Building improvements include such items as carpeting, air conditioning systems or improvements through remodeling.

8. Infrastructure. Includes bridges, traffic signals, streets, roads, curbs, gutters, sidewalks, water lines, sewer lines and storm drain lines.

9. Intangibles. Items such as software (not replacement or upgrades).

10. Land. Includes the investment in real property or the ownership of ground space such as parcels, easements, and rights-of-way.

11. Streets and Roads. Includes all streets and roads that have pavement as well as curb, gutter and sidewalk.

12. Street Drainages. Includes storm drainage piping and manholes underneath streets and roads.

13. Traffic Signals. All traffic lighting systems that control traffic.

14. Vehicles. All vehicles and rolling stock equipment that are maintained by the Public Works Department.

Capital Expenditure Definition and Capitalization Policy (Accounting and Financial Reporting).

Capital Expenditures for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction of the asset are part of the capitalization threshold including ancillary costs such as freight, transportation charges, site preparation expenditures, professional fees, warranties, taxes and legal claims directly attributable to the asset acquisition. Specific capitalization guidelines are described below:

1. Capitalization Threshold. An exception to the \$5,000 threshold is land and some infrastructure. All costs associated with the purchase or acquisition of land parcels, rights-of-way, or easements, are capitalized, regardless of cost.

2. Individual Units of Fixed Assets. The \$5,000 capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order, each costing \$1,000, will not qualify for capitalization even though the total (\$10,000) exceeds the capitalization threshold of \$5,000.

3. Fixed Asset Components. For the purpose of capitalization, the threshold will generally not apply to components of fixed assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.

4. Grants. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement, will be capitalized, regardless of cost. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.

5. Dedications and Donations. When an asset is acquired through dedications, donations, developer funding, or in-lieu of fees, the asset will be recorded at its estimated fair market value at the date of acquisition, as determined by the appropriate City department using an appropriate method to determine value.

6. Repairs and Maintenance. Repairs to existing fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, the repair represents an improvement and is subject to the capitalization requirements described below.

7. Improvements. Improvements to existing fixed assets will be presumed (by definition) to extend the useful life of the related fixed assets, and therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. Therefore, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.

8. Capital Projects. Capital projects will be capitalized as “design in progress” or “construction in progress” until completed. The costs associated with the capital project include direct costs, such as labor and materials, as well as indirect and ancillary costs.

Capitalization Valuations.

The objective fixed asset accounting is to account for the City's historical acquisition cost, not present market or replacement values of City fixed assets. Therefore, fixed assets are valued at historical cost. In those instances where historical costs are not available, fixed assets are valued at estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. In valuating fixed assets the following guidelines are used.

1. Buildings. Costs include all expenditures in connection with their acquisition such as purchase price or construction cost, fixtures attached to the structure, architect's fees, engineering fees, and insurance during construction.

2. Construction in Progress. Assets are recorded in the same manner as assets acquired by purchase or construction contract. Costs that are capitalized are service charges, materials, and architects and engineering payments and retentions.

3. Design in Progress. Costs that are capitalized include service charges, materials and architects and engineering payments and retentions.

4. Equipment. Costs include all expenditures including the purchase price (before trade-in allowance) freight charges, taxes and installation costs.

5. Improvements. Costs include all expenditures in connection with their acquisition such as purchase price or construction costs, materials costs, installation costs, fixtures, architect's fees, engineering fees, freight charges, taxes and insurance during construction.

6. Infrastructure. Costs include all expenditures in connection with their construction including labor costs, material costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.

7. Land. Costs include all expenditures in connection with land acquisition such as purchase price, appraisal fees, title policy fees, demolition, site clearance, etc.

8. Street Drainage. Costs include all expenditures in connection with their construction including materials costs, installation costs, engineering fees, freight charges, sales taxes and insurance during construction.

9. Streets and Roads. Costs include all expenditures in connection with their construction including material costs, installation costs, engineering fees and insurance during construction.

10. Traffic Signals. Costs include purchase price, freight charges, taxes and installation charges.

11. Vehicles. Costs include purchase price, sales tax, freight charges and installation costs.

Depreciation.

Principles and Guidelines. The purpose of depreciation is to spread the cost of fixed assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the fixed asset.

General Accounting Standards Board (GASB) Statement 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures for these assets are expensed, unless they are additions or improvements.

Except for streets and roads covered by the “modified approach,” depreciation is booked on fixed assets. Depreciation of all fixed assets is charged as an expense against operations each year. The total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the fixed assets.

Depreciation is used solely in Proprietary Fund Types. Depreciation is important in these funds because it is included as an operational expense of these funds. Unlike Governmental Fund Types, fixed assets are reported in the balance sheet accounts of each Proprietary Fund. The use of these assets over a period of time is charged as a depreciation expense.

Depreciation Method. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Estimated Useful Life. The estimated useful life of an asset will vary depending on the type of fixed asset that is being depreciated. The useful life for various fixed assets are indicated below:

Buildings	40-50 Years
Infrastructure	40-50 Years
Street Drainage	40-50 Years
Curb, Gutter and Sidewalk	40 Years
Traffic Signals	20 Years
Furniture, Fixtures & Vehicles	4-5 Years
Machinery and Equipment	2-20 Years

Inventory Control Policy.

1. Inventory Control Criteria. Inventory control is applied only to movable fixed assets and not to land, buildings or other immovable fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account and control fixed assets subject to capitalization. Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

- A. The fixed asset has a useful life that exceeds one year.
- B. The original cost of the fixed asset is equal to or greater than \$1,000.
- C. Any asset less than \$1,000 as requested from a department. This may include certain machinery and equipment that, due to their portability, character or value outside of the office are susceptible to loss, theft, misplacement or borrowing. It may also include any asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external federal or state regulatory requirement.
- D. Any asset required to be controlled and separately reported pursuant to grant conditions or any other externally imposed reporting requirement. For example, a grant

program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.

2. Tagging. Fixed assets will be tagged to support inventory control, prevent theft, stop losses, track the fixed asset's replacement cost, determine asset useful life, promote fixed asset accountability, and provide auditors with a mechanism to verify the City's control of fixed assets. Most fixed assets are tagged with a numbered fixed asset tag. However, some fixed assets such as land, buildings, improvements, infrastructure, machinery and equipment are not tagged because they are immovable or because it is physically impossible or impractical to tag the item because of the way that the fixed assets are used.

3. Annual Review and Certification. Each Department Head holds ultimate responsibility for safeguarding their fixed assets against theft or loss. At the end of each fiscal year, the Finance Division will forward to each department a listing of their fixed assets for review and certification. It is the responsibility of the Department Head to verify and certify the accuracy of the information contained on that report. Any discrepancies must be reported to the Finance Division.

4. Fixed Asset Report. All departments involved in the construction or dedication of improvements or infrastructure assets must complete a fixed asset report when filing a Notice of Completion or Acceptance. The report must be forwarded to the Finance Department for inclusion in the City's fixed asset data base and the City's engineers for inclusion on the City's Geographic Information Systems (GIS) data base.

5. Transfers of Fixed Asset. Requests for transfers of fixed assets will be in writing and submitted to the Finance Division and City Manager for approval. The Finance Department will be responsible for making the appropriate transfers on the City's computerized Fixed Asset data base and keeping a file of all transfers.

Disposal of Fixed Assets.

1. Disposal Authority. No fixed assets may be disposed of without the approval of the City Council or the City Manager and Finance Department. Disposal of all land and buildings and all other fixed assets with a value of over \$5,000 must have City Council approval. If it is determined that the fixed assets sold as a unit has a value less than \$5,000, the property may be disposed of in a manner approved by the Department Head, Finance Department and the City Manager. Fixed assets will only be disposed of after checking with other City departments to see if they can use the property.

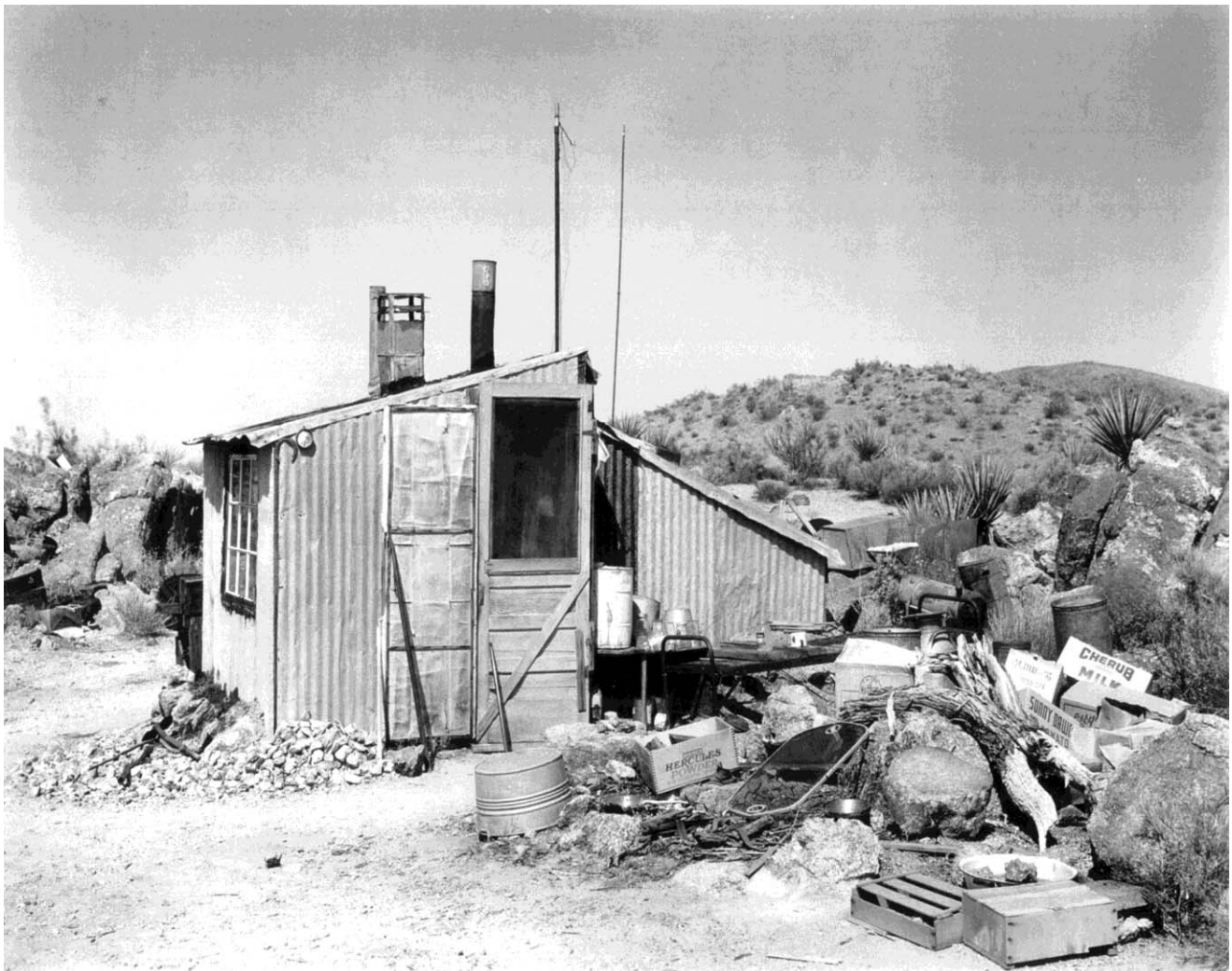
2. Disposal Value. It is the responsibility of each department to appraise fixed assets designated as surplus prior to sale.

3. Disposal Methods. Fixed Assets may be disposed of in the following ways:

- A. Sealed bids after at least three public notices have been published in the newspaper.
- B. Public auction after at least three notices have been published in the newspaper.
- C. Traded in to reduce the purchase price of a new replacement for a fixed asset.
- D. Taken to a federal or state surplus property facility and sold through that facility.

- E. Sold or donated to another government agency.
- F. Recycled and disposed of as junk to a landfill or other appropriate waste removal facility.
- G. Other method approved by the City Council or the City Manager where it is believed that the highest price can be obtained for the fixed asset. The City Council or City Manager will determine the most appropriate method of disposing of fixed assets.

4. Proceeds from Sales and Auctions. All proceeds from the sale of fixed assets will be allocated to the City's General Fund unless the property was originally purchased with monies from a specific City Accounting Fund, in which case, the proceeds will be returned to that specific Accounting Fund.



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Financial Policies

Federal, State and County Intergovernmental Grant Revenues.

The City seeks to acquire grant revenue from federal, state and county sources. The City uses these one-time and non-recurring federal, state and county grant revenues for capital projects or major capital equipment purchases. Revenues from grants are not used for maintenance and operation expenses, to expand programs or increase staffing levels because the City may not be in the financial position to support the activity or staff if the grant revenue ceases to exist. The City only projects the receipt of intergovernmental revenues during the period of time that the federal, state or county authorization exists.

User Fee Revenues.

The City charges the direct beneficiaries of City service fees that recover the partial or full cost of providing certain services. Many of these services provided by the City directly benefit individuals or the private sector. These include recreation programs, building permits, animal licenses and many others. When the general taxpayer subsidizes services of this nature, scarce resource dollars are not available for other City services. In these user-choice services, the customer has the opportunity to determine whether that service is used, with part of that decision being made through the normal pricing system. In such cases, the City is committed to recovering the cost of providing that service through a user fee or service charge. In determining its fee structure, the City:

1. Develops broad policies concerning funding of services.
2. Periodically reviews all services to determine if a fee should be charged.
3. Considers market rates and charges levied by other public and private organizations for similar services.
4. Sets fees that recover the partial or full costs of providing that service.
5. Sets fees that are comparable to other jurisdictions.
6. Periodically evaluates fee amounts.

In some cases full cost recovery is not permitted because of statutory restrictions, and in other cases full cost recovery may not be desired for health, safety or welfare reasons.

Development Impact Fee Revenues.

The City seeks to recover some of the cost of growth through development impact fees assessments on new developments in the City of Twentynine Palms. As Twentynine Palms' population grows, the demand for the expansion of public infrastructure and the purchase of capital equipment needed to serve new development in the City increases.

State law allows (State Mitigation Fee Act, Government Code 66000 *et. seq.*) and fairness dictates that the new residents creating the need for expanded infrastructure and additional equipment capital costs should make a contribution to their acquisition in the form of development impact fees. Development impact fees are

collected by the City of Twentynine Palms for the expansion of public infrastructure and facilities and the purchase of capital equipment needed to for new development in the City. All development impact fees are deposited in separate capital projects revenue and expenditure accounts in a separate Capital Projects Fund specifically designated for the particular development impact fee. Development impact fees can only be spent for capital purchases due to growth and are not used for salary or maintenance or operation expenditures.

Long-Term Debt and Public Borrowing.

Public borrowing through lease-purchase agreements, general obligation (GO) bonds, revenue bonds, certificates of participation (COP) or other legal debt instruments may be in the public interest. However, the City will pursue policies that will not saddle the public with excessive public debt and will carefully scrutinize any public borrowing proposals. **California currently has no constitutional or statutory debt limits for municipalities. Therefore, the City’s elected officials, City Manager and other staff members must use debt in a wise and judicious manner.** Where public borrowing is considered appropriate by the City Council, it will be done in accordance with the following policies:

1. Debt is limited to equipment purchases and major capital projects. It is not used for general operating expenses. It is the policy of the City to maintain cash balances at a sufficient level for general operating costs (those items normally funded in the City’s annual operating budget and having a useful life of less than one year). Short-term securities may be issued in cases where the City’s normal cash flow has been disrupted as a result of natural disaster or unexpected delays in the receipt of federal or state revenues.
2. The maturity date for any debt does not exceed the reasonable expected useful life of the equipment or capital improvement being financed. Generally, the City will limit long-term debt to a term not to exceed 10-15 years.
3. When practical, the City will develop, authorize, and issue revenue, special fee or other self-supporting debt instruments instead of General Obligation Bonds.
4. Coverage for revenue bonds or special fee debt instruments shall be at least 120 % of annual total debt service.
5. The City will maintain good communications regarding its financial condition. It will regularly evaluate its adherence to its debt policies. The City promotes effective communications with bond rating agencies and others in the market place based on full disclosure.



City Insurance and Risk Management.

The City’s liability, workers’ compensation, bonding and special event insurance is provided by the Public Agency Risk Sharing Authority (PARSAC), a public sector risk pool made up of 37 cities throughout the State of California.¹¹² PARSAC is a joint powers authority public insurance

¹¹²Other cities in PARSAC include Alturas, Amador City, Avalon, Blue Lake, California City, Calimesa, Calistoga, Canyon Lake, Citrus Heights, Clearlake, Coalinga, Ferndale, Grass Valley, Highland, Menifee, Nevada City, Pacific Grove Placentia,

company where there is insurance and risk sharing among the pool participants. The City pays an annual premium to PARSAC for all its coverage. PARSAC is self-sustaining through member premiums.

1. Liability Insurance Coverage. PARSAC provides up to \$35 million per occurrence for general and automobile liability and public officials errors and omissions. PARSAC self funds coverage up to \$1 million. Losses that exceed this amount are covered via the CSAC Excess Insurance Authority (CSAC-EIA). The City is self-insured for general liability claims up to \$5,000 for each occurrence. This risk sharing program requires members to maintain three times the retention amount in a reserve fund.

Employment practices liability coverage is a component of PARSAC's liability program with coverage provided by the Employment Risk Management Authority (ERMA) up to \$1 million per occurrence. Coverage above \$1 million is provided by CSAC-EIA up to the liability program limit of \$35 million.

PARSAC provides cost-effective, qualified defense counsel through the Liability Defense Panel. This highly recognized panel includes attorneys and firms statewide who have proven success in all areas of public entity defense including law enforcement, civil rights, land use, and dangerous conditions of public property. The PARSAC Liability Program is experience-rated, meaning member contributions are adjusted based on loss experience. This method ensures equitable distribution of risk and stable rates. Experience-rating also provides each member with an opportunity to effectively reduce their individual contribution by actively practicing loss prevention.

2. Workers' Compensation Insurance Coverage. PARSAC provides the City of Twentynine Palms with workers' compensation insurance coverage up to statutory limits per occurrence, including volunteer operations. The organization self-funds up to \$500,000. Losses in excess of this amount up to \$300 million are covered via the Local Agency Workers' Compensation Excess Pool (LAWCX) and reinsurance. Twentynine Palms has first dollar coverage under this program. PARSAC uses a dedicated Workers' Compensation Unit which is responsive to employees and ensures their needs are met and they are returned to work appropriately.¹¹³

3. Property Insurance Coverage. The PARSAC Property Insurance Program is a group purchased commercial insurance policy through the Public Entity Property Insurance Program (PEPIP) that is specifically designed for public entities. Members are afforded all-risk, replacement costs coverage with limits up to \$1 Billion including automatic coverage for new acquisitions, auto physical damage, boiler and machinery, and course of construction. There is optional coverage for earthquake and flood damage.

4. Bond Insurance Coverage. PARSAC provides Twentynine Palms with a Bond Program. This program is a group purchased program where rate reductions and coverage enhancements are realized because participants are able to leverage their significant purchasing power. This program provides up to \$1 million per occurrence for cost of \$1,500 annually with a \$2,500 deductible. Coverage is provided for the following incidents.

A. Public Employee Dishonesty. Coverage includes the faithful performance of duty including loss of money, securities and other tangible property with intrinsic value resulting from

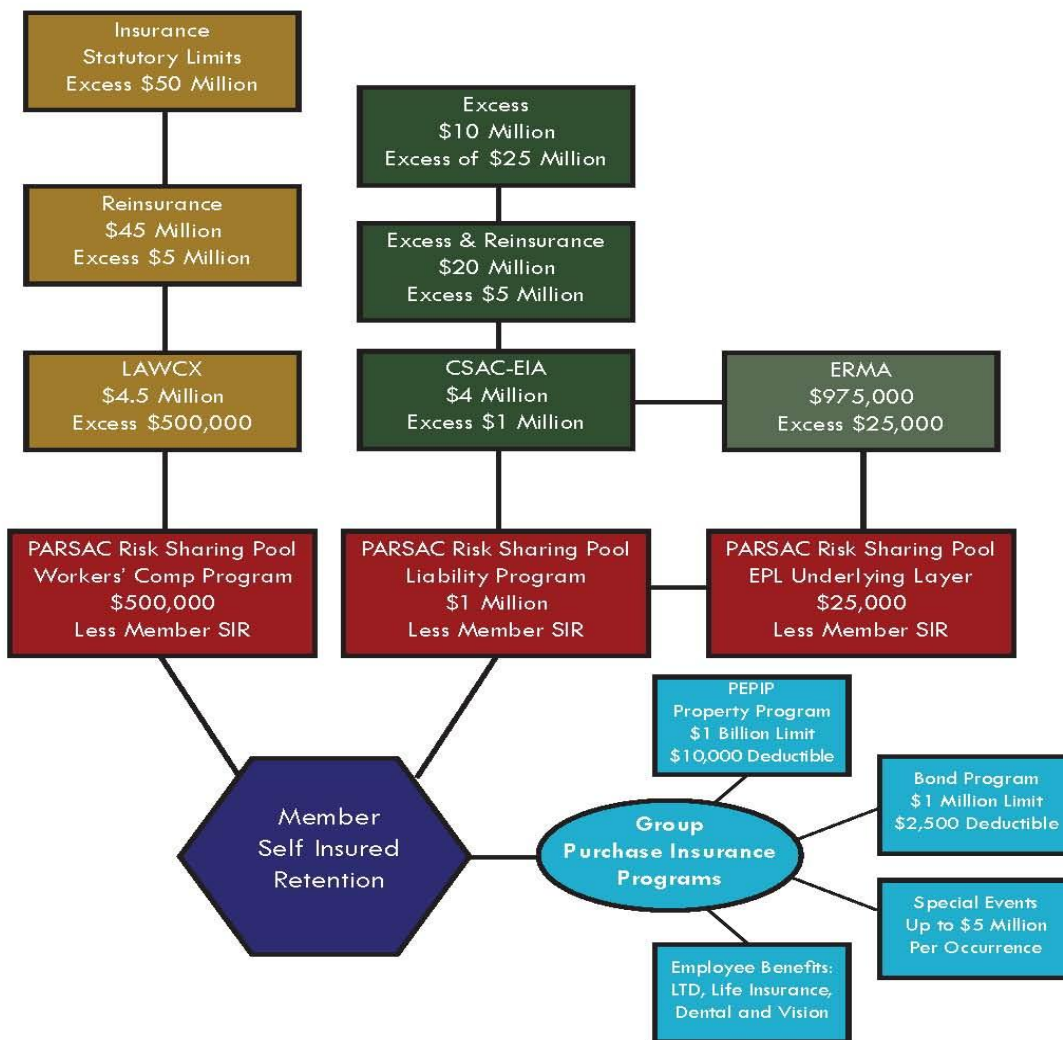
Placerville, Plymouth, Point Arena, Rancho Cucamonga, Rancho Santa Margarita, Rialto, San Juan Bautista, South Lake Tahoe, Tehama, Trinidad, Truckee, Watsonville, Wheatland, Wildomar, Yountville, Yucaipa, . The Twentynine Palms Finance Director sits on the PARSAC Board of Directors.

¹¹³ PARSAC uses a dedicated Workers' Compensation Unit. The unit is composed of a dedicated Examiner, Claims Assistant, Nurse Advocate and Medical Director who have been instrumental in controlling costs through managing treatment and maintaining timely communication with all parties. PARSAC promotes a zero litigation philosophy that ensures all employees receive quality care and timely benefits.

employee dishonesty. It includes loss resulting from failure of any employee to faithfully perform duties as prescribed by law.



Layers of Coverage effective July 1, 2010



B. Forgery or Alteration. Coverage is provided for loss by forgery or alteration of any checks, drafts, promissory notes or similar written promises, orders or directions to pay money that are made or drawn upon your accounts by persons other than your employees.

C. Theft, Disappearance and Destruction. PARSAC provides coverage for losses by theft, disappearance and destruction of money and securities inside premises or banking premises, or outside the premises in the care and custody of a messenger caused by persons other than City employees.

D. Computer Fraud. Coverage is provided by PARSAC for City money, securities and other property for theft which follows and is directly related to the use of any computer to fraudulently cause a transfer of that property from inside the City premises or banking premises to a person or place outside those premises caused by persons other than employees.

5. Special Events Insurance Coverage. PARSAC established special events insurance coverage to provide member cities with a method for transferring risk to individuals or groups using public facilities for events such as weddings, athletic events, fairs or parades. The relatively inexpensive cost of this insurance is calculated prior to the event and is passed through the facility to the users. Members who participate in this program can receive up to \$1,000 credit toward their annual liability premium. The program provides up to \$5 million per occurrence limits and includes coverage for both public and private events. Coverage options include athletic participants, instructors, volunteers, vendors, exhibitors, concessionaires, and liquor liability. Liability limits are \$1 million per occurrence, with optional excess limits up to \$4 million.

Fund Balances In Governmental Funds and Cash and Investments Balances in Enterprise and Fiduciary Funds.

1. Definition and Purpose. Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

The “Cash and Investment Fund Balance” is that portion of fund equity that can be used for operating, capital and debt service expenditures, and is intended to serve as a measure of the financial resources available in an Enterprise Fund. It is essential the City of Twentynine Palms maintain adequate levels of cash and investment fund balances to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable utility rates. Cash and investment fund balance levels are also a crucial consideration in long-term financial planning.

Credit rating agencies carefully monitor levels of fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Those interested primarily in a government’s creditworthiness or economic conditions are likely to favor higher levels of fund balance. Opposing pressures often come from employee unions, taxpayers and citizens’ groups, which may view high levels of fund balance as “excessive.”

2. Fund Balance Policy Considerations. In establishing a policy governing the level of unrestricted (unreserved) fund balance in governmental funds and cash and investment fund balance in its Enterprise Funds, the City Council takes into consideration the following factors:

- A. The predictability of its revenues and the volatility of its expenditures (i.e. higher levels of unrestricted (unreserved) fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
- B. The availability of resources in other funds as well as the potential drain upon General Fund resources from other funds (i.e. the availability of resources in other funds may reduce the amount of unrestricted (unreserved) fund balance needed in the General Fund, just as deficits in other funds may require that a higher level of unrestricted (unreserved) fund balance be maintained in the General Fund.
- C. Liquidity (i.e. disparity between financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained).
- D. Designations (i.e. the City of Twentynine Palms may wish to maintain higher levels of Unrestricted (unreserved) fund balance to compensate for any portion of unrestricted (unreserved) fund balance already designated for a specific purpose).

3. Fund Balance Policy. A reasonable minimum fund balance of 95 % of annual revenues in the General Fund, and 30 % in Special Revenue Funds and Capital Project Funds, and reasonable unrestricted cash and investments balance of 95 % will be maintained in the Enterprise and Fiduciary Funds for the following purposes:

1. Provide sufficient working capital to avoid meeting daily cash needs to avoid using tax-anticipation notes.
2. Provide a reserve to absorb emergency expenditures caused by natural disaster such as fire, flood or earthquake.
3. Cover any unanticipated deficit resulting from a shortfall in actual revenues in a given budget year or unanticipated cuts by the State Legislature and Governor of City revenues.

When the unrestricted (unreserved) fund balance of the General Fund exceeds the amount needed for the above purposes, monies are transferred to the General Capital Projects Fund to be used for capital improvements in the City.

Restricted (reserved) fund balances in the General Fund, Special Revenue Funds, and Capital Projects Funds will be separated out and identified in the City's accounting records, financial statements, budgets and audit reports. This same policy is followed with respect to restricted amounts in the cash and investment balances of the Enterprise Funds. The purpose of this policy is to show the City Council, staff and the public what funds in these balances are unrestricted and what funds are to be used for specific purposes.

Capital Improvement Project Policies

New Construction.

New residential, commercial and industrial developments must be approved by the City Engineer and be fully completed before acceptance by the City. The City requires surety bonds or stand-by letters of credit in a form approved by the City Attorney to guarantee the construction of off-site improvements in all new developments. The improvements that must be installed in each development are water lines, flood control facilities, underground electrical lines, underground telephone lines, underground natural gas lines, underground cable television lines, curbs, gutters, sidewalks and a finished street, with enough road base and asphalt depth to last at least 15 years. Construction standards to achieve this useful life have been determined and adopted by the City Council.

Capital Project Funding and Construction Categories.

Twentynine Palms capital projects may be divided into four categories. They are current-year funded projects, Five-Year Capital Improvements Plan (CIP) projects, planned, but unfunded projects, and unfunded future needs projects.

1. Category 1 Projects: Current -Year Funded Projects. This category includes projects that funding has been appropriated in the current fiscal year's capital budgets and legal contracts have been signed to commit these funds. The City Council has determined through the annual budgeting process that these projects are in the best interest of the public's health, safety and welfare. These projects have been carefully planned to maximize the benefits derived through the use of the City's limited resources. Projects that generate future revenues that will fund future services and projects and benefit the entire community will receive first priority for funding.

2. Category 2 Projects: Five-Year Capital Improvement Plan (CIP) Projects. This category includes projects where funding will come from projected revenues in the second through fifth year of the Five-Year Capital Improvements Plan (CIP). The fiscal year in which anticipated funding has been reserved may change due to the available revenues. All projects in this category must be tied to a projected funding source.

3. Category 3 Projects: Planned but Unfunded Projects. This category includes projects that are planned and required to maintain established levels of services throughout the City for the existing population. Typically these projects are needed as a result of deteriorating infrastructure, updates to various General Plan Elements, or are in areas where minimum levels of service are not currently being met. These projects are not intended to promote residential growth, but to sustain municipal services for the existing residents. If a funding source becomes available, a project in this category may be moved to a Category 2 Project.

4. Category 4 Projects: Unfunded Future Needs Projects. Projects under this category are a condition of future growth and will generally be included in undeveloped areas. It is the intent of the City that development should pay for public improvements to meet established minimum levels of service. In this category, projects are not anticipated to be upgraded to a higher category without revenue generating potential.

Capital Project Financing.

Capital improvements and equipment purchases are financed in accordance with the following policies:

1. General Fund and Enterprise Fund Equipment Purchases. City departments within the General Fund will finance equipment purchases from current year appropriations. Multi-year equipment lease-purchase agreements will be avoided except in the most rare cases.

2. General Infrastructure Construction Projects. Capital projects for general governmental purposes such as land purchases, building construction, road construction, street paving, storm drain installation and other major improvements are financed from revenues allocated to the General Capital Projects Fund. The General Capital Projects Fund contains revenues from unrestricted sources as well as restricted sources such as development impact fees or federal, state and county grants. Major capital improvements that cannot be delayed until the required funds are accumulated may be financed by issuing general obligation bonds, revenue bonds (where permissible), or by a combination of any of these methods.

3. Enterprise Fund Construction Projects. All capital projects in the Enterprise Funds are paid from resources provided by development impact fees, contributed capital revenues and net income from operations. If these sources cannot provide sufficient resources for Enterprise Fund improvements, construction of these improvements may be financed by general obligation bonds, revenue bonds or by a combination of any of these methods.

4. Special Assessment Districts. Capital improvements or public services that benefit a given area may be financed in accordance with state law by special assessment districts. These districts are established where the majority of the residents or businesses want specific improvements or public services and consent to pay for them over time. In these cases the City finances the specific capital improvements with bonds and public services through a special tax or special annual assessment. Property owners then pay the principal and interest for capital improvements over a designated time period.

Utility Coordination.

All capital construction and maintenance projects are coordinated with Southern California Edison, The Gas Company, Time-Warner Communications, Twentynine Palms Water District and other utilities. This saves Twentynine Palms residents money and will avoid tearing out improvements after they have been installed.

Five-Year Capital Improvements Plan.

The Five-Year Capital Improvements Plan (CIP) is a multi-year guide to the construction of community improvements such as roads, storm drains, curbs, gutters, sidewalks, water facilities, sewer facilities, storm drainage facilities and other needed City improvements. It is through this process that the long-range plan for the orderly maintenance and improvement of Twentynine Palms physical fixed assets can be accomplished. This document is intended to serve as a planning tool and is structured to present a meaningful perspective of the community's long-range needs.

The Five-Year Capital Improvements Plan (CIP) determines the budgeted capital projects for the current fiscal year only. There are no specific appropriations established via the adoption of the Five-Year Capital Improvements Plan (CIP) with the exception of the current fiscal year. Subsequent year appropriations and actual funding sources are identified as part of the preparation of the annual budget.

Five-Year Capital Improvements Plan (CIP) Preparation.

Each department is asked every year to identify potential capital projects and their estimated cost. Financial forecasts of the General Fund, Special Revenue Funds and Enterprise Funds are then prepared to identify what monies will be available for future projects. Projects that cannot be funded from money generated through the general course of business must be financed with development impact fees, grants, bonds or must be postponed or cancelled.

During the City Council budget work sessions, potential capital projects are discussed enabling the City Council to review staff recommended projects and make any necessary changes. When consensus is reached on the capital projects and proposed funding sources, the staff will prepare a formal Five-Year Capital Improvement Plan (CIP) document that will be presented to the City Council. The adoption of this document commits the City Council to spend money on projects listed in the current fiscal year only.

The City can face significant changes in economic conditions, funding sources and political priorities every year. Therefore, the Five-Year Capital Improvements Plan (CIP) must be annually updated.

Capital Project Priority Criteria.

Capital projects are prioritized using revenue generating and cost avoidance considerations; health, safety and welfare considerations; level of service considerations; maintenance considerations; aesthetic considerations; and leverage and timing considerations.

1. Revenue Generating and Cost Avoidance Considerations. Projects that enhance revenues or reduce costs will be given first priority in order to improve the financial position of the City and enhance the ability to do future projects or deliver high levels of municipal services. New commercial, residential and industrial development must pay for its infrastructure either by constructing these items or paying impact fees.

2. Health, Safety and Welfare Considerations. One of the primary purposes of government is to provide for the health, safety and welfare of its citizens. The City must provide safe drinking water, safe streets, safe sidewalks as well as adequate police protection, solid waste disposal, and storm water disposal and treatment of municipal sewage.

3. Level-of-Service Considerations. Many older City developments were constructed decades ago and many newer developments do not meet minimum levels of service as established by the federal government, state government, county government or generally accepted engineering standards.

4. Maintenance Considerations. All public improvements must be maintained after the construction is completed. Maintenance staffing and equipment are critical elements that must be considered in project prioritization and must be funded on an on-going basis with revenue sources other than capital improvement funding. The nature of some projects may cause a reduction in maintenance.

5. Aesthetic Considerations. Community appearance and aesthetics are important elements in the quality of life in the community. City aesthetics and appearance helps attract new residential, commercial and industrial developments to the City. Twentynine Palms has buildings and public infrastructure that need to be replaced and upgraded to create a more attractive community.

6. Leverage and Timing Considerations. Projects that may be funded by entitlement grants or competitive grants from the federal, state and county governments will be considered based

on the availability of funds and the requirements of the granting agency. In addition, the City Council may accelerate capital projects where the City has the opportunity to participate in partnership with other public or private entities or where timing is critical or funding may be lost.



Bon Van Lahr 29 Palms Inn

Budget Policies

The annual budget conforms to Twentynine Palms' Strategic Plan and City Council goals and objectives and is the primary mechanism for their implementation. The budget is a policy document, operations guide, financial plan and a communications device. It is the single most important means of setting spending policies and priorities in the City. It constitutes approval by the City Council of service levels and operating programs and provides resources to finance them. Expenditures must be kept within total appropriations for all Accounting Funds.

Funding Public Services.

Adequate revenue streams are important to fund municipal services determined appropriate by the City Council. It is the policy of the City Council to take appropriate steps to ensure full and continued funding for services, programs and facilities that the City is required to provide by law or regulation or elects to provide. Pursuant to this policy the City will:

- 1. New or Expanded Programs.** The City will consider requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered during the middle of the year.
- 2. Monitor Revenue Sources:** All revenue sources will be monitored to maximize revenue collections and provide early warning if revenues fail to meet projections.
- 3. Federal, State and Private Grants.** The City will pursue federal, state and private grants, but will strictly limit financial support of these programs to avoid commitments which continue beyond available funding.
- 4. New Revenues and Revenue Diversification.** The City will continuously seek new revenues and diversify its revenue sources to provide resource stability and limit the dependence on single or a small number of revenue sources.

Balanced Budget.

The City of Twentynine Palms will live within its means. All City departments, activities and programs must function within the limits of the financial resources identified and available specifically to them by the City Council or the City Manager. Twentynine Palms will adopt a balanced budget that maintains a balance between all fund revenues and personnel, maintenance and operations, capital and debt service expenditures during the current budget period and over the long term. Twentynine Palms will not spend beyond its revenue streams means no matter how meritorious the program or proposed expenditure.

As stated above in the accounting policies section, the City uses the modified accrual accounting basis in recognizing revenues and expenditures for the purpose of determining a balanced budget. The City Council with the recommendation and input of the City Manager and the City's independent certified public accountants ultimately determines whether there is a balanced budget. The point at which the budget must be balanced is at the end of the fiscal year.

The City Manager has the authority to reduce, augment or realign the budgets of each accounting fund or to transfer funds between each accounting fund during the fiscal year to maintain a balanced budget. Staff will disclose to the City Council when there is a temporary annual budget shortfall or annual operating deficit.

Specific plans to bring revenues into line with expenditures will be developed and implemented by the department heads, City Manager and City Council to correct any temporary shortages or operating deficits. In addition, the following policies are followed to insure a balanced budget.

1. Revenue Estimates. Revenue estimates will strive for accuracy by coming as close as possible to the actual outcome. However, the forecasting of sharp turns in the national, state and local economies is always problematic. In addition, attempting to predict what the governor and State Legislature will do with designated City revenues in their attempt to deal with the on-going state budget crisis is almost impossible. Revenue forecasting is not an exact science and at times relies upon the best professional judgment of the forecaster. To reduce the risks of miscalculating revenues or expenditures, the City attempts to identify as many factors as possible that may contribute to changes in revenues and expenditures.

2. Current Appropriations. Current appropriations in all funds are limited to the sum of available, unencumbered cash balances and revenues estimated to be received in the current budget period. Use of unrestricted fund balances is appropriate, but will be carefully scrutinized.

3. Special Revenue Funds and Capital Project Funds Supported by Grants or Intergovernmental Revenues. Expenditures in these funds are strictly limited to the mandates of the funding source. Special Revenue Funds and Capital Projects Funds supported by grants or intergovernmental revenues are strictly limited to the mandates of the funding source. These funds are not to be used to subsidize other funds, except as required or permitted by program regulations.

4. Enterprise Funds. Enterprise Funds will be self-supporting entities through annual reviews of their fee structures, charges for services, and other operating revenues and expenditures.

5. Internal Service Funds. Sufficient charges and rate schedules shall be levied to support operations of internal service funds. No trend of operating deficits shall be allowed. Services shall be scaled to the level of support available from these charge backs.

6. User Charges and Fees. Sufficient user charges and fees shall be pursued and levied to support the full cost (operating, direct, indirect and capital) of operations. Market rates and charges levied by other public and private organizations shall be considered when establishing tax rates, fees and charges.

7. New Revenues. New and expanded unrestricted revenue streams shall be first applied to support existing programs prior to funding new or expanded programs.

8. Restricted and Unrestricted Financial Resources. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources.

9. Multi-Year Capital Cost Projections. Multi-year capital cost projections shall be prepared and updated each year to identify the impact on resources.

10. Five-Year Capital Improvements Plan. A Five-Year Capital Improvements Plan shall be prepared and updated each year. The operating impact of each project shall be identified and incorporated into annual operating budgets. Capital assets shall be purchased and maintained on a regular schedule.

11. Use of Fund Balance. Unrestricted (unreserved) fund balance will only be used for capital expenditures or one-time projects if the total fund balance exceeds 95% of the previous year's fund revenues. Fund Balance will only be used for operating expenses in the event of an economic down turn that reduces projected revenues or to cover unanticipated revenue shortfalls.

Budget Appropriations.

All City Accounting Funds are included in the annual budget and all revenues and other financing sources are appropriated by the City Council each fiscal year in the annual budget. All Accounting Funds are included in the City's annual audited financial statements, reviewed by the City's independent certified public accountants. The accounting basis in the City's annual budget is the same as the accounting basis used in the City's annual audited statements. Annual operating budgets in the General Fund and Enterprise Funds are carefully reviewed to insure that budget appropriations reflect appropriate funding for service levels established by the City Council. Budget appropriations are conservative because the City feels government units' function more efficiently under conservative operating budgets than where excess funds are made available.

Appropriations Limit.

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must be either refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements.

Proposition 218.

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments and fees are subject to the voter initiative process and may be rescinded in the future by the voters.

Budgetary Control and Accountability.

The budgetary control and accountability is maintained at the department level. The City Council has the authority to adopt the annual budget and transfer budget appropriations between individual Funds. The City Manager acting as the City's Budget Officer, has the authority to transfer budget appropriations between funds, departments and individual line items to maintain a balanced budget.

Unexpended Appropriations.

Encumbrances outstanding at year-end are reported as reservations of fund balances because the commitments will be honored during the subsequent year. Unexpended appropriations cannot be used in subsequent years.

Budget Adoption Procedures.

Budgetary procedures for the City have been established by the City Council, which require the legal adoption of a budget for all Accounting Funds. The following are the administrative procedures followed by the City in its budgetary process. (Please also see Figure 17.)

1. Budget Preparation. Department heads meet with employees and prepare proposed operating and capital budgets, as well as department goals and performance standards for the coming fiscal year based on guidance provided by the City Manager and City Council. The department heads submit these proposed budgets along with proposed goals and performance standards to City Manager no later than March 1. The Finance Director and City Manager takes information prepared by department heads and prepares the proposed budget for the coming fiscal year for the City Council.

Figure 17 Annual Budget Calendar		
Annual Budget Event	Time	Comments
Department heads submit proposed operating and capital budgets, goals and performance standards to City Manager	March 1	City Manager and Finance Director take information prepared by department heads and prepare the proposed budget for coming fiscal year.
City Manager presents proposed budget to City Council	May	Proposed operating and capital budgets for all Accounting Funds is distributed to public, press and City Council. Copies are available for public review at City Hall and on City website.
City Council reviews budget in work meetings	May and June	City Council conducts reviews during work meetings.
Public Hearing	June	Public is invited to comment on proposed annual budget. City Council makes final budget changes. City Manager incorporates changes made by City Council into final budget document.
Budget Adoption by City Council	June 30	Final budget is adopted by the City Council. Since City revenues are highly dependent upon the actions of the State Legislature, final budget adoption may be delayed in any given year until state budget is adopted.

2. Budget Presentation. During the month of May, the City Manager, authorized by the City Council to act as the Budget Officer, submits a proposed operating and capital budgets for all Governmental, Proprietary and Fiduciary Funds to the City Council for the subsequent fiscal year. The budget documents illustrate proposed financing sources along with the proposed operating and capital budget expenditures.

3. Budget Work Meetings. The City Council holds one or more public budget work meetings to review the proposed annual budget.

4. Budget Public Hearing. A public hearing is held to receive comments on all aspects of the proposed budget. A notice in the local newspaper precedes the hearing. The notice is given at least ten days before the hearing and includes the time, date and place of the hearing. All budget documents are required to be available at least seven days prior to the public hearing.

5. Budget Adoption. A final budget is adopted by the City Council for the subsequent fiscal year beginning July 1. Since city revenues are highly dependent upon the actions of the State Legislature, final

budget adoption may be delayed in any given year until the Governor and State Legislature adopt a state budget.



F.L. Botsford and Dale and Pinto District miner Jack Meek--March 22, 1947



El Rancho Delores Motel--1940's



SECTION 5

BUDGET SUMMARIES



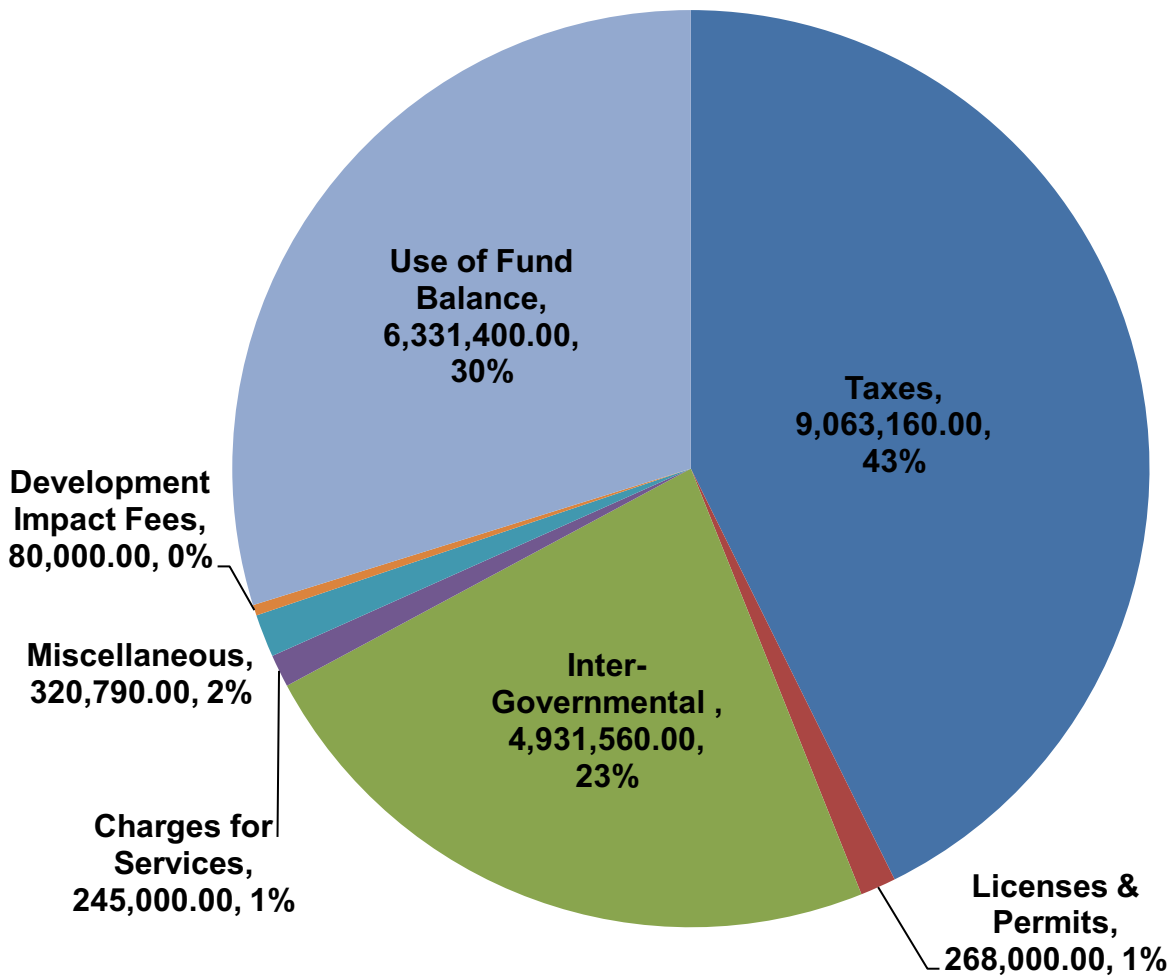
Plaza Merchants--1932

BUDGET REVENUE SUMMARY BY FUND

REVENUE CATEGORY

Accounting Fund	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Miscellaneous	Development Impact Fees	Use of Fund Balance	Total
General Fund	7,096,000	268,000	103,000	245,000	173,000	0	0	7,885,000
General Capital Projects Fund	0	0	962,900	0	0	0	0	962,900
Community Development Block Grant Fund	0	0	113,060	0	0	0	0	113,060
Curb, Gutter and Sidewalk Impact Fee Capital Projects Fund	0	0	1,325,000	0	0	40,000	0	1,365,000
Fire Development Impact Fee Fund	0	0	0	0	0	40,000	0	40,000
Traffic Safety Special Revenue Fund	0	0	0	0	92,000	0	0	92,000
Gasoline Tax Special Revenue Fund	0	0	958,400	0	500	0	0	958,900
Proposition 42 Traffic Congestion Relief Special Revenue Fund	0	0	0	0	0	0	337,400	337,400
Combined Measure I Capital Projects Fund	0	0	800,000	0	16,000	0	1,653,800	2,469,800
Bikeways and Sidewalks Article 3 Special Revenue Fund	0	0	0	0	0	0	95,700	95,700
AB 2766 Motor Vehicle Surcharge Special Revenue Fund	0	0	98,700	0	250	0	0	98,950
Transportation Development Act Special Revenue Fund	0	0	260,000	0	1,500	0	0	261,500
Risk Management Internal Service Fund	0	0	0	0	0	0	100,500	100,500
Lighting and Landscape Districts Special Revenue Fund	30,160	0	0	0	240	0	3,400	33,800
Public Access TV Special Revenue Fund	0	0	0	0	10,500	0	0	10,500
Equipment Purchase Internal Service Fund	0	0	0	0	0	0	35,900	35,900
Landfill/Land Use Special Revenue Fund	0	0	55,000	0	800	0	45,700	101,500
RDA Capital Projects Fund	0	0	254,500	0	4,000	0	2,003,000	2,261,500
RDA Low & Moderate Housing Special Revenue Fund	387,000	0	1,000	0	12,000	0	1,763,000	2,163,000
RDA Debt Service Fund	1,550,000	0	0	0	10,000	0	293,000	1,853,000
Grand Total	9,063,160	268,000	4,931,560	245,000	320,790	80,000	6,331,400	21,239,910

Figure 18
City of Twentynine Palms
Total City Revenues For All Accounting Funds
FY2012



This figure shows the combined projected revenue sources for all 20 City accounting funds for FY2012 and the percentage of total revenues that each revenue source contributes. Total projected revenues of all 20 accounting funds are \$21,239,510.

BUDGET EXPENDITURE SUMMARY BY FUND EXPENDITURE CATEGORY

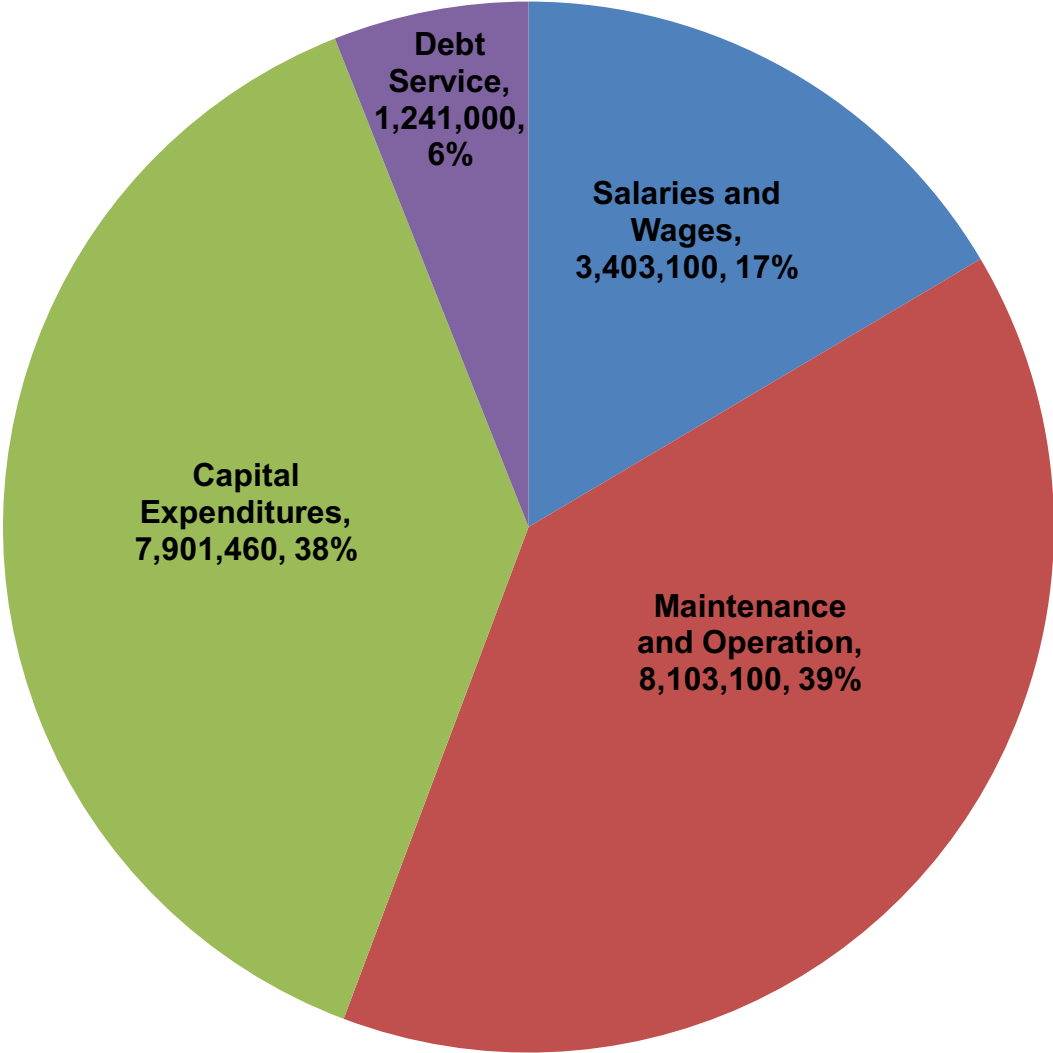
Accounting Fund	Salaries and Wages	Maintenance and Operations	Capital Expenditures	Debt Service	Total
Elected Officials Department	53,600	15,000	0	0	68,600
Administrative Services Department	273,500	223,500	0	0	497,000
Finance	216,100	16,800	0	0	232,900
City Clerk	242,700	17,100	0	0	259,800
Non-Departmental	0	950,700	0	0	950,700
Economic Development	0	197,250	0	0	197,250
Community Development Department	222,100	121,300	0	0	343,400
Building & Safety	0	110,000	0	0	110,000
Code Enforcement	124,500	4,600	0	0	129,100
Police Department (Sheriff Contract)	0	3,158,000	0	0	3,158,000
Animal Control Department	317,300	85,200	0	0	402,500
Public Works Department	14,000	14,500	0	0	28,500
Parks Division	284,600	137,200	0	0	421,800
Community Services Department	261,300	62,000	0	0	323,300
Recreation	476,500	144,500	0	0	621,000
Luckie Park Swimming Pool	40,200	34,550	0	0	74,750
Senior Center	0	34,000	0	0	34,000
Youth Club	0	9,400	0	0	9,400
Community Center	0	22,900	0	0	22,900
Total General Fund	2,526,400	5,358,500	0	0	7,884,900
General Capital Projects Fund					
Wastewater Treatment Plant Study	0	0	100,000	0	100,000
Gateway Signs	0	0	50,000	0	50,000
Animal Control Truck	0	0	45,000	0	45,000
Ball field Groomer	0	0	8,000	0	8,000
Encelia Street Connection	0	0	200,000	0	200,000
Collins Bike Path	0	0	15,000	0	15,000
Knott's Sky Park Electrical Plan & Construction	0	0	80,000	0	80,000
Downtown Crosswalk – Tamarisk	0	0	20,000	0	20,000
Slurry Seal Community Center Parking Lot	0	0	15,000	0	15,000
Sunnyvale/Sun Valley Curbs, Gutters & Sidewalk	0	0	245,000	0	245,000
Hardware and Software System Upgrades	0	0	90,000	0	90,000
Luckie Park Pool Upgrade	0	0	32,000	0	32,000
Mural Replacement or Other Public Art	0	0	20,000	0	20,000
Fireworks Display	0	0	25,000	0	25,000
Total General Capital Projects Fund	0	0	945,000	0	945,000
Community Development Block Grant Fund	0	0	113,060	0	113,060
Curb, Gutter and Sidewalk Impact Fee Fund					
National Park Drive Sidewalk Project	0	0	450,000	0	450,000
Downtown Sidewalk Construction	0	0	500,000	0	500,000
City Match – Sunnyvale/Sun Valley Sidewalks	0	0	106,000	0	106,000
Total C, G and Sidewalk Impact Fee Fund	0	0	1,056,000	0	1,056,000
Fire Develop Impact Fees Capital Projects Fund	0	0	0	0	0
Traffic Safety Special Revenue Fund	0	92,000	0	0	92,000
Gasoline Tax Special Revenue Fund	681,700	181,600	0	0	863,300

Accounting Fund	Salaries and Wages	Maintenance and Operations	Capital Expenditures	Debt Service	Total
Proposition 42 Traffic Congestion Relief Fund	0	0	337,400	0	337,400
Measure I Combined Funds	0	751,800	1,718,000	0	2,469,800
Bikeways and Sidewalks Article 3 Fund	0	95,700	0	0	95,700
AB 2766 Motor Vehicle Surcharge Fund	0	15,300	0	0	15,300
Transportation Development Act (TDA) Fund	0	220,000	0	0	220,000
Risk Management Internal Service Fund	0	100,500	0	0	100,500
Landscape and Lighting Districts Fund	0	33,800	0	0	33,800
Public Access TV Special Revenue Fund	0	7,000	0	0	7,000
Equipment Purchase Special Revenue Fund	0	35,900	0	0	35,900
Landfill/Land Use Special Revenue Fund	0	101,500	0	0	101,500
Redevelopment Agency (RDA) Capital Projects Fund	163,000	266,500	1,832,000	0	2,261,500
Redevelopment Agency (RDA) Low- and Moderate-Income Housing Fund	32,000	31,000	1,900,000	200,000	2,163,000
Redevelopment Agency Debt Service Fund	0	812,000	0	1,041,000	1,853,000
Grand Total All Accounting Funds	3,403,100	8,103,100	7,901,460	1,241,000	20,648,660

Twentynine Palms Visitor Center



Figure 19
City of Twentynine Palms
Total City Expenditures For All Accounting Funds
FY2012



This figure shows the combined projected expenditures for all City accounting funds for FY2012 and the percentage of total expenditures across all accounting funds. The total projected expenses for FY2012 from all accounting funds are \$20,648,660.

FY2012 PROJECTED CHANGES IN FUND BALANCES

Governmental Accounting Funds (Tax-Supported Activities)

Definition and Purpose.

Accountants employ the term “Fund Balance” to describe the net assets of Governmental and Fiduciary Funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential that the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance in a government’s General Fund to evaluate a government’s continued creditworthiness. Those interested primarily in a government’s creditworthiness or fiscal condition are more likely to favor higher levels of fund balance.

The table below shows the estimated fund balance of each Accounting Fund on July 1, 2011, and the estimated fund balance on June 30, 2012.

Governmental Accounting Fund	Estimated Beginning Fund Balance July 1, 2011	Estimated Increase or Decrease In Fund Balance	Estimated Ending Fund Balance June 30, 2012
General Fund	\$ 11,083,969	\$ 100	\$ 11,084,069
General Capital Projects Fund	0	17,900	17,900
Community Development Block Grant (CDBG) Fund	0	0	0
Curb, Gutter and Sidewalk Impact Fee Capital Projects Fund	0	309,000	309,000
Fire Development Impact Fees Capital Projects Fund	-300,000	40,000	-260,000
Traffic Safety Special Revenue Fund	191,701	0	191,701
Gasoline Tax Special Revenue Fund	508,526	120,600	629,126
Proposition 42 Traffic Congestion Relief Special Revenue Fund	337,400	-337,400	0
Combined Measure I Capital Project Fund	3,348,472	-1,653,800	1,694,672
Bikeways and Sidewalks Article 3 Special Revenue Fund	95,700	-95,700	0
AB 2766 Motor Vehicle Surcharge Special Revenue Fund	0	83,650	83,650
Transportation Development Act (TDA) Special Revenue Fund	226,089	41,500	267,589
Risk Management Internal Service Fund	100,500	-100,500	0
Lighting & Landscaping Assessment Districts Special Revenue Fund	48,951	-3,400	45,551
Public Access TV Special Revenue Fund	88,823	3,500	92,323
Equipment Purchase Internal Service Fund	35,900	-35,900	0
Landfill/Land Use Special Revenue Fund	48,683	-45,700	2,983
Redevelopment Agency Capital Projects Fund	7,356,993	-2,003,000	5,353,993
Redevelopment Agency Low/Moderate Income Housing Fund	4,781,798	-1,763,000	3,018,798
Redevelopment Agency Debt Service Fund	2,262,180	-293,000	1,969,180
Total Governmental Funds Estimated Change in Fund Balance	\$ 30,215,685	\$ -5,715,150	\$ 24,500,535

Projected Significant Changes in Fund Balance (Greater than 10%).

Total fund balance for all Governmental Funds will be decreased by \$5,715,150 from \$30,215,685 to \$24,500,535 during FY2012. Significant deviations, defined as a change in fund balance of more than 10%, are explained below:

General Capital Projects Fund. The City uses a General Capital Projects Fund to account for financial transactions related to the purchase of major capital equipment or the construction of major capital facilities (other than those that are constructed in various development impact capital projects funds, special revenue funds or in the Twentynine Palms Redevelopment Agency. Funds deposited in this Accounting Fund are generally grants or one-time non-recurring revenues. The General Capital Projects Fund will collect \$962,900 in revenues and spend \$945,000 for capital projects and capital equipment. This will leave an increase in the fund balance of \$17,900 during the fiscal year.

Curb, Gutter and Sidewalk Impact Fee Capital Projects Fund. A separate Capital Projects Fund has been established to record the revenues and expenditures for all curb, gutter and sidewalk development impact fees paid by residential, commercial or industrial developers where the location, geography, or other factors preclude the installation of these off-site improvements at the time of development. Prior to FY2012, the collections were recorded as a liability in the General Fund. During FY2012, the City will transfer \$1,365,000 from the General Fund to the Curb, Gutter and Sidewalk Capital Projects Fund. It will spend \$1,056,000 from this fund for curb, gutter and sidewalk projects, leaving a fund balance at the end of the fiscal year of \$309,000. Money will be used in a future fiscal year to do a larger one-time project.

Gasoline Tax Special Revenue Fund. This Accounting Fund is used to account for revenues and the related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highway Code. This Accounting Fund is used to record the financial transactions primarily for operating costs for City streets and roads. The fund balance will increase by \$120,600 on revenues of \$958,900 and expenditures of \$863,300. This increase in fund balance is the result of a \$117,400 Transfer of Proposition 42 Special Revenue Funds to the Gasoline Tax Special Revenue fund and the City's efforts to hold down operating costs.

Proposition 42 Traffic Congestion Relief Special Revenue Fund. On March 4, 2010, as part of a special budget session called by the Governor, the State Legislature passed ABx8 6 and ABx8 9, which contain provisions for a swap of State sales taxes on gasoline for a gasoline excise tax. The bills were signed by the Governor on March 22. Governor Schwarzenegger signed AB 70 on March 23, which is a clean up to ABX8 6 on March 23, 2010. This legislation eliminated Proposition 42 funding for FY2011, and replaced it with additional gasoline excise tax allocation to cities and counties. The law included expressed legislative intent to fully replace City and County Proposition 42 State sales tax on gasoline with allocations from the new higher motor vehicle gasoline excise tax (HUTA) rate. There will be no Proposition 42 revenues during FY2012, and the City intends to close out this accounting fund in FY2012.

The City is appropriating the entire \$337,400 in Proposition 42 Fund Balance during FY2012. The use of \$337,400 in fund balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. The City will transfer \$117,400 of the Proposition 42 Special Revenue Fund Balance to the Gasoline Tax Special Revenue Fund and \$220,000 from fund balance to the General Capital Projects Fund. Since this accounting fund is being closed out at the end of FY2012, there will be no ending fund balance on June 30, 2012.

Combined Measure I Capital Projects Fund. The Combined Measure I Capital Projects fund is used to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of Measure I half-cent retail transaction and use tax to construct, repair, rehabilitate and maintain City streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities. The Combined Measure I Capital Projects Fund will have an estimated beginning fund balance of \$3,384,472 on July 1, 2011. The City will use

\$1,653,800 during FY2012 for slurry seal, advanced seal, construction and reconstruction projects during FY2012, leaving an ending fund balance of \$1,694,672 for future projects.

Bikeways and Sidewalks Article 3 Special Revenue Fund. The City does not anticipate that it will deposit any Bikeways and Sidewalks Article 3 allocations from the revenues collected as part of the Transportation Development Act (TDA). It will use \$95,700 from the Fund Balance during FY2012. The use of \$95,700 in FY2012 from the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. Total resources available for FY2012 are \$95,700. Twentynine Palms will transfer the entire fund balance to other funds during FY2012. \$15,000 will be transferred to the General Capital Projects Fund to complete the Collins Bike Path. Another \$80,700 transferred to the AB 2766 Motor Vehicle Surcharge Special Revenue Fund during the fiscal year. Total funds transferred out during FY2012 will be \$95,700. There will be no City funds in the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance on June 30, 2012.

AB 2766 Motor Vehicle Surcharge Special Revenue Fund. The City anticipates that it will receive \$18,000 in grants to upgrade its heavy-duty diesel equipment to reduce nitrogen (NOx), particulate matter (PM) and reactive organic gases (ROG). Interest earnings are projected to be \$250 and another \$80,700 will be transferred from the Bikeways and Sidewalks Article 3 Special Revenue Fund. Total FY2012 resources available for appropriation are \$98,950. Twentynine Palms will spend \$15,300 to install diesel engine kits on City diesel powered trucks and equipment to reduce air pollution and improve air quality during FY2012. The AB2766 Motor Vehicle Surcharge Fund Balance will increase to \$83,650 on June 30, 2012.

Transportation Development Act (TDA) Special Revenue Fund. The City will continue to see a continued reduction in Transportation Development Act (TDA) Article 8 funds. Twentynine Palms has been informed that it will receive \$250,000 from the San Bernardino Associated Governments (SANBAG) during FY2012. In addition, the City will transfer \$10,000 from the Risk Management Internal Service Fund to the Transportation Development Act (TDA) Special Revenue Fund for streets and roads. Another \$1,500 will be earned in interest revenue. Total financial resources available for appropriation are \$261,500. The City will spend \$220,000 in Transportation Development Act (TDA) funds during FY2012. This includes \$20,000 for road maintenance and \$200,000 to slurry seal City streets. The Transportation Development Act (TDA) Fund Balance will increase from \$226,089 on July 1, 2011 to a projected \$267,589 on June 30, 2012.

Risk Management Internal Service Fund. The City operated a Risk Management Internal Service Fund to keep track of revenues and expenditures related to the City's liability, workers' compensation, property and bond insurance coverage. The Risk Management Internal Service Fund would pay insurance premiums and then charge each accounting fund a portion of the premium. Beginning in FY2012, to simplify the City's accounting system, insurance premiums are charged directly to each accounting fund and this Accounting Fund will be discontinued. The City will appropriate \$100,500 from the Risk Management Internal Service Fund Balance for transfer to other accounting funds. This use of \$100,500 in FY2010 and \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. The City will transfer \$74,000 to the General Capital Projects Fund and \$26,500 to the Gasoline Tax Special Revenue fund, Transportation Development Act (TDA) Special Revenue and the Twentynine Palms Redevelopment Agency. There will be no fund balance in the Risk Management Internal Service Fund on June 30, 2012.

Equipment Purchase Internal Service Fund. The Purpose of the Equipment Purchase Internal Service Fund was to account for the financial resources used to purchase and dispose of cars, trucks, heavy equipment and rolling stock used in City operations and to provide City services. Departments would pay into this accounting fund each year whether or not they bought new vehicles, heavy equipment or rolling stock. When the department needed to purchase new equipment they could draw upon the funds that had accumulated in this Accounting Fund. This Accounting Fund is being discontinued in FY2012 and the purchase of vehicles and heavy equipment will be accounted for in the appropriate Special Revenue Fund or Capital Projects Fund. No revenues are being deposited into this Accounting Fund. The City will transfer \$35,900 to the General Capital Projects Fund to

purchase equipment. The Equipment Purchase Internal Service Fund will end the fiscal year on June 30, 2012 with no fund balance.

Landfill/Land Use Special Revenue Fund. The mission of the Landfill/Land Use Special Revenue Fund is to account for solid waste revenues including grant revenues, and landfill tipping fee revenues from haulers outside the county as well as expenses for abandoned vehicle abatement, dangerous building abatement, graffiti removal, illegal dumping, recycling programs, hazardous household waste programs, litter reduction and expenses related to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority. Twentynine Palms anticipates that it will receive a \$5,000 grant from the California Department of Conservation for recycling plastic containers. This grant comes from the California Redemption Value (CRV) that is charged by retailers on all beverage containers. It will also receive \$500 in interest revenue and \$50,000 in Article 19 fees from San Bernardino County landfills. Total resources available for appropriation are \$55,800. The City will spend \$101,500 on solid waste programs including \$500 for abandoned vehicle abatement, \$5,000 in dangerous building abatement, \$10,000 to cleanup illegal dumping, \$10,000 for recycling programs, \$40,000 for the household hazardous waste program, and \$5,000 in plastic container litter reduction. The City will also contribute \$30,000 to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority. The Landfill/Land Use Special Revenue Fund Balance will be reduced from \$48,683 on June 30, 2011 to \$2,983 on June 30, 2012. In FY2013, the City will need to increase the revenues of this Accounting Fund, reduce its expenses or charge the expenses to another Accounting Fund.

Redevelopment Agency Capital Projects Fund. The mission of the Twentynine Palms Redevelopment Agency Capital Projects Fund is to account for all activities, revenues, expenditures, assets and liabilities for the purpose of securing commercial and industrial development for job creation and revitalization of blighted residential, commercial or industrial areas in the City of Twentynine Palms. The Twentynine Palms Redevelopment Agency Capital Projects Fund revenues are projected to be \$2,261,500 during FY2012. Revenues will include \$4,500 transfer from the Risk Management Internal Service Fund, a \$250,000 transfer from the Redevelopment Agency Debt Service Fund, \$4,000 in interest income and the use of \$2,003,000 from the Redevelopment Agency Capital Projects Fund Balance. The use of \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. Total financial resources to be appropriated from all revenue sources during FY2012 are \$2,261,500.

The City and the Redevelopment Agency will need to focus its resources (especially with regard to the 2011 bond proceeds) to eliminate blight, create jobs and transform and revitalize the downtown. The City will spend \$25,000 on marketing and business promotion and another \$50,000 on other economic development efforts from the Redevelopment Agency. These funds will be combined with \$90,000 tourism advertising budget and the \$25,000 business recruitment and promotion budget the General Fund economic development budget. Funds will be spent in accordance with a marketing plan developed by elected officials, the Chamber of Commerce, the Innkeepers Association and other local businesses and interested stakeholders. In addition to marketing the downtown, the Redevelopment Agency will spend \$31,000 to complete the Redevelopment Agency's portion of the General Plan, \$10,000 to update the Downtown Specific Plan, and \$7,000 to purchase new accounting software.

Redevelopment Agency Capital projects will include \$285,000 to eliminate abandoned, dangerous and blighted buildings, \$300,000 to develop and implement a property improvement program to assist business owners, \$25,000 for sidewalk repairs, \$750,000 for Project Phoenix, and \$150,000 for projects to be designated at a later date by the City Council. The Redevelopment Agency Capital Projects fund will also combine \$300,000 of its money with \$200,000 from the Measure I Capital Projects Fund to complete the environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue. Total Redevelopment Agency Capital Projects Fund spending during FY2012 will be \$2,261,500. The Redevelopment Agency Capital Projects Fund Balance will be reduced from \$7,356,993 on June 30, 2011 to \$5,353,993 on June 30, 2012.

Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund. The mission of the Low- and Moderate-Income Housing Special Revenue Fund in the Twentynine Palms Redevelopment Agency is to account for all activities, revenues, expenditures, assets and liabilities used for increasing or improving housing for low- and moderate-income households. The Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund revenues during FY2012 are projected to be \$2,163,000. This includes \$387,000 in tax increment funds, \$12,000 in interest income, \$1,000 transfer from the Risk Management Internal Service Fund and \$1,763,000 from the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance. The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Fund Balance represented the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Expenditures in the Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Fund will include \$32,000 for personnel services, \$31,000 for maintenance and operations expenses and \$200,000 for debt service payments. \$1,900,000 is reserved for a future low- and moderate-income housing project to be determined at a later date by the City Council. Total FY2012 expenditures are \$2,163,000. The Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance will be decreased from \$4,781,798 on July 1, 2011 to \$3,018,798 on June 30, 2012.

Redevelopment Agency Debt Service Fund. The purpose of the Debt Service Fund in the Twentynine Palms Redevelopment Agency is to account for the activities, revenues, expenditures, assets and liabilities of the Redevelopment Agency for debt service payments, Education Revenue Augmentation Fund (ERAF) payments and any pass through payments to other taxing agencies required by law or contract. The Twentynine Palms Redevelopment Agency Debt Service Fund tax increment revenues during FY2012 are projected to be \$1,550,000. Interest revenues are projected to be \$10,000 and \$293,000 will be taken from the Redevelopment Agency Debt Service Fund Balance. The use of \$293,000 in FY2012 in Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's surplus and appropriating it in FY2012. Total funds available for appropriation during FY2012 are \$1,853,000.

Expenditures in the Twentynine Palms Redevelopment Agency Debt Service Fund include \$388,000 in pass through payments to other taxing entities, \$99,000 in Education Revenue Augmentation Fund (ERAF) payments to the State of California, \$25,000 in San Bernardino County administrative charges for the collection of property tax, \$250,000 transfer to the Redevelopment Agency Capital Projects Fund, \$50,000 in debt interest payments and \$1,041,000 in debt principal payments. Total expenditures are projected to be \$1,853,000. The Redevelopment Agency Debt Service Fund Balance is expected to decrease from \$2,262,180 on July 1, 2011 to \$1,969,180 on June 30, 2012.



Bill and Frances Keys and friends—1918

BUDGET REVENUE AND EXPENDITURE SUMMARY BY MAJOR FUND CATEGORY

General Fund

Revenues

Property Taxes	\$ 1,725,000
Other Taxes	5,371,000
Licenses and Permits	268,000
Intergovernmental Revenue	103,000
Charges for Services	245,000
Use of Property and Money	95,000
Miscellaneous	30,000
Transfers from Other Funds	48,000
Total General Fund Revenues	\$ 7,885,000

Expenditures

Elected Officials Department	\$ 68,600
Administrative Services Department	989,700
Non-Departmental	950,700
Community Development Department	779,750
Law Enforcement	3,560,500
Public Works Department	450,300
Community Services (Recreation)	1,085,350
Total General Fund Expenditures	\$ 7,884,900

General Capital Projects Fund

Revenues

Transfer from General Fund	\$ 373,000
Transfers from Other Funds	344,900
SANBAG Grant – Sunnyvale Sun Valley Curb, Gutters and Sidewalks	245,000
Total General Capital Projects Fund Revenues	\$ 962,900

Expenditures

Wastewater Treatment Plant Study	\$ 100,000
Vehicles & Equipment	53,000
Minor Projects	100,000
Encelia Street Connection from Sunnyslope Avenue to Two-Mile Road	200,000
Knott's Sky Park Electrical Master Plan and Underground Electrical Construction	80,000
Sunnyvale/Sun Valley Curbs, Gutters and Sidewalks	245,000
Hardware and Software Systems Upgrades	90,000
Luckie Park Swimming Pool Upgrade	32,000
Mural Replacement or Other Public Art	20,000
Fireworks Display	25,000
Total General Capital Projects Fund Expenditures	\$ 945,000

Community Development Block Grant (CDBG) Special Revenue Fund

Revenues

Community Development Block Grant (CDBG) Revenue	\$ 113,060
Total Community Development Block Grant (CDBG) Revenues	\$ 113,060

Expenditures

Luckie Park Swimming Pool Upgrade	\$ 38,060
Luckie Park Well Project	75,000
Total Community Development Block Grant (CDBG) Expenditures	\$ 113,060

Curb, Gutter and Sidewalk Development Impact Fee Capital Projects Fund

Revenues

Curb, Gutter and Sidewalk Development Impact Fees	\$ 40,000
Transfer from General Fund	1,325,000
Total Curb, Gutter and Sidewalk Development Impact Fees Revenue	\$ 1,365,000

Expenditures

National Park Drive Sidewalk Project	\$	450,000
Downtown Sidewalk Construction		500,000
City Match – Sunnyvale/Sun Valley Sidewalk Project		106,000
Total Curb, Gutter and Sidewalk Development Impact Fee Capital Expenditures	\$	1,056,000

Fire Development Impact Fees Capital Projects Fund

Revenues

Fire Development Impact Fees	\$	40,000
Total Fire Development Impact Fees Capital Projects Fund Revenue	\$	40,000

Expenditures

No Expenditure of Fire Development Impact Fees	\$	0
Total Fire Development Impact Fees Capital Projects Fund Expenditures	\$	0

Traffic Safety Special Revenue Fund

Revenues

Vehicle Code Fines	\$	90,000
Interest Earned		2,000
Total Traffic Safety Special Revenue Fund Revenues	\$	92,000

Expenditures

Traffic Signals, Signs and Striping and Traffic Engineering	\$	44,000
Transfer to General Fund for Traffic Safety use		48,000
Total Traffic Safety Special Revenue Fund Expenditures	\$	92,000

Gasoline Tax Special Revenue Fund

Revenues

Gasoline Tax Revenues	\$ 830,000
Interest Earned	500
Transfer from Risk Management Fund	11,000
Transfer from Proposition 42 Traffic Congestion Relief Fund	117,400
Total Gasoline Tax Fund Revenues	\$ 958,900

Expenditures

Salaries and Wages	\$ 681,700
Maintenance and Operations	181,600
Total Gasoline Tax Fund Expenditures	\$ 863,300

Proposition 42 Traffic Congestion Relief Special Revenue Fund

Revenues

Traffic Congestion Relief Funds are now received as Gas Tax Funds	\$ 0
Use of Fund Balance ¹¹⁴	337,400
Total Proposition 42 Traffic Congestion Relief Special Revenue Fund Revenues	\$ 377,400

Expenditures

Transfer to Gasoline Tax Special Revenue Fund	\$ 117,400
Transfer to General Capital Projects Fund	220,000
Total Proposition 42 Traffic Congestion Relief Special Revenue Fund Expenditures	\$ 337,400

¹¹⁴ The use of \$377,400 in FY2012 from the Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Combined Measure I Capital Projects Fund

Revenues

Measure I Distribution	\$ 600,000
SANBAG Measure I Discretionary Distribution	200,000
Interest Earned	16,000
Use of Combined Measure I Fund Balance ¹¹⁵	1,653,800
Total Combined Measure I Capital Projects Fund Revenues	\$ 2,469,800

Expenditures

Congestion Management Program	\$ 3,000
Street and Crosswalk Repair	20,000
Advanced Seal Projects	728,800
Hwy 62 Curbs, Gutters and Sidewalks	200,000
Hwy 62, Sunrise to Canyon – Widening	200,000
Street Overlay Projects	1,318,000
Total Combined Measure I Capital Projects Fund Expenditures	\$ 2,469,800

Bikeways and Sidewalks Article 3 Special Revenue Fund

Revenues

No Revenue	\$ 0
Use of Bikeways and Sidewalks Article 3 Special Revenue Fund Balance ¹¹⁶	95,700
Total Bikeways and Sidewalk Article 3 Special Revenue Fund Revenues and Use of Fund Balance	\$ 95,700

¹¹⁵ The use of \$1,653,800 in FY2012 from the Combined Measure I Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

¹¹⁶ The use of \$95,700 in FY2012 from the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Expenditures

Transfer to AB Motor Vehicle Surcharge Special Revenue Fund	\$	80,700
Transfer to General Capital Projects Fund		15,000
Total Bikeways and Sidewalk (Article 3) Special Revenue Fund Expenditures	\$	95,700

AB 2766 Motor Vehicle Surcharge Special Revenue Fund

Revenues

AB 2766 Allocations from the Mojave Desert Air Quality Management District	\$	18,000
Interest Earned		250
Transfer from Bikeways and Sidewalk Article 3 Special Revenue Fund		80,700
Total Gasoline Tax Special Revenue Fund Revenues	\$	98,950

Expenditures

Maintenance and Operations (Diesel Engine Kits)	\$	15,300
Total Gasoline Tax Special Revenue Fund Expenditures	\$	15,300

Transportation Development Act (TDA) Special Revenue Fund

Revenues

Article 8 Transportation Development Act (TDA) Revenues	\$	250,000
Interest Earned		1,500
Transfer from Risk Management Internal Service Fund		10,000
Total Transportation Development Act (TDA) Special Revenue Fund Revenues	\$	261,500

Expenditures

Slurry Seal Projects	\$	200,000
Road Maintenance (Downtown Crosswalk at Highway 62 and Tamarisk)		20,000
Total Transportation Development Act (TDA) Special Revenue Fund Expenditures	\$	220,000

Risk Management Internal Service Fund

Revenues

No Revenues	\$	0
Use of Risk Management Internal Service Fund Balance ¹¹⁷		100,500
Total Risk Management Internal Service Fund Revenues	\$	100,500

Expenditures

Transfer to Capital Projects Fund for the General Fund	\$	74,000
Transfer to Gasoline Tax, Article 8 and Twentynine Palms Redevelopment Funds		26,500
Total Risk Management Internal Service Fund Expenditures	\$	100,500

Lighting and Landscape Assessment Districts Special Revenue Fund

Revenues

District #1 Bordered by Sunnyslope, Encelia, El Paseo and Panorama	\$	22,660
District #2 Historic Plaza		7,500
Interest Income		240
Lighting and Landscape Assessment Districts Special Revenue Fund Revenues	\$	30,400

Expenditures

District #1 Lighting and Maintenance	\$	29,300
District #2 Lighting and Maintenance		4,500
Lighting and Landscape Assessment Districts Special Revenue Fund Expenditures	\$	33,800

¹¹⁷ The use of \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Public Access TV Special Revenue Fund

Revenues

Subscriber Contributions	\$ 10,000
Interest Income	500
Total Public Access TV Special Revenue Fund Revenues	\$ 10,500

Expenditures

Videotape City Council and Planning Commission Meetings	\$ 5,000
Electronic Equipment	2,000
Total Public Access TV Special Revenue Fund Expenditures	\$ 7,000

Equipment Purchase Internal Service Fund

Revenues

Use of Fund Balance ¹¹⁸	\$ 35,900
Total Equipment Purchase Internal Service Fund Revenues	\$ 35,900

Expenditures

Transfer to General Capital Projects Fund	\$ 35,900
Total Equipment Purchase Fund Expenditures	\$ 35,900



Oasis of Mara photograph by Harlow Jones

¹¹⁸ The use of \$35,900 in FY2012 from the Equipment Purchase Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Landfill/Land Use Special Revenue Fund

Revenues

Recycling Grant	\$ 5,000
Interest Earned	800
Article 19 Fees	50,000
Use of Landfill/Land Use Fund Balance ¹¹⁹	45,700
Total Landfill/Land Use Special Revenue Fund Revenues	\$ 101,500

Expenditures

Household Hazardous Waste Program	\$ 40,000
Mojave Desert & Mountain Integrated Waste JPA	30,000
Abatement and Recycling Programs	31,500
Total Landfill/Land Use Special Revenue Fund Expenditures	\$ 101,500

Twentynine Palms Redevelopment Agency Capital Projects Fund

Revenues

Transfer from Debt Service Fund	\$ 250,000
Transfer from Risk Management Fund	4,500
Interest Earned	4,000
Use of Redevelopment Agency Capital Projects Fund Balance ¹²⁰	2,003,000
Total Redevelopment Agency Capital Projects Fund Revenues	\$ 2,261,500

Expenditures

Personnel Services	\$ 163,000
Maintenance and Operations	266,500
Downtown Improvement Projects	1,832,000
Total Redevelopment Agency Capital Projects Fund Expenditures	\$ 2,261,500

¹¹⁹ The use of \$45,700 from the Landfill/Land Use Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it in FY2012.

¹²⁰ The use of \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

City of Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Fund

Revenues

Property Taxes	\$ 387,000
Transfer from Risk Management Fund	1,000
Interest Earned	12,000
Use of Low- and Moderate-Income Housing Fund Balance ¹²¹	1,763,000
Total Low- and Moderate-Income Housing Fund Revenues	\$ 2,163,000

Expenditures

Salaries and Wages	\$ 32,000
Maintenance and Operations	31,000
Affordable Housing Project to be Determined by City Council	1,900,000
Debt Service Payments	200,000
Total Low- and Moderate Income Housing Fund Expenditures	\$ 2,163,000

City of Twentynine Palms Redevelopment Agency Debt Service Fund

Revenues

Property Taxes	\$ 1,550,000
Interest Earned	10,000
Use of Redevelopment Agency Debt Service Fund Balance ¹²²	293,000
Total Low- and Moderate-Income Housing Fund Revenues	\$ 1,853,000

Expenditures

Pass-Through Payments to Taxing Agencies	\$ 388,000
SERAF and County Service Charges	124,000
Transfer to Redevelopment Agency Capital Projects Fund	250,000
Debt Service Payments	1,091,000
Total Low and Moderate Income Housing Fund Expenditures	\$ 1,853,000

¹²¹ The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

¹²² The use of \$293,000 in FY2012 from the Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

HISTORICAL REVENUE AND EXPENDITURE SUMMARY

General Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Property Taxes	\$ 4,662,649	\$ 5,594,000	\$ 4,596,000
Other Taxes	2,711,011	2,526,000	2,500,000
Licenses and Permits	291,769	268,000	268,000
Intergovernmental Revenue	72,706	50,000	103,000
Charges for Services	295,099	257,000	245,000
Fines and Penalties	20,875	15,000	15,000
Use of Property and Money	133,118	237,000	95,000
Miscellaneous	90,122	15,000	15,000
Transfers from Other Funds	48,000	48,000	48,000
Total General Fund Revenues	\$ 8,325,279	\$ 8,010,000	\$ 7,885,000

Expenditures

	Actual 2010	Estimated 2011	Approved 2012
Elected Officials Department	\$ 45,422	\$ 59,400	\$ 68,600
Administrative Services Department	1,598,848	1,946,700	1,940,400
Community Development Department	1,192,047	948,290	779,750
Law Enforcement Department	2,706,683	2,877,400	3,158,000
Animal Control Department	384,372	390,600	402,500
Public Works Department	401,237	489,050	450,300
Community Services Department	993,248	1,033,750	1,085,350
Total General Fund Expenditures	\$ 7,322,037	\$ 7,745,190	\$ 7,884,900

General Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Transfer from Traffic Congestion Relief Fund	\$ 0	\$ 0	\$ 220,000
Transfer from Risk Management Fund for General Fund	0	0	74,000
Transfer from Article 3 Fund for Collins Bike Path	0	0	15,000
Transfer from Equipment Purchase for General Fund	0	0	35,900
Transfer from General Fund	0	406,200	373,000
SANBAG grant for Sunnyvale/Sun Valley curbs, gutters, etc	0	0	245,000
Use of Revenues/General Capital Projects Fund Balance	132,866	0	0
Total General Capital Projects Fund Revenues	\$ 132,866	\$ 406,200	\$ 962,900

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Wastewater Treatment Plant Study	0	0	100,000
Homeland Security Grant Purchases	4,932	14,300	0
Computer Upgrades	70,432	25,000	0
Vehicle Replacement	0	19,600	0
Gateway Signs	0	0	50,000
Animal Control Truck	0	0	45,000
Baseball Field Groomer	0	0	8,000
Encelia Street Connection from Sunnyslope to Two-Mile Rd.	0	0	200,000
Collins Bike Path	0	0	15,000
Knott Sky Park Electrical Master Plan and Construction	0	0	80,000
Renovations at Indian Cove Property	27,528	300	0
Downtown Crosswalk – Tamarisk	0	0	20,000
Slurry Seal Community Service Parking Lot			15,000
Sunnyvale/Sun Valley Curb, Gutters & Sidewalks	3,250	32,400	245,000
Solar Project	50	10,000	0
Energy Efficiency Grant Project	88	60,000	0
City Match – Energy Efficiency Grant		134,600	0
Equipment Replacement Fund		100,000	0
Hardware and Software Systems Upgrade	0	0	90,000
Luckie Park Swimming Pool Upgrade	0	0	32,000
Mural Replacement or Other Public Art	0	0	20,000
Fireworks Display	0	0	25,000
Total General Capital Projects Fund Expenditures	\$ 132,866	\$ 396,200	\$ 945,000

Community Development Block Grant (CDBG) Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Community Development Block Grant Revenues	\$ 209,908	\$ 341,000	\$ 113,060
Total Community Development Block Grant Revenues	\$ 209,908	\$ 341,000	\$ 113,060

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Metal Building – KSP	\$ 55	\$ 136,000	\$ 0
Youth Club	5,000	0	0
High Desert Football	10,970	0	0
Luckie Park Improvement	119,802	50,000	0
CDBG – Un-programmed	218,852	0	0
Luckie Park Swimming Pool Upgrade	0	0	38,060
Community Center Improvements	0	55,000	0
Knott Sky Park Improvements	0	100,000	0
Luckie Park Well Project	0	0	75,000
Total Community Development Block Grant Expenditures	\$ 354,679	\$ 286,000	\$ 113,060

Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Curb, Gutter and Sidewalk Development Impact Fees	\$ 0	\$ 0	\$ 40,000
Transfer from General Fund	0	0	1,325,000
Total Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund Revenues	\$ 0	\$ 0	\$ 1,365,000

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
National Park Drive Sidewalk	\$ 0	\$ 0	\$ 450,000
Downtown Sidewalk Construction	0	0	500,000
City Matching Funds for Sunnyvale/Sun Valley Sidewalk	0	0	106,000
Total Curb, gutter and Sidewalk Development Impact Fees Capital Projects Fund	\$ 0	\$ 0	\$ 1,056,000

Fire Impact Development Impact Fees Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Fire Impact Fee Revenues	\$ 0	\$ 0	\$ 40,000
Total Fire Development Impact Fees Revenues	\$ 0	\$ 0	\$ 40,000

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
No Expenditures of Fire Development Impact Fees	\$ 0	\$ 0	\$ 0
Total Traffic Safety Special Revenue Fund Expenditures	\$ 0	\$ 0	\$ 0

Traffic Safety Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Vehicle Code Fines	\$ 95,694	\$ 90,000	\$ 90,000
Interest Revenue	1,819	1,300	2,000
Total Traffic Safety Special Revenue Fund Revenues	\$ 97,513	\$ 91,300	\$ 92,000

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Traffic Signals, Signs and Striping and Traffic Engineering	\$ 56,265	\$ 55,000	\$ 44,000
Transfer to General Fund for Traffic Safety Use	48,000	48,000	48,000
Total Traffic Safety Special Revenue Fund Expenditures	\$ 104,265	\$ 103,000	\$ 92,000

Gasoline Tax Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 413	\$ 600	\$ 500
Transfer from Risk Management Fund	0	0	11,000
2103 Funds	0	308,000	341,000
2106 Funds	108,404	107,000	105,000
2107 Funds	224,062	220,000	216,000
2107.5 Funds	6,000	6,000	6,000
2105 Funds	168,116	166,000	162,000
Total Gasoline Tax Special Revenue Fund Revenues	\$ 506,9954	\$ 807,600	\$ 958,900

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Personnel Services	\$ 300,055	\$ 325,300	\$ 681,700
Maintenance and Operations ¹²³	174,728	155,900	181,600
Total Gasoline Tax Special Revenue Fund Expenditures	\$ 474,783	\$ 481,200	\$ 863,300

¹²³ Maintenance and operations expenditures includes \$25,000 to install backup batteries for City traffic signals.

Proposition 42 Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Revenue	\$ 1,959	\$ 1,150	\$ 0
SB County Portion of Mesquite Springs Street Paving	0	283,500	0
Proposition 42 Traffic Congestion Relief	278,358	0	0
Proposition 1B Revenues	369,131	0	0
SANBAG—American Recovery and Reinvestment Act	0	437,000	0
Use of Proposition 42 Fund Balance ¹²⁴	0	0	337,400
Total Proposition 42 Capital Projects Fund Revenues	\$ 649,448	\$ 721,650	\$ 337,400

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Traffic Signals and Lights	\$ 2,273	\$ 3,000	\$ 0
Traffic Signal Maintenance	975	1,500	0
Signs and Striping	159	200	0
Transfer to Gasoline Tax Special Revenue Fund	0	0	117,400
Transfer to General Capital Projects Fund	0	0	220,000
Slurry Seal Projects	0	335,000	0
Overlay of Mesquite Springs Road from Two Mile Road to Indian Springs	137,635	796,000	0
Total General Proposition 42 Capital Projects Fund Expenditures	\$141,042	\$ 1,135,700	\$ 337,400

¹²⁴The use of \$377,400 in FY2012 from the Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Combined Measure I Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Measure I Distribution	\$ 282,810	\$ 550,000	\$ 600,000
Interest Earned	15,293	14,000	16,000
Miscellaneous	0	2,500	0
Regional Projects	503,308	0	0
Local Projects	232,296	0	0
SANBAG Measure I Discretionary	0	0	200,000
Use of Fund Balance ¹²⁵	0	0	1,653,800
Total Combined Measure I Capital Projects Revenues	\$ 1,033,707	\$ 566,500	\$ 2,469,800

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Congestion Management Program Administration	\$ 20,521	\$ 3,000	\$ 3,000
Hwy 62 – Sunrise to Canyon – Widen	7,442	10,000	200,000
Pavement Management Program	17,611	2,500	0
Adobe & El Paseo – Median, Crosswalk & Flashing Light	743	7,500	20,000
Hwy 62 – Curbs, Gutters & Sidewalks	0	0	200,000
Overlay Projects			
Sullivan, Adobe to Hillside	0	0	124,000
Amboy Rd – Utah Trail to Bagdad Hwy	0	0	222,000
Mesquite Springs, El Paseo Two-Mile Road	0	0	138,000
Ocotillo Ave – Sunnyslope to Two-Mile Road	0	0	55,000
Joshua Drive – Split Rock Avenue to Adobe Road	0	0	83,000
Baseline Road—Utah Trail to Adobe Road	0	0	200,000
Adobe Road—Baseline to Hwy 62	0	0	200,000
Advanced Seal Projects			
Lear Ave at Hwy 62 to Amboy Road	0	0	110,000
Hatch/Sullivan to Hwy 62	0	0	52,000
Larrea Ave, 29 Palms Hwy to Two Mile Road	0	0	100,000
Utah Trail – Mesa to Amboy Road	0	0	44,100
Indian Trail, Mesquite Springs to Adobe Road	0	0	44,000
Utah Trail, Valle Vista to Mesa Road	0	0	44,000
Valle Vista, Condor to Bullion	0	0	132,200
Sun Valley – Hillside to Adobe Road	0	0	56,000
Condor – MCAGCC Gate to Adobe Road	0	0	104,400
Raymond Dr – Mesquite Springs to Adobe	0	0	42,100
Reconstruction Projects			
Sunnyvale, Sun Valley to Hillside	0	0	200,000

¹²⁵ The use of \$1,653,800 in FY2012 from the Combined Measure I Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Sunnyslope – Ocotillo to Aztec	0	0	96,000
Combined Measure I Capital Projects Expenditures	\$ 46,317	\$ 23,000	\$ 2,469,800

Bikeways and Sidewalks Article 3 Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Bikeways and Sidewalks Article 3 Revenues	\$ 0	0	0
Interest Revenue	99	100	0
Use of Bikeways and Sidewalks Article 3 Fund Balance ¹²⁶	0	0	95,700
Total Bikeways and Sidewalks Article 3 Special Revenues and Use of Fund Balance	\$ 99	\$ 100	\$ 95,700

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Transfer to AB 2766 Motor Vehicle Surcharge Fund	\$ 0	\$ 0	\$ 80,700
Transfer to General Capital Projects Fund	0	0	15,000
Total Bikeways and Sidewalks Article 3 Special Revenue Fund Expenditures	\$ 0	\$ 0	\$ 95,700

¹²⁶ The use of \$95,700 in FY2012 from the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

AB 2766 Motor Vehicle Surcharge Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
AB2766 Allocations from the Mojave Desert Air Quality Management District	\$ 18,054	18,000	18,000
Interest Revenue	384	250	250
Transfer from Bikeways and Sidewalks Article 3 Special Revenue Fund	0	0	80,700
Total AB2766 Motor Vehicle Surcharge Special Revenue Fund Revenues	\$ 8,438	\$ 18,250	\$ 98,950

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Diesel Engine Kits	\$ 9,925	\$ 0	\$ 15,300
Miscellaneous	2,500	0	0
Total AB2766 Motor Vehicle Surcharge Special Revenue Fund Expenditures	\$ 12,306	\$ 0	\$ 15,300

Transportation Development Act (TDA) Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 1,267	\$ 0	\$ 1,500
Miscellaneous	3,472	3,500	0
Transfer from Risk Management Internal Service Fund	0	0	10,000
Article 8	246,269	367,100	250,000
SANBAG – Safe Routes 2 School	0	438,000	0
City Matching From Curb, Gutter & Sidewalk Impact Fees	0	132,000	0
CAL EMA/FEMA Reimbursement	0	29,000	0
Use of Transportation Development Act Fund Balance ¹²⁷	154,225	0	0
Total Transportation Development Act (TDA) Special Revenue Fund Revenues	\$ 405,233	\$ 969,600	\$ 261,500

¹²⁷ The use of \$154,225 in FY2010 from the Transportation Development Act (TDA) Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it in FY2010.

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Salaries	223,468	230,800	\$ 0
Insurance and Retirement	75,059	94,500	0
General Liability Insurance	12,940	16,000	0
Flood Cleanup/Repair	434	47,000	0
Adobe Road Widening	110	0	0
Sidewalk Rehabilitation	18,735	0	0
Slurry Seal Projects	0	0	200,000
Downtown Crosswalk	0	0	20,000
Mesquite Springs, Hwy 62 to Two Mile – Widen & Berms	9,524	2,200	0
Safe Routes 2 School	79,863	525,000	0
Palm Tree Maintenance	(14,900)	0	0
Total Transportation Development Act (TDA) Special Revenue Fund Expenditures	\$ 405,233	\$ 915,500	\$ 220,000

Risk Management Internal Service Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 659	\$ 360	\$ 0
Miscellaneous	5,450	-5,000	0
Charges to General Fund	132,867	112,500	0
Charges to Special Revenue Funds	41,270	45,000	0
Charges for Workers' Compensation	49,581	110,000	0
Use of Risk Management Internal Service Fund Balance ¹²⁸	45,052	0	100,500
Total Risk Management Internal Service Fund Revenues	\$ 274,879	\$ 262,860	\$ 100,500

¹²⁸The use of \$45,052 in FY2010 and \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2010 and FY2012.

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Workers Compensation Premiums	\$ 95,439	\$ 90,000	\$ 0
Claims Administration	0	5,000	0
Meetings and Travel	100	1,200	0
Defense Costs	5,503	5,000	0
Liability Insurance Premiums	163,065	140,000	0
Claims Settlement	95	5,000	0
Public Officials Bond	0	800	0
Transfer to General Capital Projects Fund for General Fund	0	0	74,000
Transfer to Gasoline Tax, TDA and Redevelopment Agency	0	0	26,500
Total Risk Management Internal Service Fund Expenditures	\$ 264,202	\$ 247,000	\$ 100,500

Lighting and Landscape Assessment Districts Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 324	\$ 200	\$ 240
Homeowner Assessments	23,595	22,000	30,160
Use of Risk Management Internal Service Fund Balance			3,400
Total Lighting and Landscape Assessment Districts Special Revenue Fund Revenues	\$ 23,919	\$ 29,700	\$ 33,800

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Electricity	\$ 248	\$ 300	\$ 2,300
Water	8,082	10,000	10,000
Publishing Notices	0	250	0
Graffiti Removal	0	500	1,000
Maintenance Contract	22,763	18,000	20,500
Total Lighting and Landscape Assessment Districts Special Revenue Fund Expenditures	\$ 31,093	\$ 29,050	\$ 33,800

Public Access TV Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 559	\$ 400	\$ 500
Subscriber Contributions	10,612	10,000	10,000
Total Public Access TV Special Revenue Fund Revenues	\$ 11,171	\$ 10,400	\$ 10,500

Expenditures

	Actual FY2010	Estimated FY2011	Proposed FY2012
Videotaping Meeting	\$ 4,300	\$ 5,000	\$ 5,000
Electronic Equipment	10,349	2,000	2,000
Total Public Access TV Special Revenue Fund Expenditures	\$ 14,649	\$ 7,000	\$ 7,000

Equipment Purchase Internal Service Fund

Revenues

	Actual FY2010	Estimated FY2011	Proposed FY2012
Transfer From General Fund	\$ 0	\$ 100,000	\$ 0
Total Equipment Purchase Internal Service Fund Revenues	\$ 0	\$ 100,000	\$ 0

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Ford Flatbed F350 Truck (2011)	\$ 0	\$ 35,406	\$ 0
Toro 360 Mower (2011)	0	22,380	0
John Deere Gator T's	0	6,331	0
Transfer to General Capital Projects Fund	0	0	35,900
Total Equipment Purchase Internal Service Fund Expenditures	\$ 0	\$ 64,117	\$ 35,900

Landfill/Land Use Special Revenue Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Earned	\$ 1,808	\$ 800	\$ 800
Recycling Grant	5,000	5,000	5,000
Article 19 Fees	48,350	55,800	55,800
Use of Risk Management Internal Service Fund Balance			45,700
Total Landfill/Land Use Special Revenue Fund Revenues	\$ 55,158	\$ 55,800	\$ 101,500

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Graffiti Removal	\$ 190	\$ 100	\$ 1,000
Abandoned Vehicles	195	500	500
Dangerous Building Abatement	-5,826	12,000	5,000
Illegal Dump Clean-up	6,220	5,000	10,000
Recycling Programs	6,194	10,000	10,000
Hazardous Household Waste Program	26,009	39,200	40,000
Mojave Desert Joint Powers Authority	28,033	30,000	30,000
Recycling Grant/Litter Reduction	1,138	5,000	5,000
Total Landfill/Land Use Special Revenue Fund Expenditures	\$ 62,153	\$ 101,800	\$ 101,500

City of Twentynine Palms Redevelopment Agency Capital Projects Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Interest Income	\$ 5,533	\$ 5,000	\$ 4,000
Gain from Sale of Assets	0	500	0
Transfer from Risk Management Internal Service Fund	0	0	4,500
Transfer from Redevelopment Debt Service Fund	2,000,000	2,500,000	250,000
Proceeds from Redevelopment Bonded Debt	0	7,500,000	0
Use of Redevelopment Agency Capital Project Fund Balance ¹²⁹	0	0	2,003,000
Total Redevelopment Agency Capital Projects Fund Revenues	\$ 2,005,533	\$ 10,005,500	\$ 2,261,500

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Salaries	\$ 105,299	\$ 118,200	\$ 113,900
Insurance and Retirement	34,629	45,000	49,100
Electricity	405	400	0
Water	59	500	0
Legal Notices	183	300	500
Property Acquisition	195	0	0
Audit	2,250	4,000	5,000
Marketing and Business Promotion	0	0	25,000
RDA Portion of General Plan Update	36,856	100,000	31,000
Contract Services – Consulting	23,953	50,000	50,000
General Liability	8,501	9,500	10,000
Legal Service	42,828	35,000	30,000
Economic Development	44,640	25,000	50,000
Storefront Improvements Project	0	10,000	0
Downtown Parking	1,356	0	0
Blight Elimination and Dangerous Buildings	11,690	10,000	65,000
Abatement of Abandoned and Blighted Buildings	0	0	220,000
Bucklin Park Parking Lot	67,878	20,000	0
National Park Drive Median	7,457	9,000	0
Downtown Plan	53,071	15,000	10,000
Street Furniture, Visitors Center Sign	0	0	20,000
Historic Plaza Redesign and Construction	521,499	150,000	0

¹²⁹ The use of \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Veterans Park Improvements	14,275	0	0
Building Improvements Bucklin Park	167,006	1,000	0
Property Improvements Program	127,336	25,000	300,000
Property Improvements Sidewalks	34,974	225,000	25,000
Hwy 62 – Curbs, Gutters & Sidewalks	0	300,000	300,000
Wastewater/Draining Master Plan	0	10,000	50,000
Project Phoenix	39,904	35,000	750,000
Projects to be Announced	0	100,000	125,000
New Accounting Software	0	0	7,000
Research and Development—Geothermal Study	0	0	25,000
Transfer to Debt Service Fund	0	1,500,000	0
Total Redevelopment Agency Capital Projects Fund Expenditures	\$ 1,346,244	\$ 2,797,900	\$ 2,261,500

City of Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Current Secured Property Tax Increment	\$ 384,872	\$ 375,000	\$ 387,000
Interest Income	9,579	10,000	12,000
Transfer From Risk Management Internal Service Fund	0	0	1,000
Proceeds from Redevelopment Agency Bonded Debt	0	2,750,000	0
Use of Low and Moderate Fund Balance ¹³⁰	0	0	1,763,000
Total Redevelopment Agency Low- and Moderate-Income Housing Fund Revenues	\$ 394,451	\$ 3,135,000	\$ 2,163,000

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Salaries and Wages	\$ 20,655	\$ 20,700	\$ 22,600
Insurance and Retirement	6,241	10,500	9,400
RDA Portion of General Plan Update	0	45,000	8,000
Service Charges	5,897	6,000	6,000
General Liability	1,667	2,500	3,000
Legal Service		1,500	2,000
Economic Development		5,000	12,000
Affordable Housing Project to be Determined by Council	26,561	30,000	1,900,000
Debt Service	0	0	200,000
Total Low and Moderate Income Housing Fund Expenditures	\$ 61,021	\$ 121,200	\$ 2,163,000

¹³⁰ The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

City of Twentynine Palms Redevelopment Agency Debt Service Fund

Revenues

	Actual FY2010	Estimated FY2011	Approved FY2012
Current Secured Property Tax Increment	\$ 1,539,486	\$ 1,550,000	\$ 1,550,000
Interest Income	18,614	8,000	10,000
Proceeds of Debt	0	1,500,000	0
Use of Redevelopment Agency Debt Service Fund Balance ¹³¹	0	0	293,000
Total Redevelopment Agency Debt Service Fund Revenues	\$ 1,558,100	\$ 3,058,000	\$ 1,853,000

Expenditures

	Actual FY2010	Estimated FY2011	Approved FY2012
Pass-Through Agreements	\$ 264,309	\$ 325,000	\$ 388,000
SERAF	478,5/86	99,000	99,000
Transfer to Capital Projects Fund	2,000,000	2,500,000	250,000
County Service Charges	23,588	25,000	25,000
Interest Expense	60,334	55,000	50,000
Debt Service	0	500,000	1,041,000
Total Redevelopment Agency Debt Service Fund Expenditures	\$ 2,826,817	\$ 3,504,000	\$ 1,853,000

¹³¹ The use of \$293,000 in FY2012 from the Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

SUMMARY OF MAJOR CAPITAL PROJECTS AND CAPITAL PURCHASES IMPACT ON FUTURE OPERATING BUDGETS

The City will spend \$7,856,460 across all 20 accounting funds for capital equipment and capital improvements. Revenues for these capital expenditures will come primarily from State and Federal grants, development impact fees and Capital Project Fund appropriations. (Please see Figure 20 for a summary of major capital projects and capital equipment purchases.)

Parks and Recreation.

The Community Services Department will spend \$75,000 to rebuild the well in Luckie Park, \$15,000 to slurry seal the Community Center Parking Lot and \$70,060 to upgrade the swimming pool to meet new San Bernardino County Health Department standards. \$80,000 will be spent in Knott's Sky Park to complete an electrical master plan and install the underground electrical facilities at the park. \$20,000 has also been reserved in the General Capital Projects Fund Balance to replace the mural removed by Walgreens or sponsor some other public art piece. In addition to these improvements, the Community Services Department will spend \$8,000 for a new baseball field groomer. **None of these projects or capital purchases will have a major impact on the operating costs of the department.**

The FY2012 budget also includes the construction of Gateway Signs ("Welcome to Twentynine Palms") on Highway 62 and the entrance to Joshua Tree National Park. Staff anticipates that these signs will require three hours a week in staff time to maintain the landscaping around these signs. There will also be some nominal cost increases for power to operate the lights, although staff will study the possibility to providing power through a solar system.

Streets and Roads.

The improvement of the City's street, curb, gutter and sidewalk infrastructure will be a major priority for the City Council during FY2012. The City will contribute \$200,000 to the widening of Highway 62 from Sunrise to Canyon to include a turn lane and two traffic lanes in each direction. The environmental document has been approved, the engineering has been completed and this project was sent out to bid by the California Department of Transportation (CalTrans) in May 2011.

In addition to this highway widening project, the City will spend \$500,000, including \$200,000 in Measure I funds and \$300,000 from the Redevelopment Agency Capital Projects Fund, to complete the environmental document, engineering and phase I construction of street widening, curb, gutter and sidewalk from Encelia Avenue to Split Rock Avenue on Highway 62. To allow residential areas north of the City better access to the commercial areas on Highway 62, the City will spend \$200,000 from the General Capital Projects Fund to construct 0.25 miles of two-lane road on Encelia Drive from Sunnyslope Avenue to Two-Mile Road. **There will**

be no increase in maintenance costs or operating costs to the City for any improvements on Highway 62 because any cost increases will be the responsibility of the California Department of Transportation.

During FY2012, the City will also spend \$450,000 to construct curb, gutter and sidewalk on the west side of National Park Drive from Highway 62 to the Joshua Tree National Park Headquarters to promote economic development and improve pedestrian circulation between the National Park and downtown. The Project includes constructing sidewalk completely around the Old School House Museum and in front of the 29 Palms Art Gallery. The City will spend \$25,000 on backup batteries for traffic lights and has reserved another \$500,000 for curb, gutter and sidewalk construction in the downtown area at a location to be determined by the City Council.

The City will also spend \$245,000 in Transportation Development Act Article 3 Pedestrian Bicycle funds, obtained through the San Bernardino County Associated Governments (SANBAG), to construct new sidewalks near Oasis Elementary School, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive. The sidewalks are designed to increase safety in the area for residents, especially children and youth traveling to and from school, who currently have to walk in the street or navigate dirt paths adjacent to the roadway. The SANBAG grant will also allow the City to link the curbs, gutters and sidewalks project with a previously installed curb, gutter, and sidewalk project near the same area using a California Department of Transportation (CalTrans) Safe Routes to School grant. This project will also include \$106,000 from the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund to match the grant funds from SANBAG and \$200,000 in Measure I funds to reconstruct Sun Valley Drive.

In addition to the projects mentioned above, the City will spend \$200,000 in Transportation Development Act (TDA) funds for slurry seal projects, \$728,800 in Measure I funds for advanced seal projects and another \$1,718,000 in Measure I for street overlays throughout the City.

Staff anticipates no operating or maintenance costs to these street, curb, gutter and sidewalk projects in the City because the infrastructure will be new and not require any maintenance for several years.

Undergrounding of Overhead Power Lines.

The Public Utilities Commission (PUC) requires Southern California Edison to set aside a portion of the revenue derived from Twentynine Palms customers for the undergrounding of overhead power lines. There is currently \$863,410 in this account and this amount increases by approximately \$69,059 per year. The City staff is currently studying potential undergrounding projects and will shortly bring forward options for the City Council to consider. **Maintenance of the underground power lines will be the responsibility of Southern California Edison.**

Other Capital Projects and Capital Purchases.

In addition to these park, street and road capital projects and purchases, the City will spend \$90,000 to upgrade its hardware and software systems, \$45,000 to purchase a new animal control vehicle and \$53,000 to purchase a new SUV patrol vehicle using a law enforcement State of California COPS grant. **The upgrade of the City's computer and hardware systems will help make staff more efficient and reduce some indirect operating costs across the organization. These efficiencies will allow staff to focus more time on current City Council projects and priorities. Vehicle purchases will replace older vehicles, resulting in projected maintenance cost reductions of approximately \$2,000 per year.**

Figure 20
City of Twentynine Palms
Summary of Major Capital Projects and Capital Purchases
FY2012

	Capital Project or Capital Purchase	Amount
1	Wastewater Treatment Study Update	\$ 100,000
2	Gateway Signs (“Welcome to Twentynine Palms”)	50,000
3	Law Enforcement COPS Grant SUV Patrol Vehicle	53,203
4	Animal Control Truck	45,000
5	Ball field Groomer	8,000
6	Encelia Drive Construction from Sunnyslope Avenue to Two-Mile Road	200,000
7	Collins Bike Path Along Adobe Road	15,000
8	Knott’s Sky Park Electrical Master Plan & Construction of Underground Electrical	80,000
9	Downtown Crosswalk on Highway 62 at Tamarisk	40,000
10	Community Emergency Response Team (CERT) Equipment	10,000
11	Community Center Parking Slurry Seal	15,000
12	Replace Mural Removed by Walgreens or Other Public Art Piece	20,000
13	Computer System Hardware and Software Upgrades	90,000
14	Luckie Park Swimming Pool Upgrade	70,060
15	Fireworks Display	25,000
15	Sunnyvale/Sun Valley Curbs, Gutters and Sidewalks (SANBAG Contribution)	245,000
16	Sunnyvale/Sun Valley Curbs, Gutters and Sidewalks (Curb, Gutter, Sidewalk Fund)	106,000
17	Luckie Park Well Reconstruction Project	75,000
18	National Park Drive Sidewalk Construction from Highway 62 to Park Headquarters	450,000
19	Downtown Sidewalk Construction at Location to Be Determined By City Council	500,000
20	Highway 62 Widening from Sunrise to Canyon	200,000
21	Highway 62 Environmental & Engineering Encelia to Split Rock (Measure I)	200,000
22	Highway 62 Environmental & Engineering Encelia to Split Rock (Redevelopment)	300,000
23	Traffic Signal Battery Backups	25,000
24	Measure I Street Advanced Seal Projects	751,800
25	Sullivan, Adobe Road to Hillside Road (Overlay)	124,000
26	Amboy Road. - Utah Trail to Bagdad Highway (Overlay)	222,000
27	Mesquite Springs, El Paseo to Two Mile Rd (Overlay)	138,000
28	Sunnyvale, Sun Valley to Hillside (Reconstruct)	200,000
29	Sunnyvale - Ocotillo to Aztec (Reconstruct)	96,000
30	Ocotillo Avenue - Sunnyslope- Ocotillo to Aztec (Overlay)	55,000
31	Joshua Drive – Split Rock Road to Adobe Road (Overlay)	83,000
32	Baseline Road, Utah Trail to Adobe Road (Overlay)	200,000
33	Adobe Road---Baseline to Hwy 62 (Overlay)	200,000
34	Transportation Development Act (TDA) Slurry Seal Projects	200,000
35	Research and Development—Geothermal Study	25,000
36	Redevelopment Agency Wastewater Drainage Master Plan	50,000
37	Redevelopment Agency Project Phoenix	750,000
38	Redevelopment Agency Abatement of Abandoned, Blighted and Dangerous Buildings	285,000
39	Redevelopment Agency Street Furniture, Visitor Center Sign	20,000
40	Redevelopment Agency Business Property Improvement Program	300,000
41	Redevelopment Agency Sidewalk Repair	25,000
42	Redevelopment Agency Projects to be Named	150,000
	Total	\$ 6,797,063



SECTION 6 FUND BUDGETS

Historic Plaza RDA Groundbreaking 2010



GENERAL FUND

(Fund No. 01)

Fund Mission

The mission of the General Fund is to provide an accounting of all assets, liabilities, revenues and expenditures for the delivery of most tax-supported general government municipal services in the City of Twentynine Palms.

Fund Description

The General Fund is the primary operating fund of the City. It is used to account for all financial transactions and resources of the general government except those required by law or regulation to be accounted for in another fund. The City of Twentynine Palms only operates one General Fund and it is used to account for most tax-supported activities of the City of Twentynine Palms. Expenditures for such functions as administration, community development, building inspection, code enforcement, police, streets, parks, economic development and other similar functions are accounted for in the General Fund.

Revenue Assumptions

This General Fund budget will provide the same level of municipal services while still holding down operating costs. Due to the uncertainties surrounding the state budget and the slowdown in the economy, the FY2012 budget year will be conservative and cautious. General Fund revenues remain flat or have declined over the last three years. Total General Fund revenues are projected to be \$7,885,000. This is a \$528,423 reduction from FY2009 General Fund revenues were \$8,413,423. (Please see Figure 21.)

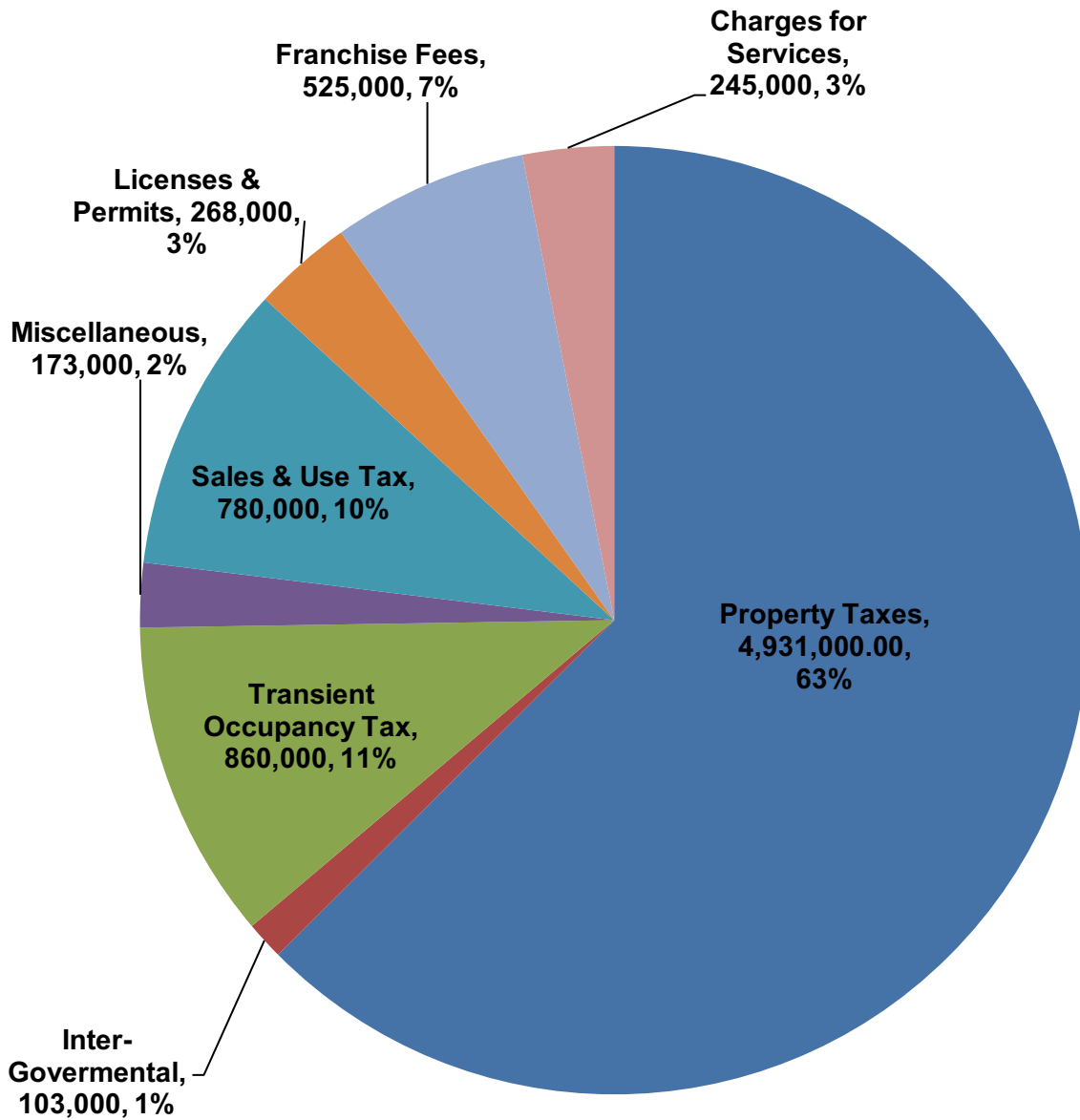
The total assessed value fell 2% from \$824,080,000 in FY2010 to \$808,742,000 in FY2011. The recession, home foreclosures and unemployment have caused property tax collections to fall from \$1,872,433 in FY2008 to \$1,725,000 in FY2011. **FY2012 property tax collections are projected to be the same as FY2011 at \$1,725,000.**

Twentynine Palms' property taxes under the Vehicle License Fee (VLF) property tax "swap" grew from \$2,454,926 in FY2008 to \$2,754,153 in FY2009. The recession has caused Property Tax In-Lieu of Vehicle License Fees (VLF) to remain relatively flat at \$2,748,864 in FY2010 and are projected to be \$2,697,000 in FY2011 and \$2,700,000 in FY2012.

The slowdown in residential construction and sales of existing homes reduced the real property transfer tax from \$35,808 in FY2008 to \$19,461 in FY2010. Real estate transfer tax collections (primarily from the sale of foreclosed property) will increase revenues to \$50,000 in FY2011. The City projects that real property transfer tax collections will be approximately \$40,000 during FY2012. The City of Twentynine Palms does not anticipate any major change in the value of state-assessed property within the City and projects that the utility unitary tax will be flat at \$96,000 during FY2012.

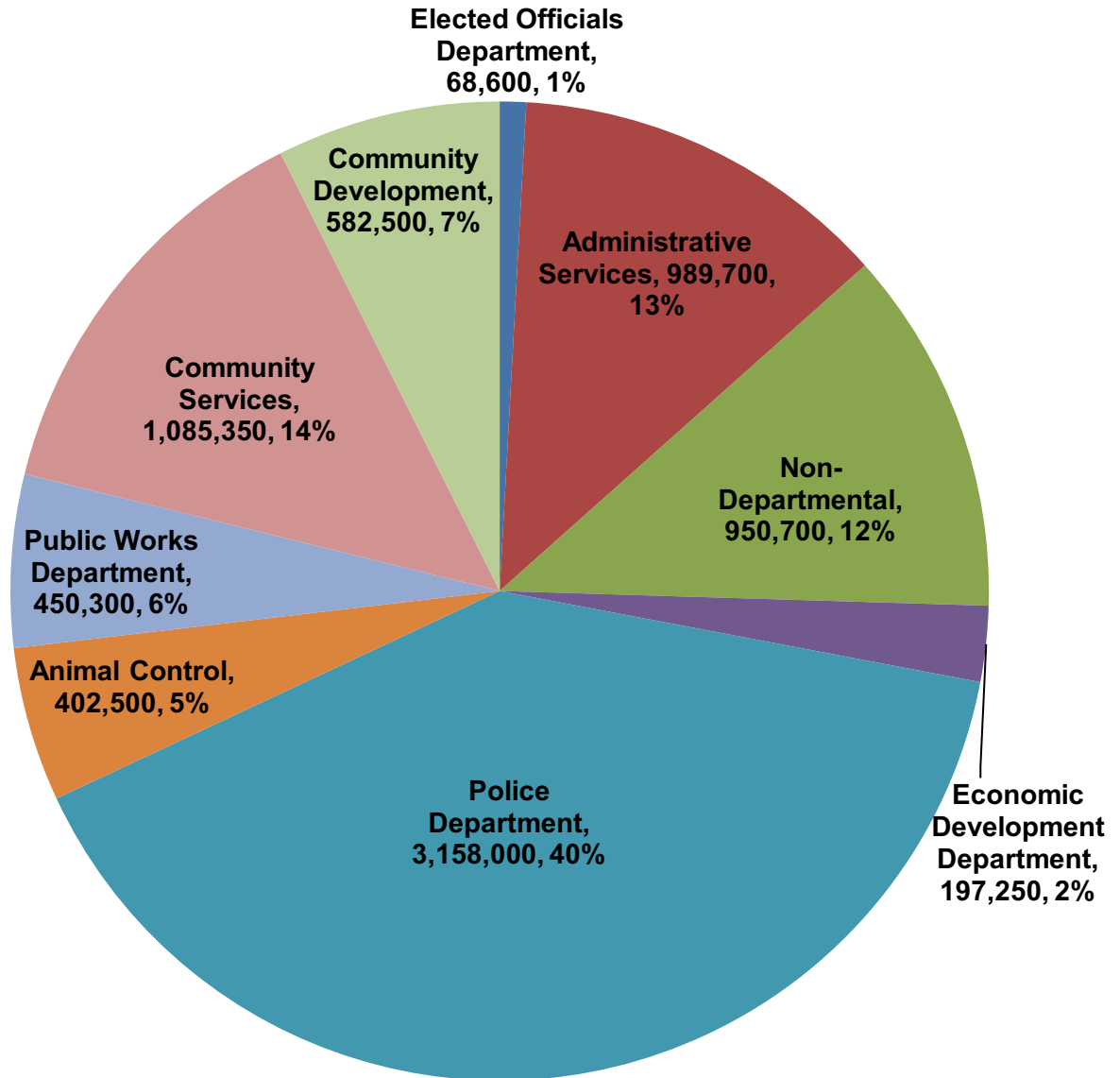
Sales tax collections rose 30.23% from FY2008 to \$914,726 in FY2010. FY2011 sales tax revenues are estimated at this time to be approximately \$780,000 in FY2011 and FY2012. The City projects that property taxes in lieu of sales taxes (Triple Flip) will be flat at \$295,000 during FY2012. Transient Occupancy Taxes (TOT) rose \$131,672 from \$770,206 in FY2008 to \$901,878 during FY2010. Transient occupancy tax collections are down and the City projects that it will collect approximately \$860,000 in FY2011. **The City projects that FY2012 transient occupancy taxes (TOT) will be the same level as FY2011 at \$860,000.**

**Figure 21
City of Twentynine Palms
Total General Fund Revenue Sources
FY2012**



This figure shows (1) the projected FY2012 General Fund revenues and (2) the percentage of total General Fund revenues that each revenue source contributes. Total projected revenues are \$7,885,000.

**Figure 22
City of Twentynine Palms
Total City Expenditures For General Funds
FY2012**



This figure shows (1) the projected FY2012 General Fund expenditures and (2) the percentage of total General Fund expenses that each expenditure category contributes to total spending. Total projected expenditures during FY2011 are \$7,884,900.

Revenues from electric, gas, waste management and cable television franchise fees are not expected to grow during FY2012. The City anticipates that it will collect \$525,000 in franchise fee revenues during the next fiscal year.

Business license fee revenues are expected to be the same in FY2012 as they were in FY2011 at \$38,000. Twentynine Palms’ vehicle license fees (VLF) under the vehicle license fee (VLF) property tax “swap” are projected to be down from \$124,320 in FY2008 to \$75,000 in FY2011 and FY2012. Building permit fees increased dramatically from \$33,233 in FY2003 to \$537,006 in FY2006. The collapse in housing construction in Twentynine Palms and throughout California has resulted in a drop of building permit revenues to \$63,761 in FY2009. **Since that time, building construction has made some recovery and building permit revenues in FY2010 were \$224,415. Building permit revenues are expected to be \$190,000 in FY2011 and \$180,000 in FY2012.**

The City received \$23,440 in state booking fee reimbursements for FY2007. However, no booking fees were received in FY2008, FY2009, FY2010 and FY2011 due to the State budget crisis and subsequent cuts by the State Legislature. The City anticipates no booking fee reimbursements during FY2012. Assembly Bill 1913 or California Citizen Option for Public Safety Grant (COPS) program provides a minimum of \$100,000 to eligible front line law enforcement agencies. **The City of Twentynine Palms will receive \$103,000 in state COPS funding during FY2012, but there will be no state-mandated cost reimbursements during FY2012.** The City will transfer \$48,000 from the Traffic Safety Special Revenue Fund to the General Fund.

Department expenditures will remain conservative during FY2012. Capital spending will be limited primarily to grants and one-time intergovernmental revenues. One-time revenues will not be used for on-going operating costs. Total General Fund spending will be \$7,884,900. (Please see Figure 22.) The General Fund Unrestricted Fund Balance is projected to increase by \$100 to \$11,084,069 on June 30, 2012. This Unrestricted Fund Balance is 140% of total annual General Fund expenses.

General Fund Revenues

Taxes

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3101	Current Year and Prior Year Property Taxes ¹³²	1,872,433	1,826,454	1,724,547	1,725,000	1,725,000

¹³²**Property Tax Explanation.** The property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property (moveable property) located within the state. The California property tax is ad valorem, based on the value of the property rather than on a fixed amount or benefit to the property or persons. Intangible assets and rights are not subject to taxation except to the extent that they are necessary to put real property interests to beneficial or productive use. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the San Bernardino County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner’s name and value.

The amount of the tax is based on an annually determined assessed valuation. The property tax is paid to the county tax collector and allocated to local tax agencies. The property tax is guaranteed by placing a lien on the real property. For this reason, types of properties are distinguished as secured or unsecured.

Secured Property. Secured property includes real property and personal property located upon that property of the same owner. Personal property not located upon the real property of the same owner may additionally be classified as secured if: (1) it is located in the same county, and (2) the taxpayer certifies the real property is sufficient to secure the payment of the tax. Secured roll taxes are paid in two installments, due on December 10 and April 10.

Property taxes are levied in equal installments on November 1 and February 1. They become delinquent respectively on December 10 and April 10. The lien date is March 1 of each year. Property taxes are accounted for in the City of

Twentynine Palms General Fund and the Twentynine Palms Redevelopment Agency. The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum of \$1.00 per \$100 of full cash value. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after the end of the fiscal year. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year-end accrual. Taxes on individual pieces of property may be delinquent up to five years before the property is sold for delinquent taxes.

Full or Partially Exempt Properties. Certain special exemptions to the standard assessment rules are provided in the State Constitution and state law. The following kinds of property are generally exempt from the ad valorem property tax:

- **Federal and State owned property.**
- **Municipal owned property except property outside the legal boundaries of the agency.**
- **Homeowners property tax exemption.** The California Constitution provides for a partial property tax exemption of \$7,000 of the assessed valuation for every owner-occupied residence.
- **Property owned, irrevocably dedicated to, and used for religious, hospital, scientific, and/or charitable purposes.** This exemption includes libraries, museums, hospitals, cemeteries and schools, the California Air Patrol.
- **Williamson Act.** Under the Williamson Act land owners may enter into contracts with participating cities and counties to restrict their lands to agricultural or open-space uses in return for reduced property tax assessments. The contract must be for a minimum term of 10 years, and contracts are automatically renewed each year unless action is taken to terminate the contract. In exchange for a land owner's commitment to open-space use of his or her land, the land and any living improvements (trees and vines) are valued according to their income-earning ability. The law provides that each year, the property will be assessed at the lowest of the factored base year value, the Williamson Act value or the current fair market value. The state reimburses local agencies for property tax revenues lost due to Williamson Act reductions.
- **Disabled Veterans.** Veterans with specified disabilities or, if deceased, their unmarried surviving spouses are entitled to a basic exemption of \$100,000 (inflation adjusted) on the principal place of residence. This exemption may be raised to \$150,000 (inflation adjusted) if the veteran meets the income limit of \$40,000, adjusted annually for inflation.
- **Other Exemptions.** Other exemptions include household furniture and other personal effects; business inventories; intangible property (such as intellectual property like copyrights and patents); timber, motor vehicles, freight and passenger vessels over a certain size; private railroad cars; growing crops and orchards for the first four years after planting and vineyards for the first three years after planting; and low-value property (generating a tax amount of less than \$25, or \$50 in the case of certain mobile home accessories).

Proposition 13. Proposition 13 (Article XIII A of the State Constitution) limits the real property tax rate to one percent of a property's assessed value, plus rates imposed to fund indebtedness approved by the voters. Article XIII A also prohibits the enactment of any additional ad valorem property tax, transaction tax or sales tax on the sale of real property.

When Proposition 13 went into effect, the taxing agencies within San Bernardino County agreed on a distribution of the one percent among them. The City of Twentynine Palms was not incorporated at the time. Upon incorporation, the City negotiated with the county for a portion of the county allocation. Both entities agreed upon a City property tax allocation of 26.5% of the one percent.

Change in Ownership. Property is reassessed to current full value immediately upon a change in ownership. Thereafter, the assessed value increased annually by the change in the Consumer Price Index (CPI) not to exceed 2%. However, state law and various voter approved Constitutional amendments provide exemptions to this rule. Revaluation of real property is not required for:

-
- **Transfer of Bare Legal Title.** Transfer of bare legal title takes place in a situation where a property owner pays off the mortgage held by a bank.
 - **Leases of Less than 35 Years.**
 - **Transfers of Partnership Interests.** Transfer of partnership interest is exempt from property reevaluation unless a controlling interest is acquired.
 - **Transfer into a Trust if the Transferor is the Beneficiary or the Trust is Revocable.**
 - **Joint Tenancies.** Transfers of joint tenancies that do not result in changes of beneficial ownership.
 - **Intra-Family Transfers.** Transfers between spouses including those made in divorce settlements. Transfers of a principal residence plus up to \$1 million of other property between parents and children. Transfers between grandparents and grandchildren if the parents of those grandchildren are deceased.
 - **Mobile Home Conversion to Tenant Ownership.**

Education Revenue Augmentation Fund (ERAF). In 1992, struggling to balance its budget, the State of California instructed county auditors to shift local property tax revenues from cities, counties and non-education special districts to the Educational Revenue Augmentation Fund (ERAF) to support schools. By ordering these property tax transfers to schools, the State saved many billions of dollars per year in State General Fund payments and did so at local governments' expense.

The State Legislature adopted and the Governor signed Senate Bill 1096 in FY2005. This legislation shifted for a third time property taxes from cities and counties to the Education Revenue Augmentation Fund (ERAF) for schools and community colleges. This property tax shift was commonly called "ERAF III." This property tax shift only occurred in FY2005 and FY2006. The total amount of ERAF shift state-wide for each year was \$350 million to be paid in two installments annually to the State. Each county's property tax loss to the State was identified in Senate Bill 1096. Each jurisdiction's loss in the county was determined using VLF/Sales Tax/Property Tax weights to develop a percentage for each jurisdiction. It was determined that supplemental taxes were not to be offset by ERAF III due to the fact that the shift was a fixed amount annually for each jurisdiction, and did not require additional shifts from supplemental payments. The calculation does take into account ERAF I and ERAF II calculations since they are currently considered in developing the apportionment factors. The formula also uses the Property Tax for vehicle license fee (VLF) swap, which is considered to be an increase in property taxes.

Unsecured Property Taxes. Unsecured property taxes are taxes on property that, in the opinion of the assessor, do not constitute sufficient "permanence" or have other intrinsic qualities to guarantee payment of taxes levied against it.

SB813 Supplemental Property Taxes. State law requires the County Assessor to reappraise property upon change in ownership and completion of new construction. The SB813 supplemental property tax assessment reflects the difference between the new value and the old value. The County Auditor-Controller calculates the supplemental property tax and then prorates it, based upon the number of months remaining in the fiscal year in which the event occurred.

The Homeowners Property Tax Relief Reimbursement. The Homeowners Property Tax Relief Reimbursement is revenue to offset city loss of property tax for state imposed \$7,000 per dwelling homeowner exemption. California Constitution Article XIII Section 3(k) state grants homeowners an exemption of \$7,000 from the taxable assessed value of their owner-occupied principal resident. Pursuant to Article XIII, Section 25 of the State Constitution, the state must reimburse local governments for their revenue loss due to this exemption.

The homeowners' exemption includes single family dwellings, condominiums, cooperatives and multiple residence dwellings. The exemption does not extend to property that is rented, vacant or under construction on the January 1 lien date, nor does it apply to vacation or second homes, or to a dwelling on which an owner receives a veterans' exemption. Nearly 5.5 million California homeowners receive this exemption.

The California Constitution allows the Legislature to increase the amount of the homeowners' exemption with the following conditions:

01-3106	Property Tax In Lieu of Vehicle License Fees ¹³³	2,545,926	2,754,153	2,748,864	2,697,000	2,700,000
01-3110	Real Property Transfer Taxes ¹³⁴	35,808	25,764	19,461	50,000	40,000

1. The Legislature must also increase the rate of state taxes in an amount sufficient to pay for the increased cost of state subventions to local governments; and
2. The Legislature must provide a comparable increase in benefits to renters (i.e. the renters' income tax credit).

Delinquent Property Taxes—Teeter Plan. Delinquent property tax collections are low because the City of Twentynine Palms receives almost all of its property tax due because it is participating in the Teeter Plan. The standard method for distributing property tax receipts to all participating agencies was based on actual collections. In 1949 the Teeter Plan was enacted. The plan was designated to streamline the process by allowing counties to calculate and distribute the actual amount of property tax revenues due each participating agency during the current fiscal period. The county then retains the late payments and penalties on delinquent tax assessments. Teeter Plan participation may be revoked in any year by a vote of the Board of Supervisors (BOS) or by resolution from two-thirds of the governing bodies of the participating agencies.

During the 11-year period, property tax assessed valuations increased 193% from \$418,662,000 in FY2001 to \$808,742,000 in FY2011. The total assessed value fell 2% from \$824,080,000 in FY2010 to \$808,742,000 in FY2011. The recession, home foreclosures and unemployment have caused property tax collections to fall from \$1,872,433 in FY2008 to \$1,725,000 in FY2011. FY2012 property tax collections are projected to be the same as FY2011 at \$1,725,000.

¹³³ **Property Tax in Lieu of Vehicle License Fees (VLF).** In FY2005 the State Legislature permanently reduced the vehicle license fees (VLF), commonly called the “car tax” from 2% to 0.65% of the vehicle’s value. The vehicle license fee (VLF) backfill to cities and counties (approximately \$4.4 billion annually) was eliminated and replaced with a like amount of property taxes, dollar for dollar. Subsequent to the FY2003-2004 base year, each city’s and county’s property tax in lieu of the vehicle license fee (VLF) or “VLF adjustment amount” increases annually in proportion to the growth in gross assessed valuation. The 0.65% vehicle license fee (VLF) dedicated to local governments became constitutionally protected when Proposition 1A passed on November 2, 2004. The State of California promised to replace City vehicle license fees (VLF) with property taxes, less Twentynine Palms’ share of the \$1.3 billion contribution by city governments to state government for FY2005 and FY2006. This exchange of vehicle license fees for property tax is commonly called the “VLF Swap.”

Twentynine Palms’ property taxes under the vehicle license (VLF) property tax “swap” grew from \$2,454,926 in FY2008 to \$2,754,153 in FY2009. The recession has caused Property Tax In-Lieu of Vehicle License Fees (VLF) to remained relatively flat at \$2,748,864 in FY2010 and are projected to be \$2,697,000 in FY2011 and \$2,700,000 in FY2012.

¹³⁴ **Real Property Transfer Tax.** The real property transfer tax is an excise tax imposed on documents recorded in the transfer of ownership of real estate. The tax is in proportion to the consideration or value of the property or interest conveyed. The Documentary Transfer Tax Act (Revenue and Tax Code Section 11911 et. seq.) authorizes cities and counties to impose a tax based on the transfer of ownership in real estate with a value exceeding \$100. Counties are authorized to levy the tax at a rate of 55 cents per \$500 of the property value, exclusive of any lien or encumbrance remaining at the time of sale. Once a county has enacted the tax, a city is authorized to levy a tax at one-half the county rate. The tax does not apply to furnishings, personal effects, business inventories, etc. transferred with the property.

- **Exemptions.** Exemptions to this tax include most government-owned property; properties of non-profit organizations; cemetery lots; transfers of certain partnership properties; certain reorganizations of corporations under the Federal Bankruptcy Act; recipients of foreclosed properties; the division of property between spouses under dissolution of marriage; transfers between entities where the “underlying” ownership remains unchanged. Cities are exempt from documentary transfer taxes when acquiring real property.
- **Real Property Transfer Tax Rate.** The documentary transfer tax is collected at a rate of \$1.10 per \$1,000 by San Bernardino County. Twentynine Palms’ documentary transfer tax rate is \$0.275 per \$500 and is levied pursuant to Title 3 Chapter 12 of the Twentynine Palms Municipal Code. **The slowdown in residential construction and sales of existing homes reduced the real property transfer tax from \$35,808 in FY2008 to \$19,461 in FY2010. Real estate transfer tax collections (primarily from the sale of foreclosed property) will increase revenues to \$50,000 in FY2011. The City projects that real property transfer tax collections will be approximately \$40,000 during FY2012.**

01-3115	Utility Unitary Tax ¹³⁵	92,098	101,940	98,808	97,000	96,000
01-3120	Sales and Use Tax ¹³⁶	702,363	809,311	914,726	780,000	780,000

¹³⁵**Utility Unitary Tax.** The utility unitary tax is a property tax on state-assessed property completed by the California Board of Equalization (BOE). State assessed properties include railroads, power substations, power lines, natural gas lines and other utilities. The rate imposed is the local rate of the jurisdiction in which the property is located. **The City of Twentynine Palms does not anticipate any major change in the value of state-assessed property within the City and projects that the utility unitary tax will be flat at \$96,000 during FY2012.**

¹³⁶**Sales Taxes.** California sales tax is imposed on retailers for the privilege of selling tangible personal property. A portion of the tax is a state tax and a portion is locally imposed. The tax base for the sales tax is the retail price of tangible personal property. Tangible personal property is any material asset, such as household goods and business equipment, which is readily movable and not permanently attached to real property. Sales tax applies to a transaction if (1) the seller's registered place of business in California participates in the sale and (2) title to the goods passes to the customer within the state. If both conditions are not met, the applicable tax is the use tax.

- **Constitutional Protection:** Proposition 1A of 2004: Proposition 1A prohibits the state from reducing sales tax rate or changing the method in which sales tax revenues are distributed. The measure prevents the state from restricting city or county authority to impose optional transactions and use taxes as provided in state law as of November 3, 2004.
- **Internet, Telephone and Mail-Order Sales.** Retailers located in California are required to pay sales tax for made over the internet, telephone or mail-order sales just as other taxable sales.
- **Allocations.** Under the Bradley-Burns Uniform Local Sales and Use Tax Law, most retail sales are deemed to occur at the seller's California place of business where the sale is negotiated, regardless of the physical location of the property that is sold. (Exceptions may include auctioneers, vending machine operators and construction contractors). If the retailer has more than one place of business in California, the sale is deemed to occur at the location where the principal negotiations take place. Generally, the local sales tax portion of the statewide 7.25% sales and use tax is allocated to the jurisdiction where the retailer's place of business is located.

Sales Tax exemptions include:

- **Real Property Sales.** Sales of real property, such as land and buildings, are not subject to the sales tax. Since the sales tax is imposed on retail transactions, resale and wholesale sales are excluded from the tax. Also exempt are the following, which are not considered tangible personal property.
- **Food Sales.** Food sold for human consumption except prepared foods and food consumed at or on the seller's facilities. Candy and confectionery, snack foods and bottled water. Food sold through vending machines (partial exemption). Animal life, feed, seeds, plants, fertilizer, drugs, medicines and purchases paid with food stamps.
- **Health Related Sales.** Food products served to residents and patients of a health care or retirement facility including blood storage units. Other exemptions include prescription medicines, vehicle modifications for handicapped persons, medical oxygen delivery systems, medical identification tags, health and safety education materials and various medical supplies, appliances and devices including wheelchairs, crutches, canes and walkers.
- **Household Related Sales.** Gas, electricity and water are exempt from sales taxes if delivered through mains, lines or pipes. Telephone and telegraph lines, electrical transmission and distribution lines, and the related poles, towers and conduit.
- **Alternative Energy Sales.** Cogeneration technology and fuel from organic products and waste by-products.
- **Museums and Public Art Sales.** Original works of art, if such works of art are purchased to become a part of a permanent collection of a museum.

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- **Transportation Industry Related Sales.** Interstate sales of vessels and aircraft, aircraft fuel used during international flights and hot prepared food sold to air carriers for passenger consumption. This exemption also includes component parts of railroad equipment.
 - **Lease of Motion Pictures Sales.** Leases of motion pictures and television films and tapes.
 - **Manufactured Housing and Buildings Sales.**
 - **Custom Computer Programs Sales.**

Use Taxes. The use tax complements the sales tax. It is imposed on the storage or use, or other consumption in California of property purchased from a retailer in cases where the sales tax is not collected. While the sales tax is imposed on the seller, the use tax is imposed on the purchaser and at the same rates as the sales tax. The common example of use tax is the purchase of goods from an out-of-state retailer for use in California. If the retailer has a physical presence (nexus) in California, they are considered to be engaged in business in this state and must collect the use tax when goods are delivered to purchasers in this state.

The use tax was first imposed in 1935, in order to discourage buying from out of state solely for the purpose of avoiding state sales tax, and thereby placing California retailers at a competitive disadvantage.

Sales and use taxes are collected by the state Board of Equalization (BOE) and remitted to the City quarterly. Sales and use taxes are recorded as revenues when received by the state Board of Equalization.

Historically, the state's use tax collection efforts focused on purchases of goods by California businesses and on purchases of vehicles, with no attempt to collect use tax on most out-of-state purchases by individual customers. However, many out-of-state mail-order houses are now required to collect use tax on purchases by Californians. In addition, the Board of Equalization now bills many returning travelers for use tax on foreign purchases identified on their customs declarations.

Out-of-state retailers doing business in California are now required to report to the Board of Equalization the jurisdiction to which sold items were delivered. However, out-of-state retailers who earn less than \$10,000 in less than seven days at a convention or trade show are exempt from sales and use tax as long as they have no other nexus within California.

- **Constitutional Protection:** Proposition 1A of 2004: Proposition 1A prohibits the state from reducing use tax rate or changing the method in which use tax revenues are distributed. The measure prevents the state from restricting city or county authority to impose optional transactions and use taxes as provided in state law as of November 3, 2004.
- **Internet, Telephone and Mail-Order Sales.** Use tax applies to purchases over the Internet and from telephone or mail-order sales from out-of-state retailers.
- **Allocations.** Use taxes are not allocated to the "point of sale" but to the place of use. For most retail transactions occurring in California, this is the location of the retail transaction. But if the item is delivered, the place of use is the jurisdiction where the product is shipped. A substantial portion of local use tax collections are allocated through a countywide pool to the local jurisdictions in the county where the property is put to its first functional use. Under the pool system, the tax is reported by the taxpayer to the countywide pool of use and then distributed to each jurisdiction in that county on a pro-rata share of taxable sales.

State law provides various special allocation procedures for use taxes collected on certain products. Generally, these special allocation rules allow use tax revenue that would otherwise be shared via the countywide and statewide pools to be directly allocated to the jurisdiction of use. These include:

1. **Jet Fuel.** If both of the following conditions are met, the place of sale or purchase of jet fuel is the city, county or city and county where the fuel is delivered to the aircraft (wing-tip): (1) the principal negotiations of jet fuel are conducted in this state, and (2) the retailer has more than one place of business in this state. Regulation 1802 provides specific details regarding the proper allocation of the sales tax on jet fuel.

01-3121	Property Tax In-Lieu of Sales Tax (Triple Flip) ¹³⁷	272,083	211,701	277,301	301,000	295,000
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2. **Long Term Leases of Motor Vehicles (Greater than Four Months)**. Where the vehicle is either purchased from a California dealer or is leased by a California dealer-lessor, the tax is allocated to the place of business of the dealer or lessor. Where the lease is from someone other than a California new motor vehicle dealer, the revenues are allocated to the lessee’s place of registration.
3. **Auctioneers Conducting Auction Events at Locations Other than their regular place of Businesses when the Taxable Sales total \$500,000 or more**. The local tax is to be allocated to the jurisdiction in which the auction occurs.
4. **Construction Contracts Equal to or Greater than \$5,000,000**. The local tax on materials consumed and fixtures furnished and installed to the local jurisdiction of the construction site may be allocated directly to the jurisdiction in which the jobsite is located rather than an indirect allocation through the countywide pool.
5. **Sales and Purchases of \$500,000 or More Subject to Use Tax**. Use tax from transactions by out-of-state retailers who are engaged in business in California is allocated to the jurisdiction in which the first functional use of the property occurs. This generally is deemed to be the jurisdiction to which the goods are shipped.

Twentynine Palms had a steady increase in sales tax collections from FY2003 through FY2010. Sales tax collections rose to \$674,539 in FY2003 and \$768,840 in FY2004. In FY2005, sales dipped due to the diversion of ¼ cent sales tax to the State of California for education (called triple flip). In FY2006, sales taxes again rose to \$861,459, but dropped to \$709,894 in FY2007 and \$702,363 in FY2008 due to the recession. Sales tax collections rose 30.23% from FY2008 to \$914,726 in FY2010. FY2011 sales tax revenues are estimated at this time to be approximately \$780,000 in FY2011 and FY2012.

¹³⁷ **Property Tax In-Lieu of Sales Tax (Triple Flip)**. **The City projects that property taxes in lieu of sales taxes (Triple Flip) will be flat at \$295,000 during FY2012.**

Beginning in FY2005, the Governor and State Legislature began a quarter cent swap of Twentynine Palms’ sales tax revenue for an equal amount of property tax revenue to provide a dedicated funding source for Proposition 57 (California Economic Recovery Bond Act) repayment approved by the voters on March 2, 2004. The quarter cent sales tax loss (called the triple flip) at the local level is then reenacted at the State level. The State did this for two reasons. First, the State can dedicate to the satisfaction of the private bankers a “new” State enacted, one-quarter cent sales tax, to fund the deficit reduction bonds for a period of nine years. Secondly, and most importantly for the Republican caucuses in the State Legislature, it does not raise the overall State tax burden. The State deposits revenue from the 0.25% state tax increase into the newly created Fiscal Recovery Fund to pay for bonds issued for deficit reduction. This sales and use tax triple flip will end when the State of California Director of Finance notifies the California Board of Equalization (BOE) that the state’s obligations for the bonds have been satisfied. Proposition 1A of 2004 prohibits the Legislature from extending the sales and use triple flip tax beyond the period necessary to repay the Proposition 57 bonds. In addition, it Constitutionally protects the state reimbursement to cities and counties under the triple flip. The “Triple Flip” works as follows:

1. On August 15 of each year that the “triple flip” is in effect, the State Board of Equalization will give the Director of Finance (DOF) an estimate, based on the prior fiscal year, of what the “countywide adjustment amount” should be. **“Countywide adjustment amount” means the combined total sales tax revenue loss of the county and each city in the county for the year.**
2. On September 1, the Director of Finance (DOF) notifies the county auditor of the portion of the “countywide adjustment amount” to be allocated for each city and county.
3. In January and May (date not specific)—the county auditor allocates one-half of the amount identified on September 1 to cities and counties.
4. At the end of the fiscal year (no date specified) for which an adjustment amount was determined, the Director of Finance (DOF) recalculates adjustment amounts (combined total sales tax revenue loss of the county and each city) based on actual collections and notifies the county auditor of the recalculated amount.

01-3125	Transient Occupancy Tax (TOT) ¹³⁸	770,206	857,457	901,878	860,000	860,000
	Total Taxes	6,290,917	6,586,780	6,685,585	6,510,000	6,496,000

Licenses and Permits

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3140	Franchise Fees ¹³⁹	519,766	535,866	597,645	535,000	525,000

- In the fiscal year following the year in which a recalculation was made (no date specified) the county auditor shall allocate the excess amount, or for overpaid amounts, transfer it back to the Education Revenue Augmentation Fund (ERAF).

¹³⁸**Transient Occupancy Tax (TOT).** Cities may impose the transient occupancy tax (TOT) on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or their lodging facility. Cities may also levy a tax on the privilege of renting a mobile home located outside a mobile home park, unless such occupancy is for more than 30 days or unless the tenant is an employee of the owner. Under certain conditions a redevelopment agency may impose the tax. Rates are set at the city’s discretion and may include a specific amount as well as a percentage.

Exemptions include owners of timeshare property and owners of membership camping contracts. Some cities provide exemptions for federal and state government employees traveling on official business; this exemption is not required for Amtrak employees. If a facility provides a complimentary meal as part of the price of lodging, the transient occupancy tax may not be imposed on the cost of the meal as long as the meal is subject to sales tax. It is the responsibility of the hotel/motel to provide the breakdown of lodging and food costs. If that data is not provided, a city or county can impose the TOT on the entire cost of the lodging. In August 1996, the Board of Equalization (BOE) ruled that meals that do not exceed 10% of the price of lodging are not subject to sales tax. Cities can impose a transient occupancy tax (TOT) on complimentary meals that do not exceed 10% of the price of lodging.

The City’s transient occupancy tax (TOT) (hotel/motel room tax) established by a vote of the people is nine percent. (Title 3 Chapter 24 of the Twentynine Palms Municipal Code). **Transient occupancy taxes (TOT) rose \$131,672 from \$770,206 in FY2008 to \$901,878 during FY2010. Transient occupancy tax collections are down and the City projects that it will collect approximately \$860,000 in FY2011. The City projects that FY2012 transient occupancy taxes (TOT) will be the same level as FY2011 at \$860,000.**

¹³⁹**Electric Franchise Fees.** In 1988, the City of Twentynine Palms approved Ordinance No. 88-16, granting a franchise to Southern California Edison Company. The franchise fee is “two percent (2%) of gross annual receipts arising from the use, operation, or possession of franchise, but not less than One percent of gross annual receipts derived from sale of electricity within the limits of City, plus Direct Access Municipal Surcharge.”

Cable Television Franchise Fees. Under California law effective January 1, 2007, the California Public Utilities Commission (PUC) has the authority to grant State video franchises. The City of Twentynine Palms acquired certain rights and responsibilities with respect to State video franchise holders. These include receipt of a franchise fee and a fee for public, educational and government (PEG) purposes, both based on a percentage of gross revenues of state franchise holders as well as the establishment of enforcement penalties for violations of customer services rules.

Section 5.04.020(a) of the Twentynine Palms Municipal Code states that “any State video franchise holder (“State Franchisee”) operating within the boundaries of the City of Twentynine Palms shall pay a fee to the City equal to five percent (5%) of the gross revenue of the State franchisee.”

Section 5.04.020.(b) of the Twentynine Palms Municipal Code states that “any franchisee operating within the boundaries of the City of Twentynine Palms shall pay an additional fee to the City equal to one percent (1%) of the gross revenue of that state franchisee, which fee shall be used by the City for public, educational and government purposes consistent with State and Federal Law.”

01-3145	Business License Fees ¹⁴⁰	38,051	40,067	42,734	38,000	38,000
01-3155	Motor Vehicle In-Lieu Fees ¹⁴¹	124,320	97,216	90,430	75,000	75,000

Waste Management Franchise Fees. On May 6, 2006, the City Council of Twentynine Palms approved an Assumption and Assignment Agreement with Burtec Waste and recycling services. Section 11.(D) states that the “Contractor shall pay to City, a franchise fee equal to fifteen percent (15%) of Contractor’s annual Gross Receipts each year, or portion thereof, during the entire Term of this Agreement, except with respect to Gross Receipts collected by the County Tax Assessor, said Franchise Fee shall be paid to City monthly or on or before the 15th day of each month.”

Southern California Gas Company Franchise Fees. On March 22, 1988, the City Council of Twentynine Palms approved Ordinance Number 88-19 entitled "An Ordinance of the City of Twentynine Palms Granting to Southern California Gas Company, a Corporation, the Right, Privilege and Franchise to Lay and Use Pipes and Appurtenances for Transmitting and Distributing Gas for any and all Purposes Under, Along, Across or Upon the Public Streets, Ways, Alleys and Places, as the Same Now or May Hereafter Exist, Within Said Municipality." Southern California Gas Company accepted the franchise on May 9, 1988. The franchise agreement outlined in the ordinance provides that Southern California Gas Company shall pay the City of Twentynine Palms a sum annually which shall be equivalent to two percent (2%) of the gross annual receipts of the grantee arising from the use, operation or possession of said franchise; provided however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of the grantee derived from the sale of gas within the limits of the City under this franchise.”

Revenues from electric, gas, waste management and cable television franchise fees is not expected to grow during FY2012. The City anticipates that it will collect \$525,000 in franchise fee revenues during the next fiscal year.

¹⁴⁰ **Business License Fees.** With certain exceptions, cities may license, for revenue and regulation, every kind of lawful business transacted in the City. Limitations on local government regulatory licensing include:

1. **License Taxes Versus Regulatory Licenses.** Although Government Code Section 37101 authorizes business licensing for “revenue-raising” as well as “regulatory” purposes, the distinction between the two is important. Local governments may not use the guise of revenue-raising to regulate an area pre-empted by state law.
2. **Regulatory Fees Limited to Costs.** When a business license is imposed as a regulatory fee, the rate is limited to covering the cost of the regulatory program. It does not matter if a fee does not benefit those charged as long as the fee is commensurate with the burden imposed by the activity of those charged.
3. **Commerce Clause.** U.S. Constitution Article 1 Section 8 Clause 3 stipulates that only Congress has the power to “regulate commerce with foreign nations, and among the several states, and with the Indian tribes.” In addition to being an affirmative grant of authority to Congress, the commerce clause also prohibits state and local regulations that unduly interfere with interstate commerce.
4. **First Amendment.** Certain businesses have First Amendment protection and therefore cannot be singled out for regulation or taxation.
5. **Exemption and Pre-Emption in State Law.** Cities and counties are limited in their ability to regulate certain categories of business.

Business licenses in Twentynine Palms are governed by Title 5 Chapter 1 of the Twentynine Palms Municipal Code. The ordinance is old and needs to be updated. **Business license fee revenues are expected to be the same in FY2012 as they were in FY2011 at \$38,000.**

¹⁴¹ **Motor Vehicle License Fees (VLF) (Motor Vehicle In-Lieu Taxes).** The vehicle license fee (VLF), also called the “motor vehicle in-lieu tax,” is a tax on the ownership of a registered vehicle in place of taxing vehicles as personal property. The VLF is paid annually upon vehicle registration in addition to other fees, such as the vehicle registration fee, air quality fee and commercial vehicle weight fees all of which fund specific state programs. The vehicle license fee funds city and county services. The vehicle license fee (VLF) is applied based on the current value of a vehicle as estimated by a depreciation schedule set in state law.

- **Exempt Vehicles.** Vehicles required to register, but that are exempt from the vehicle license fees (VLF) include government-owned, diplomatic, civil air patrol, farm vehicles, privately owned school buses and vehicles owned by blind or amputee veterans. Various classes of specialized vehicles are exempt from the vehicle registration fee and the vehicle license fee (VLF), but are instead subject to the property tax. These include farm trailers, privately-owned firefighting vehicles and forklifts.
- **Vehicle Registration Fees.** In addition to the vehicle license fees (VLF), the state imposes a variety of regulatory fees to support various state programs and services including state highways, the California Department of Motor Vehicles (DMV) and the California Highway Patrol. In fact, less than one third of the fees and taxes paid with annual vehicle registration are allocated to cities and counties through the vehicle license fee (VLF).
- **Constitutional Protection.** Proposition 47 of 1986 requires that the vehicle license fee (VLF) be allocated to cities and counties. However, the Legislature may alter the tax rate and the allocation among cities and counties.
- **Vehicle License Fee Rate.** From 1948 through 2004, the vehicle license fee (VLF) rate was 2%. In 1998, Governor Pete Wilson signed a bill that began offsetting vehicle license fees and backfilling them with state General Fund revenue. Since its inception in 1998, the reduction in the vehicle license fees (VLF) rate and backing filling it with state General Fund revenues was structured as a local tax reduction, made possible by a state General Fund subsidy to local governments. Under the law, local governments were “backfilled” by the state General Fund for any loss of revenue due to vehicle license fee reductions. In 2004-2005, the backfill amounted to \$3.9 billion. From the initial vehicle license rate reductions in 1998, the law contained provisions that if state General Fund revenues are insufficient to fund the offsets, then they would be removed and the effective taxpayer rate would return to its 2% 1998 level. This provision was known as the “Trigger.” But ambiguities in the law led to sharp disagreements as to the process and conditions necessary for such action.

On June 19, 2003, the California State Controller’s Office and Director of Finance made findings of insufficient revenues and the effective vehicle license rate went from 0.65% to 2%. Due to administrative changes and notifications of taxpayers by the Department of Motor Vehicles, the new rate went into effect for taxpayers in October of 2003.

The FY2004 State budget deleted all funding for the vehicle license fee (VLF) backfill effective with the pulling of the trigger. Consequently, during the period June 20 through October 1, 2003, the reduced rate remained, but the backfill to local governments for the reduction was not funded. The “VLF backfill gap” totaled \$1.25 billion and was paid by the state in the FY2006 budget year.

Governor Gray Davis was recalled in a special election on October 7, 2003, proponents of the recall had characterized the vehicle license fee (VLF) rate increase as a tax hike. Following his inauguration in November 2003, as his first official act, Governor Arnold Schwarzenegger issued an executive order repealing the “VLF trigger,” restoring the reduction of the vehicle license fee from 2% to 0.65% and instructing that refunds be paid to anyone who had paid the higher rate. On December 17, 2003, Governor Schwarzenegger issued an executive order appropriating \$2.625 billion to provide backfill funding for city and county vehicle license fees (VLF). The \$2.625 billion covered the lost revenues to cities and counties for the FY2003-2004 fiscal year, except the “backfill gap.”

- **Vehicle License Fee for Property Tax Swap.** In FY2005 the State Legislature permanently reduced the vehicle license fees (VLF), commonly called the “car tax” from 2% to 0.65% of the vehicle’s value. The vehicle license fee (VLF) backfill to cities and counties (approximately \$4.4 billion) was eliminated and replaced with a like amount of property taxes, dollar for dollar. **Subsequent to the FY2003-2004 base year, each city’s and county’s property tax in lieu of the vehicle license fee (VLF) or “VLF adjustment amount” increases annually in proportion to the growth in gross assessed valuation.** The 0.65% vehicle license fee (VLF) dedicated to local governments became constitutionally protected when Proposition 1A passed on November 2, 2004. The State of California promised to replace City vehicle license fees (VLF) with property taxes, less Twentynine Palms’ share of the \$1.3 billion contribution by city governments to state government for FY2005 and FY2006. This exchange of vehicle license fees (VLF) for property tax is commonly called the “VLF Swap.”

Twentynine Palms’ vehicle license fees (VLF) under the vehicle license fee (VLF) property tax “swap” are projected to be down from \$124,320 in FY2008 to \$75,000 in FY2011 and FY2012.

01-3200	Animal Control Fees ¹⁴²	92,066	116,905	116,833	102,000	102,000
01-3225	Planning and Engineering Fees	73,434	79,936	48,501	50,000	50,000
01-3230	Building Permits and Road Permits ¹⁴³	223,180	250,753	228,590	190,000	180,000

¹⁴² **Animal Licenses.** A city's police power allows it to regulate animals in accordance with the health, safety and welfare of the general public. This includes maintaining sanitary conditions within the city and collecting fees sufficient to continue providing animal control services. State law governs the regulation and licensing of animals and mandates certain holding periods and procedural requirements related to strays. Fees charged for animal licensing are limited to covering the cost of the regulatory program (including animal shelters and control programs). The City of Twentynine Palms charges the following dog licensing fees

Explanation	Fee
One Year	
Regular	\$43.00
Regular (Senior Owner)	\$15.00
Altered	\$25.00
Altered (Senior Owner)	\$ 9.00
Two Year	
Regular	\$82.00
Regular (Senior Owner)	\$28.00
Altered	\$44.00
Altered (Senior Owner)	\$17.00
Three Year	
Regular	\$98.00
Regular (Senior Owner)	\$43.00
Altered	\$65.00
Altered (Senior Owner)	\$25.00
Penalty for Late Licensing	
First Month	\$24.00
Second Month	\$35.00
Third Month (Maximum)	\$45.00
Optional Cat Tags (One Year Only)	
Regular	\$17.00
Altered	\$ 9.00
Microchip	
Dog	\$20.00
Cat	\$25.00

The following transportation and impound fees have been adopted:

Service Charges	Fee
Pickup for Disposal of owned dog or cat	\$35.00
Euthanasia and disposal at owners request	\$50.00
Euthanasia	\$50.00
Owner turn in	\$25.00
Transportation of owned animal to veterinarian or animal hospital	
Within City limits	\$30.00
Yucca Valley	\$45.00
Indio	\$115.00
After Hours (Additional Charge)	\$45.00

¹⁴³ **Building Permit Fees.** Building permit fees are established in Table 3-A of the Uniform Administrative Code adopted by the City Council. Building valuations for building permit fees are established by the International Conference of Building Officials (ICBO). On January 9, 1992, the Twentynine Palms City Council entered into an agreement with Charles Abbott Associates, Inc. to provide building inspection services for the City. Compensation to consultant is 66 and 2/3% of all

	Total Licenses and Permits	1,070,817	1,120,743	1,124,733	990,000	970,000

Intergovernmental Revenue

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	State Booking Fee Reimbursement ¹⁴⁴	0	0	0	0	0

building permit fees collected by the City. Twentynine Palms deposits 33 and 1/3% of the building permit fees into the City's General Fund. The agreement may be terminated at any time by either party upon 30-days notice.

Building permit fees increased dramatically from \$33,233 in FY2003 to \$537,006 in FY2006. The collapse in housing construction in Twentynine Palms and throughout California has resulted in a drop of building permit revenues to \$63,761 in FY2009. **Since that time, building construction has made some recovery and building permit revenues in FY2010 were \$224,415. Building permit revenues are expected to be \$190,000 in FY2011 and \$180,000 in FY2012.**

¹⁴⁴**Booking Fees.** The Budget Act of 1990 (SB2557, Government Code Section 29550-29550.4) authorized counties to charge booking fees to any local agency, college or university presenting an arrestee to the county for booking into a county jail or other local detention facility. When the arresting agency presents the arrestee to the county for booking, the arresting agency pays the booking fee to the county. The booking fee must not exceed the county costs incurred in processing or booking persons. If there is a finding of guilt, the booking fee is added to the fine that the convicted person pays and remitted to the arresting agency that paid the fee.

The purpose of booking fees is to enable counties to recover costs associated with booking persons into county detention facilities from the arresting agencies. More specifically, this "booking fee" authority was an attempt to mitigate the effects of reductions to state support for county programs. Prior to the authorization to charge booking fees, counties essentially paid for these services with general purpose revenues. Cities have argued that jail booking services have historically been provided by counties and paid from countywide tax revenues, and that the imposition of booking fees is merely a way for the state to shift its fiscal burdens to cities via counties.

A compromise was crafted on the booking fees by the sheriffs, police chiefs, cities and counties in the 2006 State Budget agreement. For FY2007, the State appropriated \$35 million to reimburse cities for actual booking fees paid during FY2006, consistent with current law at the time. However, on July 1, 2007, the booking fee procedure was altered as follows:

1. In-lieu of charging booking fees under Government Code Section 2550 et seq., counties would receive \$35 million directly into local detention facility revenue accounts, subject to an annual appropriation by the State of California.
2. Funds in the local detention facility revenue accounts may be used "exclusively for the purpose of operation, renovation, remodeling, or constructing local detention facilities and related equipment."
3. Counties would have the authority to charge a "jail access fee" for each booking in excess of each agency's three year average (recalculated annually) of bookings for the following low-level offenses: (1) municipal code violations, and (2) misdemeanor violations except driving under the influence, domestic violence offenses, and enforcement of protective orders.
4. Cities that operate Type One facilities would be eligible to receive funds from their county's local detention facility revenue account.
5. If the State Legislature appropriates less than \$35 million in any given year, counties would have the option of charging booking fees under Government Code Section 29550 in proportion to the level of under-appropriation. The booking fee rate would be the 2005 rate (1/2 actual costs and in effect on July 20, 2006) adjusted annually by the annual California Consumer Price Index plus one percent compounded annually and reduced in proportion to the extent the Legislature appropriates part of the \$35 million.

01-3802	Police Grants ¹⁴⁵	213,352	46,449	72,706	50,000	103,000
	Total Intergovernmental Revenue	213,352	46,449	72,706	50,000	103,000

Charges for Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3603	Swimming Pool Fees	17,544	21,059	17,938	17,000	15,000
01-3606	Rent	9,196	32,291	30,518	35,000	35,000
01-3605	Recreation Fees	147,107	139,603	132,202	128,000	128,000
	Total Charges for Services	173,847	192,953	180,658	180,000	178,000

Use of Property and Money

Account Number	Account Description	Actual FY2007	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3245	Interest Income ¹⁴⁶	281,722	196,421	102,600	75,000	60,000
	Sale of Assets	0	0	0	127,000	0
	Total Use of Property and Money	281,722	196,421	102,600	202,000	60,000

Miscellaneous

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3260	Miscellaneous ¹⁴⁷	92,538	95,236	110,996	30,000	30,000

The City received \$23,440 in state booking fee reimbursements for FY2007. However, no booking fees were received in FY2008, FY2009, FY2010 and FY2011 due to the State budget crisis and subsequent cuts by the State Legislature. The City anticipates no booking fee reimbursements during FY2012.

¹⁴⁵ Assembly Bill 1913 or California Citizen Option for Public Safety Grant (COPS) program provides a minimum of \$100,000 to eligible front line law enforcement agencies. To be eligible for allocations under the COPS program, a local jurisdiction must (1) submit an annual expenditure report to the State Controller as required by current law and (2) fully expend its allocation within 24 months of receipt. COPS funds cannot be used to replace existing City funding for the Police Department. Each county has an oversight committee from the District Attorney's Office that reviews the COPS expenditures of each law enforcement agency. **The City of Twentynine Palms will receive \$103,000 in state COPS funding during FY2012.**

¹⁴⁶ **Interest Revenue.** State law permits a city with idle cash in its treasury to make investments. Earnings from the prudent investment of idle cash can be an important source of municipal revenue. In authorizing cities to invest funds, the California Government Code (CG) also limits the type of investments that can be made, primarily to protect the safety of taxpayer's money.

¹⁴⁷ Miscellaneous revenues include fines and forfeitures from traffic and zoning violations as well as state mandated cost reimbursements. **Twentynine Palms anticipates no state-mandated cost reimbursements during FY2012.**

State Mandated Cost Reimbursement. Article XIII, Section 6 of the California Constitution requires the state to reimburse local agencies for the costs of new programs or higher levels of service mandated by the state. This amendment to the Constitution was added by Proposition 4 on the 1980 general election ballot, the Gann Initiative, to provide financial

	Total Miscellaneous Revenue	92,538	95,236	110,996	30,000	30,000

Transfers from Other Funds

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-3316	Transfer from Recycling Special Revenue Fund	0	142,849	0	0	0
01-3316	Transfer from Traffic Safety Special Revenue Fund	31,992	31,992	48,000	48,000	48,000
	Total Transfers from Other Funds	31,992	174,841	48,000	48,000	48,000

Total General Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total General Fund Revenues	8,155,185	8,413,423	8,325,278	8,010,000	7,885,000

protection to local agencies from state government, which had a history of both mandating programs and services on local governments without providing funding, and of shifting the costs of state programs or higher level of state programs to cities, counties and special districts. A mandated new program or higher level of services includes a transfer by the Legislature from the state, to cities, counties or special districts of complete or partial financial responsibility.

- **Reimbursement Process.** The reimbursement process is commonly referred to as “SB 90” after the original 1972 legislation requiring the state to provide cost reimbursement for state mandates. SB 90 requires that the state appropriation accompany legislation which contains mandated costs. If the Legislature does pass a mandate containing an appropriation, the State Controllers’ Office is required to process and pay local agencies’ reimbursement claims. However, the State Legislature frequently passes laws which contain mandates but include no appropriation. In this case, local agencies may pursue their reimbursement claims through the Commission on State Mandates (COSM). The commission is a quasi-judicial body which was created in 1985 to resolve disputes over the existence of state-mandated local programs. In response to a claim filed by a local agency, the commission determines whether or not the higher level of service or new program requires state reimbursement. If the claim results in a finding of reimbursable mandate, the Commission on State Mandates (COSM) adopts guidelines for pursuing reimbursement.
- **Proposition 1A.** Proposition 1A, approved by the voters in November 2004, contains provisions regarding local mandate funding. The measure requires the Legislature to:
 1. Either suspend a mandate or appropriate the necessary funds in the budget to reimburse local governments for all costs of complying with the mandate, including those in prior years;
 2. Reimburse local governments when the state mandates that local government assume a greater percentage of the financial responsibility for a program or service previously shared with the state; and
 3. Begin repaying amounts owed to local governments for mandate costs incurred prior to FY2005.

Proposition 1A does not apply to mandates affecting local schools or mandates related to employee relations and collective bargaining.



World War II Rationing Line in front of Bagley's Market at the Plaza around 1942.



Harry and Millie Johansing

General Fund Expenditures

Elected Officials Department

Department Mission

The mission of the City Council is to (1) protect the health, safety and welfare of the residents and (2) maintain, promote and improve the quality of life for Twentynine Palms residents by adopting legislation, approving the annual budget and providing policy direction for the City organization through the City Manager.

Department Description

The City of Twentynine Palms was incorporated on November 23, 1987, under the laws of the State of California. The City is a general law City and draws its authority from the California Constitution and the laws of the State of California enacted by the State Legislature. The City has a Council-Manager form of government. Under this municipal form of government, the citizens elect five members of the City Council for four-year overlapping terms. City Council members choose the Mayor and Mayor Pro Tem from among themselves each year.¹⁴⁸ The Mayor presides at meetings of the City Council, signs documents, executes agreements and acts as the official representative of the City.



Regular meetings of the City Council are held at 6:00 p.m. on the second and fourth Tuesday of the month in the City Council Chambers. All meetings of the City Council are open to the public, except closed sessions as needed and allowed by State law.

The City Council is responsible for strategic planning, City legislation, policy development and legislative oversight over the City Manager, department heads, professional

Twentynine Palms City Council

staff, consultants, public advisory committees and all other employees, volunteers and officers appointed or retained by the City. It adopts the annual City budget and establishes goals, objectives and performance measures for the City Manager and City departments. The City Council also appoints citizens to serve on boards and commissions that operate in an advisory capacity to the City Council.

The City Council takes the primary lead in intergovernmental relations and sits on regional boards, commissions and committees to advance and protect the interests of the City of Twentynine Palms. They represent the City at community ceremonies, meetings, and other functions. The Mayor and members of the City

¹⁴⁸ California Government Code Section 36801.

Council attempt to be responsive to citizen concerns and to enact legislation that reflects the needs, wishes and priorities of the residents of Twentynine Palms.

The City Manager is appointed by the five-member City Council by majority vote and serves at the “pleasure” of the governing body. He acts as the City’s chief executive officer as well as its budget and financial officer. He is also the executive director of the Twentynine Palms Redevelopment Agency and Twentynine Palms Public Financing Authority.

The City Manager implements the legislative policies of the City Council, manages the day-to-day operations of the City and is responsible for efficient and effective delivery of municipal services. In his capacity, he works with the City Council on strategic planning, policy development, ordinance preparation, goals and objectives for the organization. He implements the decisions of the City Council and is responsible for all aspects of the City’s financial administration and personnel administration. The City Manager oversees the work of all staff members, consultants and City departments.¹⁴⁹

The City provides administration, police, community development, redevelopment, storm drainage, sanitation, street construction and maintenance, building inspection, economic development, and parks and recreation services to the citizens of Twentynine Palms. Water services and fire protection service are provided by the Twentynine Palms Water District.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Review, refine and amend as appropriate the City’s community values statements and community vision statements to guide the future development of City of Twentynine Palms.

Performance Measures: Community values statements and community vision statements are reviewed, refined and amended as deemed appropriate by the City Council.

2. Goal: Establish Strategic Planning, Implementation and Evaluation Framework for making policy and administrative decisions.

Performance Measure: Strategic Planning, Implementation and Evaluation decision making framework established to guide policy and administrative decisions.

3. Goal: Establish City Council priorities, strategies, goals and objectives.

Performance Measure: City Council establishes priorities, strategies, goals and objectives.

4. Goal: Review Planning Commission recommendations and adopt new General Plan.

Performance Measure: City Council reviews Planning Commission recommendations and adopts new General Plan.

5. Goal: Review Planning Commission recommendations and adopt a General Plan Environmental Impact Report (EIR).

Performance Measure: City Council reviews Planning Commission recommendations and adopts a General Plan Environmental Impact Report (EIR).

6. Goal: Review Planning Commission recommendations and adopt new Housing Element of the General Plan.

Performance Measure: City Council reviews Planning Commission recommendations and adopts new Housing Element of the General Plan.

¹⁴⁹Twentynine Palms Municipal Code Section 2.01.070.

- 7. Goal:** Review and approve final changes to the Housing Element of the General Plan requested by the California Department of Housing and Community Development (HCD).
Performance Measure: The City Council reviews and approves final changes to the Housing Element of the General Plan requested by the Department of Housing and Community Development.
- 8. Goal:** Review Planning Commission recommendations and adopt new Development Code.
Performance Measure: City Council reviews Planning Commission recommendations and adopts new Development Code.
- 9. Goal:** Review and approve a Trails Master Plan for Twentynine Palms.
Performance Measure: City Council reviews and approves a Trails Master Plan for Twentynine Palms.
- 10. Goal:** Review and approve annual budget for the City of Twentynine Palms.
Performance Measure: City Council reviews and approves annual budget for the City of Twentynine Palms.
- 11. Goal:** Review and approve a Capital Improvements Plan to expend the Twentynine Palms Redevelopment Agency bond proceeds.
Performance Measure: Capital Improvements Plan to expend the Twentynine Palms Redevelopment Agency bond proceeds is approved by the City Council.
- 12. Goal:** Review and approve a project to underground utility lines using Rule 20 funds from Southern California Edison.
Performance Measure: City Council reviews and approves a project to underground utility lines using Rule 20 funds from Southern California Edison.
- 13. Goal:** Broadcast City Council meetings and Planning Commission meetings on the Internet.
Performance Measure: City Council meetings and Planning Commission meetings are broadcast on the Internet.
- 14. Goal:** Install electronic voting system for Planning Commission and City Council meetings.
Performance Measure: Electronic voting system for Planning Commission and City Council meetings is installed.
- 15. Goal:** Update City Council ordinance in Title 2 Chapter 2 of the Twentynine Palms Municipal Code relating to the City Council.
Performance Measure: City Council adopts amendments to the City Council ordinance in Title 2 Chapter 2 of the Twentynine Palms Municipal Code relating to the City Council.
- 16. Goal:** Update City Assembly Bill 1234 policies relating to municipal elected officials and employee ethics.
Performance Measure: City Council adopts amendments to the City Assembly Bill 1234 ethics policies.
- 17. Goal:** Actively work to support the expansion of the training area at the U.S. Marine Corps Air Ground Combat Center.
Performance Measure: City actively supports and works with the Department of Defense to expand the U.S. Marine Corps Air Ground Combat Center is expanded and additional military units training there.
- 18. Goal:** Actively work with the National Park Service for the construction of the new Joshua Tree National Park Oasis of Mara Visitor Center.
Performance Measure: National Park Service begins construction on the new Joshua Tree National Park Oasis of Mara Visitor Center.
- 19. Goal:** Actively work to support the construction of the Sky's the Limit Observatory and Nature Center.

Performance Measure: City Council actively supports the construction of the Sky's the Limit Observatory and Nature Center and the facilities are built outside Joshua Tree National Park.

20. Goal: Approve a Mutual Aid Memorandum of Understanding between the City and the U.S. Marine Corps Air Ground Combat Center (MCAGCC).

Performance Measure: City Council approves a Mutual Aid Memorandum of Understanding Between the City and the U.S. Marine Corps Air Ground Combat Center (MCAGCC).

21. Goal: Participate with the Southern California Association of Governments (SCAG) to insure an adequate and reasonable Regional Housing Needs Assessment (RHNA) and housing allocation for Twentynine Palms.

Performance Measure: Elected officials participate with the Southern California Association of Governments in the Regional Housing Needs Assessment (RHNA) and insure that Twentynine Palms regional housing allocation is adequate and reasonable.

22. Goal: Work with business and community groups to develop and implement a multi-media marketing plan for Twentynine Palms.

Performance Measure: City Council works with business and community groups to develop and implement a marketing plan for Twentynine Palms.

23. Goal: Promote community events, businesses and visitor attractions through support of the Twentynine Palms Visitor Center and the Chamber of Commerce.

Performance Measure: City staff and City Council promote community events, businesses and visitor attractions through the Twentynine Palms Chamber of Commerce and Visitor Center.

24. Goal: Support and promote community events and cultural programs as a way to build community spirit and promote business and economic development.

Performance Measure: City Council supports and promotes community events and cultural programs as a means to build community spirit and promote business and economic development.

25. Goal: Hold joint City Council/Planning Commission meeting to discuss issues and provide Planning Commission guidance on issues, projects and studies the elected officials wish the Planning Commission to address.

Performance Measure: Joint City Council/Planning Commission meeting is held to discuss issues and provide the Planning Commission guidance on issues, projects and studies the elected officials wish the Planning Commission to address.

26. Goal: Monitor legislation during U.S. Congressional session and the California State Legislative session. Take appropriate actions to contact by letter and phone the City's federal and state legislative delegations.

Performance Measure: Report by City Council.

28. Goal: Participate in regional boards and commissions to address regional issues and promote and protect the interests of the City of Twentynine Palms.

Performance Measure: City Council Members participate in regional boards and commission to address regional issues and promote and protect the interests of the City of Twentynine Palms.

29. Goal: Participate in the League of California Cities meetings, activities and events.

Performance Measure: City Council Members participate in League of California Cities meetings, activities and events.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome and attractive City resulting from orderly development and preservation of its natural desert beauty.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property is protected from criminal harm, flood and other natural disasters and man-made hazards.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provision in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides cultural, recreational and contemplative opportunities for the residents and visitors to Twentynine Palms.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space and is the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize

efficiency and be accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Elected Officials Department Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0101-4110	Salaries and Wages—Part Time ¹⁵⁰	27,900	28,365	27,900	27,900	27,900
01-0101-4150	Insurance and Retirement	7,869	9,016	12,496	18,500	25,700
	Total Personnel Services	35,769	37,381	40,396	46,400	53,600

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0101-4251	Training and Meetings	16,218	16,254	5,026	13,000	15,000
	Total Maintenance and Operation	16,218	16,254	5,026	13,000	15,000

Total Elected Officials Department Expenditures

Account Number	Account Description	Actual FY2010	Actual FY2011	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Elected Officials Department Expenditures	51,987	53,635	45,422	59,400	68,600

¹⁵⁰The salaries of elected are established by the City Council in accordance with Sections 36516 and 36516.5 of the California Government Code. On January 22, 2002, the City Council adopted Ordinance No. 166, establishing the monthly salary for City Council members at \$465 per month. Section 36516(d) of the California Government Code states that any amounts paid by a city for retirement, health and welfare, and federal social security benefits shall not be included for purposes of determining salary under this section provided the same benefits are available and paid by the city for its employees.”

Section 36516(c) of the California Government Code states that “compensation of council members may be increased beyond the amount provided in this section by an ordinance or by an amendment to an ordinance for each calendar year from the operative date of the last adjustment of the salary in effect when the ordinance or amendment is enacted. No salary ordinance shall be enacted or amended which provides for automatic future increases in salary.

Section 36516.5 of the California Government Code states: “A change in compensation does not apply to a councilman during his term of office; however, the prohibition herein expressed shall not prevent the adjustment of the compensation of all members of a council serving staggered terms whenever one or more members of such council becomes eligible for a salary increase by virtue of his beginning a new term of office.”

Administrative Services Department

Department Mission

The mission of the Administrative Services Department is to (1) provide leadership, support, coordination and oversight for the various City departments; (2) provide policy recommendations to the City Council; (3) provide City Council, staff and public with timely and accurate financial and other information pertaining to official City business.

Department Description

The Administrative Services Department provides management support to the Mayor, City Council, City Manager other City departments and citizens. This department maintains the City's financial records in conformity with Generally Accepted Accounting Principles (GAAP) as published by the Governmental Accounting Standards Board (GASB) and state and federal laws. It handles the City's fixed-asset records, internal financial control system, City insurance and coordination of the City's risk management program. The department receives all money payable to the City and is responsible for the investment of the City's idle cash.

The Administrative Services Department is responsible for budgeting, payroll, purchasing, information systems, records maintenance, personnel administration, contract administration and the administration of state and federal funds. This department also coordinates the services of the City Attorney. The City Manager's Office within the department is charged to implement the ordinances, resolutions, policies, rules and regulations adopted by the City Council. The day-to-day functions of operating the City's business are coordinated, administered and managed by the City Manager under the direction of the Mayor and City Council, using personnel and financial resources approved by the City Council.

The Administrative Services Department is divided into Administration, Finance and City Clerk functions.

Administration

Administration provides overall coordination of City functions within the policy and budgetary framework established by the City Council. The City Manager's Office has the responsibility to carry out the policies of the City Council, manage the day to day operations of the City, provide high levels of municipal service for the least possible cost, ensure that the needs and concerns of the community are properly addressed so that Twentynine Palms is an excellent place to live and conduct business. To accomplish this, the City Manager is involved in community, county, regional and state issues, as well as guiding the City organization.

The Executive Assistant to the City Manager serves as the City's Human Resource Officer and is responsible for all personnel functions including recruitment, selection, classification, compensation, labor relations, and training development. She administers the City's workers' compensation program, short-term disability program, long-term disability program, employee health insurance program, deferred compensation and retirement programs for the City. Other duties include developing and recommending appropriate personnel policies and guidelines to the City Manager and City Council.

She also coordinates the flow of business and documents to and from the City Council, department heads, and senior City staff. In addition she serves as the liaison for technical services in relation to software application support and network support.

The City Attorney is appointed by the City Council and works with the elected officials, City Manager and staff. The City Attorney acts as legal advisor to the City Council, the Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Financing Authority. The City Attorney prepares and approves proposed city ordinances, resolutions, contracts and other legal documents. The City Attorney represents the City in litigation and directs the performance of legal services by outside counsel. The City Attorney oversees the prosecution of violations of City laws.

City Clerk

The City Clerk has the responsibility to prepare City Council agenda packets, review staff reports and maintain minutes for all City Council meetings, Planning Commission meetings, Twentynine Palms Redevelopment Agency meetings and Twentynine Palms Public Finance Authority meetings.

She serves as the filing officer for Fair Political Practices Commission forms and preparation of City Council meeting materials, public notices, etc. She is responsible for design and maintenance of the City website. She also maintains the City's official records (including maintenance and update of the City of Twentynine Palms Municipal Code), administers the City records retention program, and provides support services to the City Manager and City Council.

Finance

The Finance Division is responsible for providing trustworthy financial services and accurate financial information. It plans, directs, monitors and improves the fiscal operations of the City of Twentynine Palms. Division employees prepare financial statements for the annual financial audit and provide information support for the preparation by the City Manager's Office of the annual budget. Personnel perform various accounting functions including accounts receivable, accounts payable, payroll, general ledger and other general accounting functions. The division collects City business license fees and is responsible for issuing business. The Finance Division makes debt-service payments, invests the City's idle cash, and prepares monthly financial statements for the City Council, City Manager and department heads.

The Finance Division also coordinates the City's risk management program and is responsible for the management of the City's liability insurance, property insurance and other insurance programs. The Administration Division provides legal advice to the staff, City Manager and City Council and provides oversight and coordination for all claims and lawsuits.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Qualify the City to receive the Distinguished Budget Presentation Award from the Government Finance Officers Association of the United States and Canada (GFOA). This is nationally the highest form of recognition in the area of governmental budgeting. To receive this award the City must submit its budget document for review by a panel of independent budget experts. Using extensive criteria, the reviewers evaluate the effectiveness of the budget as a policy document, an operations guide, a financial plan and a communications device. **Performance Measure:** City receives the award from the Government Finance Officers Association (GFOA).

- 2. Goal:** Qualify the City to receive the Comprehensive Annual Finance Report Award from the Government Finance Officers Association of the United States and Canada (GFOA). This is nationally the highest form of recognition in the area of governmental auditing and financial reporting. To receive this award the City must submit its Comprehensive Annual Financial Report (CAFRA) to a panel of independent finance reporting experts. Using extensive criteria, the reviewers evaluate the City's financial statements and associated reporting.
Performance Measure: City receives the award from the Government Finance Officers Association (GFOA).
- 3. Goal:** Prepare written accounting, investment, fixed asset, financial, capital improvement and budget policies.
Performance Measure: Written accounting, investment, fixed asset, financial, capital improvement and budget policies are prepared and adopted by the City Council.
- 4. Goal:** Send out Requests for Proposals (RFP), interview and recommend to the City Council new independent financial auditors.
Performance Measure: City Council approves new independent auditors for the City of Twentynine Palms.
- 5. Goal:** Identify, determine the cost and purchase new City finance system software.
Performance Measure: New City finance system software is identified and purchased.
- 6. Goal:** Conduct sales tax audit using an independent auditor to ensure City is receiving all sales taxes from the State of California.
Performance Measure: City completes sales tax audit using an independent auditor.
- 7. Goal:** Conduct property tax audit using an independent auditor to ensure City is receiving all property taxes from San Bernardino County.
Performance Measure: City conducts property tax audit using an independent auditor.
- 8. Goal:** Maintain accounting and cash management reporting systems in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and City's policies and procedures.
Performance Measure: Annual financial audit by independent certified public accountants.
- 9. Goal:** Invest City's idle cash in investments approved in the City's investment policy and in accordance with the City's investment policy and State law.
Performance Measure: Annual financial audit by independent certified public accountants.
- 10. Goal:** Process cash receipts, accounts payable and payroll and issue petty cash in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the City's financial policies and procedures.
Performance Measure: Annual financial audit by independent certified public accountants.
- 11. Goal:** Review capitalization of all general fixed assets over \$5,000 to ensure City's compliance with Generally Governmental Accounting Standards Board (GASB) Statement No. 34.
Performance Measure: Annual financial audit by independent certified public accountants.
- 12. Goal:** Review and update Title 3 Chapter 1 of the Twentynine Palms Municipal Code relating to purchasing.
Performance Measure: Title 3 Chapter 1 of the Twentynine Palms Municipal Code relating to purchasing is updated.
- 13. Goal:** Meet deadlines for state-required finance reports to the state Board of Equalization (BOE) and the State Controller's Office.
Performance Measure: City completes all state-required reports and submits them on time to the state Board of Equalization and the State Controller's Office.

14. Goal: Monitor and oversee City revenues and expenditures to be sure that the City continues to be financially sound.

Performance Measures: City revenues and expenditures are monitored and overseen to be sure that the City continues to be fiscally sound.

15. Goal: Aggressively seek cost reimbursements from the State of California under California Government Code Section 17550 et. Seq. for non-funded state mandates.

Performance Measure: Cost reimbursement claims are submitted to the State of California.

16. Goal: Develop new data base for City business licenses and enter business license information into the data base.

Performance Measure: New data base is developed for business licenses and business license information is entered into the data base.

17. Goal: Complete the conversion of the Twentynine Palms Municipal Code into an electronic format that can be posted internally on the City's intranet and externally on the City's website.

Performance Measure: Conversion of the Twentynine Palms Municipal Code into an electronic format is completed.

18. Goal: Organize, codify, and prepare in an electronic format all administrative policies into a City policies and procedures manual.

Performance Measure: City administrative policies are organized, codified and prepared in an electronic format for a policies and procedures manual.

19. Goal: Update City Public Records Policy and fee schedule.

Performance Measure: City Council adopts new City Public Records Policy and fee schedule.

20. Goal: Develop an Internet and computer-use policy for presentation to the City Council.

Performance Measure: City Council adopts new Internet and computer use policy.

21. Goal: Develop and implement a comprehensive plan to upgrade City's network and associated hardware and software systems to achieve greater efficiencies and provide better information to the public, staff and City Council.

Performance Measure: Comprehensive plan to upgrade City's network and associated hardware and software systems is prepared and implemented.

22. Goal: Work to create a virtual City Hall by updating and overhauling the City website.

Performance Measure: City creates virtual City Hall by updating and overhauling City website.

23. Goal: Install analytic tools on City web site to monitor the amount of traffic and pages visited on City website.

Performance Measure: Analytic tools are installed on City website to monitor the amount of traffic and pages visited on City website.

24. Goal: Create an Intranet system for the City to allow the posting of City documents internally for use of all City departments.

Performance Measure: Intranet system for the City is created to allow the posting of City documents for use by all departments.

26. Goal: Conduct an audit of business licenses by cross checking City business license records with information maintain by the State of California Board of Equalization (BOE).¹⁵¹

Performance Measure: City business license records are cross checked against information maintained by

¹⁵¹ The City will participate in the Statewide Compliance and Outreach Program of the California Board of Equalization to crosscheck its business licenses with state business information.

the State of California Board of Equalization (BOE).

27. Goal: Send out business license renewals 40 business days prior to the expiration date of the licenses. Follow up with delinquent notices.

Performance Measure: Report to the City Council.

28. Goal: Implement organizational changes to provide better use of resources to handle the increased workload, improve customer service and provide higher level of municipal services.

Performance Measure: Report to Mayor and City Council.

29. Goal: Develop a records retention policy and prepare records retention schedules for adoption by the City Council.

Performance Measure: Records retention policy adopted by the City Council.

29. Goal: Complete the scanning of old paper documents into the City's Laserfiche System.

Performance Measure: Scanning of old paper documents into the City's Laserfiche System is completed.

30. Goal: Review and update City employer-employee relations policy as required by State law.

Performance Measure: City employer-employee relations policy is updated as required by State law

31. Goal: Recruit, select and appoint City employees in accordance with state laws, City ordinances and Twentynine Palms Personnel Rules and Regulations.

Performance Measure: Report to the City Council.

32. Goal: Prepare a City newsletter and send it out at least three times a year.

Performance Measure: City newsletter is prepared and sent out at least three times a year.

33. Goal: Monitor legislation during U.S. Congressional sessions and the California State Legislative sessions. Take appropriate actions to contact by letter, phone and personal visits to the City's federal and state legislative delegations on legislative items of importance to the City.

Performance Measure: Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Shoulders the full share of the community's county, regional and state responsibilities, acknowledging that the City is part of a larger community and that the provision of services and the solution to certain problems must be the result of intergovernmental cooperation.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.

Vision: Provides citizens with educational opportunities to become part of a talented and creative workforce. They are able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community and partner with the City to share responsibility for the health, safety and welfare of the community. The residents of Twentynine Palms are informed and civil in interactions with each other and City officials and employees.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Administrative Services Department Expenditures

Administration

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0102-4110	Salaries and Wages—Regular	155,818	178,907	176,098	200,400	188,600
01-0102-4135	Vehicle Allowance	5,023	5,215	14,943	7,000	7,500
01-0102-4150	Insurance and Retirement	58,361	72,075	62,823	62,800	84,900
	Total Personnel Services	219,202	256,197	253,864	270,200	281,000

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0102-4107	City Attorney	123,387	255,655	183,744	135,000	135,000
01-0101-4251	Training and Meetings	12,436	10,121	8,846	3,800	7,000
01-0102-4210	Electricity	16,659	16,083	16,557	20,000	22,000
01-0102-4211	Other Utilities	3,394	3,430	4,237	5,000	5,000
01-0102-4221	Telephone	9,434	7,241	9,043	10,000	10,000
01-0102-4291	Building Operation and Maintenance	16,344	17,594	17,944	12,000	12,000
01-0102-4359	Maintenance Contracts	23,917	29,363	20,583	23,200	25,000
	Total Maintenance and Operations	205,571	339,487	260,954	209,000	216,000

Total Administration Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Proposed FY2012
	Total Administration Division Expenditures	424,773	595,684	514,818	479,200	497,000

Finance

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0105-4110	Salaries and Wages—Regular	126,494	133,797	144,101	148,000	148,800
01-0105-4135	Insurance and Retirement	48,149	58,647	54,845	63,000	67,300
	Total Personnel Services	174,643	192,444	198,946	211,000	216,100

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0105-4241	Office Supplies	1,934	3,636	2,686	3,000	2,000
01-0105-4251	Training and Meetings	2,314	473	192	1,000	500
01-0105-4257	Dues and Subscriptions	295	400	336	400	300
01-0105-4359	Contract and Consulting	1,431	475	225	1,700	2,000
01-0105-4528	Computer Hardware and Software	2,697	1,307	1,307	0	5,000
01-0105-4554	Payroll Service	4,344	7,626	8,246	9,000	7,000
	Total Maintenance and Operations	13,015	13,917	12,992	15,100	16,800

Total Finance Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Finance Division Expenditures	187,658	206,361	211,938	226,100	232,900

City Clerk

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0106-4110	Salaries and Wages—Regular	121,324	143,882	158,159	165,500	164,900
01-0106-4135	Vehicle Allowance	1,205	1,204	1,206	1,200	1,200
01-0106-4135	Insurance and Retirement	38,745	56,053	56,723	69,400	77,800
	Total Personnel Services	161,274	201,139	216,088	236,100	243,900

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0106-4231	Printing	2,887	3,191	2,568	4,500	3,500
01-0106-4233	Legal Notices	5,491	3,727	7,632	5,000	5,000
01-0106-4241	Office Supplies	618	1,512	1,063	800	1,000
01-0106-4344	Special Department Supplies	2,578	3,097	2,631	2,700	2,600
01-0106-4251	Training & Meetings	3,776	5,313	2,150	1,500	2,500
01-0106-4257	Dues and Subscriptions	555	762	480	500	800
01-0106-4411	Elections	151	6,981	336	7,000	500
	Total Maintenance and Operations	16,056	24,583	16,860	22,000	15,900

Total City Clerk Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total City Clerk Expenditures	177,330	225,722	232,948	258,100	259,800

Total Administrative Services Department Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Administrative Services Department Expenditures	789,761	1,027,767	959,704	963,400	989,700



Historic Plaza, Bagley Tank--1933

Economic Development and Non-Departmental Expenses Department

Department Mission

The mission of the Economic Development and Non-Departmental Expenses Department is to account for funds used to (1) attract, retain and promote commercial, office, and industrial businesses to provide employment, economic opportunity and tax revenues and to (2) account for miscellaneous General Fund expenditures that can be attributed to all City departments or are not easily allocated to any particular City department.

Department Description

Non-Departmental Expenditures. The Non-Departmental Department is used to account for miscellaneous expenses within the General Fund that are difficult to allocate to a specific department or can be attributed to all City General Fund budget departments. It includes a wide variety of operating and capital costs including taxes, contracts, leases, maintenance, equipment, as well as for general government operations costs such as printing, postage, advertising, dues, subscriptions and employee post employment benefits. Funding for Non-departmental expenditures come from General Fund revenues. Expenditures in the Non-Departmental Department are overseen by the City Manager and the Finance Director.

Economic Development Expenditures. Economic development is the sustained creation of community wealth and the generation of tax revenues through the retention, expansion and development of diversified business opportunities that are compatible with the environment, community values and community vision. The development of a strong City economy is essential to providing employment opportunities, enhancing the quality of life, and providing tax revenues to underwrite the cost of municipal services. Twentynine Palms should capitalize on its strengths and focus its economic development strategies in three areas:

1. Increase the number and length of stay of visitors to Twentynine Palms.
2. Capture the economic and financial transactions of the personnel working and living at the U.S. Marine Corps Air Ground Combat Center (MCAGCC).
3. Make Twentynine Palms a premier location for artists to live and military personnel and other people to retire.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. **Goal:** Develop and implement a marketing plan for Twentynine Palms consistent with its economic development strategies.
Performance Measure: Marketing plan is developed and implemented consistent with its economic development strategies.
2. **Goal:** Work with the Morongo Basin Regional Economic Development Consortium to market Twentynine

Palms and other regional attractions.

Performance Measure: City works with the Morongo Basin Regional Economic Development Consortium to market Twentynine Palms and other regional attractions.

3. Goal: Promote community events, businesses and visitor attractions through the support of the Twentynine Palms Visitor's Center and the Chamber of Commerce activities and programs.

Performance Measure: City staff and City Council promote community events, businesses and visitor attractions through the support of the Twentynine Palms Visitor's Center and Chamber of Commerce activities and programs.

4. Goal: Work with the Twentynine Palms Innkeepers Association, Chamber of Commerce and other business groups to increase the City's presence on the Internet, in the social media and on mobile devices.

Performance Measure: City's presence is increased on the Internet, in the social media and on mobile devices.

5. Goal: Update, maintain, and promote the City's visitor website, visit29.org, which publicizes local events and hospitality businesses and encourages visitors to stay and play in Twentynine Palms.

Performance Measure: Visit29.org is updated, maintained and promoted regularly to publicize local events and hospitality businesses.

6. Goal: Install Google Analytics on the visit29.org website to monitor and analyze visits Internet traffic to the site.

Performance Measure: Google Analytics is installed on the visit29.org website to monitor and analyze Internet traffic to site.

7. Goal: Maintain a sponsored destination marketing page on TripAdvisor.com with regularly updated event listings, hospitality business promotions and banner ads.

Performance Measure: City's sponsored page on TripAdvisor.com is regularly updated with events, hospitality business promotions and banner ads.

8. Goal: Promote tourism through a focused advertising campaign in regional, state and national print magazines, travel guides, and related travel marketing sites.

Performance Measure: Tourism ads are placed in regional, state and national print magazines, travel guides, and related travel marketing sites.

9. Goal: Produce materials and respond to monthly "leads" generated from Sunset Magazine and other travel resources, using Twentynine Palms Visitor Center staff's assistance for list maintenance and mailing.

Performance Measure: A documented number of "leads" will be responded to monthly and a master mailing list will be maintained.

10. Goal: Work with the Chamber of Commerce to operate the Twentynine Palms Visitor Center by providing financial and other support for its operation.

Performance Measure: City works with the Chamber of Commerce to successfully operate the Twentynine Palms Visitor Center by providing financial and other support for its operation.

11. Goal: Provide visitor education training for the staff of the Twentynine Palms Chamber of Commerce.

Performance Measure: Visitor education training is provided to the staff of the Twentynine Palms Chamber of Commerce.

12. Goal: Increase City visibility and visitor traffic to Twentynine Palms by having a City representative on the Board of Directors of the California Welcome Center.

Performance Measure: City visibility and visitor traffic is increased by having a City representative on the Board of Directors of the California Welcome Center.

13. Goal: Place kiosk in the California Welcome Center similar to the one in the Twentynine Palms Visitor Center

to promote the City and increase visitor traffic to the City.

Performance Measure: Kiosk is placed in the California Welcome Center to promote the City and increase visitor traffic to the community.

14. Goal: Work with hotel and motel owners and hospitality businesses to be sure that all of them have a presence on the California Welcome Center website, California Travel & Tourism Commission (CTTC) websites and other travel sites.

Performance Measure: Motel and hotel owners, hospitality businesses have a presence on the California Welcome Center Website, California Travel & Tourism Commission websites and other travel sites.

15. Goal: Reevaluate and make changes to marketing materials at the California Welcome Center.

Performance Measure: Marketing materials are re-evaluated and changes are made to the marketing materials at the California Welcome Center.

16. Goal: Work with Action Council for 29 Palms in distributing their “Oasis of Murals” pamphlets throughout the Morongo Basin.

Performance Measure: City works with Action Council for 29 Palms to distribute their “Oasis of Murals” pamphlets throughout the Morongo Basin.

17. Goal: Work with Joshua Tree National Park on joint marketing efforts to attract visitors to Twentynine Palms and Joshua Tree National Park.

Performance Measure: Marketing plan is established and implemented. Marketing materials are printed and distributed.

18. Goal: Place articles in the “Observation Post” and the U.S. Marines Air Ground Combat Center (MCAGCC) and MCCA “Desert Lifestyle” magazine about activities and events in Twentynine Palms to encourage Marines to come to town and participate in the community.

Performance Measure: Articles are placed in the “Observation Post.” And MCCA “Desert Lifestyle” magazine.

19. Goal: Assist Sky’s the Limit Observatory and Nature Center with production of promotional materials and construction of on-site facilities to encourage its use as a visitor destination.

Performance Measure: The City has assisted Sky’s the Limit with promotional materials and enhanced on-site facilities. This has resulted in increased visitor traffic to Twentynine Palms.

20. Goal: Submit items to be included in the Combat Center Update radio announcement prepared by the U.S. Marine Corps Air Ground Combat Center (MCAGCC) on activities and “things to do” in Twentynine Palms.

Performance Measure: Items are submitted each week to the U.S. Marine Air Ground Combat Center (MCAGCC) to be included in the Combat Center Update radio announcement.

21. Goal: Work with the Chamber of Commerce and the U.S. Marine Corps Air Ground Combat Center (MCAGCC) to brief new Marines on activities and “things to do” in Twentynine Palms.

Performance Measure: City prepares materials and participates in the briefings of new Marines on activities and “things to do” in Twentynine Palms.

22. Goal: Support public art through the Public Arts Advisory Committee (PAAC), Action Council for 29 Palms and other organizations as a means of promoting economic development and visitors to Twentynine Palms.

Performance Measure: City supports public art through the Public Arts Advisory Committee (PAAC), Action Council for 29 Palms and other organizations as a means of promoting economic development and visitors to Twentynine Palms.

23. Goal: Develop a business incubator program to develop new businesses in Twentynine Palms.

Performance Measure: City implements a business incubator program to develop new businesses in Twentynine Palms.

- 24. Goal:** Support infrastructure improvements such as sidewalks, street furniture, landscaping and other measures to increase the pedestrian traffic and circulation among the motels and downtown businesses.
Performance Measures: Infrastructure improvements such as sidewalks, street furniture, landscaping and other measures to increase the pedestrian traffic and circulation among the motels and downtown businesses.
- 25. Goal:** Highlight the history and culture of Twentynine Palms by placing historic pictures in the Twentynine Palms Visitor Center.
Performance Measure: Historic pictures are placed in the Twentynine Palms Visitor Center to highlight the history and culture of Twentynine Palms.
- 26. Goal:** Implement risk management programs required by the City’s liability insurance carrier.
Performance Measure: Risk management programs required by the City’s liability insurance carrier are implemented.
- 27. Goal:** Complete Americans with Disabilities Act (ADA) compliance survey of City programs and facilities.
Performance Measure: Americans with Disabilities Act (ADA) compliance survey of City programs and facilities is completed.
- 28. Goal:** Complete financial audit by independent auditor by December 31, 2011.
Performance Measure: Financial audit completed by independent auditor by December 31, 2011.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Shoulders the full share of the community’s county, regional and state responsibilities, acknowledging that the City is part of a larger community and that the provision of services and the solution to certain problems must be the result of intergovernmental cooperation.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and be accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Non-Departmental Expenditures

Maintenance and Operation

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0107-4231	Printing	6,406	3,778	3,997	4,500	4,500
01-0107-4232	Advertising	159	1,378	1,349	3,000	1,500
01-0107-4241	Office Supplies	13,745	10,176	9,662	11,000	12,000
01-0107-4242	Postage	9,615	10,183	7,229	9,500	10,000
01-0107-4243	Credit Card Administration Fees	3,578	4,401	4,908	6,000	5,500
01-0107-4244	Miscellaneous ¹⁵²	113,037	147,158	28,171	40,000	50,000

¹⁵²FY2008 miscellaneous expenditures include \$39,253 in retiree health insurance premiums, \$23,445 in property appraisals and \$19,140 for the City's portion of the Department of the Navy Wastewater Treatment Plant Joint-Use Study prepared by Winzler & Kelly Consulting Engineers. FY2012 miscellaneous expenses includes \$2,500 for the Mojave Environmental Consortium.

In June 2003, a Joint Use Wastewater Treatment Plant Regional Facility Study for the U.S. Marine Corps Air Ground Combat Center (MCAGCC) Base and the City of Twentynine Palms was completed by Winzler & Kelly Consulting Engineers. That study recommended against a joint-use facility for the treatment of wastewater generated by the City and the U.S. Marine Corps Air Ground Combat Center (MCAGCC) due to the cost and lack of any information demonstrating that there was a problem.

In April 2008, a second study by Winzler & Kelly was issued. The object of that study was to provide a basis of comparison between a joint-use facility for treatment of combined wastewater flows and a new facility for separate treatment. Two joint-use and three Separate-Use alternatives were evaluated for treatment of the area's wastewater. Joint-use alternatives included upgrading the existing Mainside Wastewater Treatment Plant (WWTP) and construction of a new wastewater treatment plant (WWTP) at a location between MCAGCC and the City. Separate-use alternatives for the City include using decentralized package wastewater treatment facilities or centralized system that would use either a natural process or a mechanical process for wastewater treatment.

01-0107-4251	Cafeteria Plan Costs	1,197	1,362	1,392	1,500	1,600
01-0107-4251	Training & Meetings	748	400	2,064	400	0
01-0107-4257	Dues and Subscriptions	5,866	7,117	7,424	7,500	10,000
01-0107-4259	League of California Cities Dues	10,034	10,034	10,034	10,100	11,000
01-0107-4272	Vehicle Operation and Maintenance	1,766	839	2,564	2,500	2,500
01-0107-4275	Meeting Videotaping ¹⁵³	2,550	2,500	194	0	0
01-0107-4279	Internet Connection Expenses	13,517	9,777	6,907	7,500	8,000
01-0107-4281	Emergency Management ¹⁵⁴	21,772	2,212	167	14,000	15,000
01-0107-4291	Rental Property Maintenance	0	0	0	3,500	3,000
01-0107-4327	Copier Leases	8,419	9,209	9,040	9,100	9,100
01-0107-4354	Audit	33,145	28,259	9,029	30,000	31,000
01-0107-4359	Contracts & Consulting ¹⁵⁵	21,218	0	0	0	0
01-0107-4370	Federal Lobbyist ¹⁵⁶	42,260	45,000	52,621	50,000	0
01-0107-4372	Property Tax Collection Charges by County	0	63,870	74,516	75,000	75,000
01-0107-4419	Other Public Employee Benefits (OPED) (Prior Yr) ¹⁵⁷	0	0	134,680	100,000	105,000
01-0107-4419	Other Public Employee Benefits (OPED) (Current) ¹⁵⁸	0	0	0	36,000	40,000
01-0107-4430	20 th Anniversary Celebration	12,237	0	0	0	0
01-0107-4431	General Liability Insurance	68,199	101,004	132,867	112,500	115,000
01-0107-4518	Electronic Equipment Maintenance	0	0	0	35,000	35,000
01-0107-4544	Fire Suppression Tax ¹⁵⁹	7,019	7,366	7,086	8,500	8,500
01-0107-4831	Park Equipment Lease (A)	2,864	1,062	124	0	0
01-0107-4833	Park Equipment Lease (B)	1,349	0	136	0	0
01-0107-4850	Park Truck Lease	0	556	118	0	0
01-0107-4850	Transfer to Capital Improvement Fund	902,009	560,762	132,865	406,200	373,000
01-0107-4879	Americans with Disability Act Compliance Survey ¹⁶⁰	0	0	0	0	18,000

After comparing the total capital costs for each alternative, each alternative was very expensive with the exception of Separate-Use Alternative #1. Because the City of Twentynine Palms currently uses individual septic systems, there is no existing infrastructure to be used for a city-wide collection program. Collection pipelines, laterals and a trunk sewer main will all be required for collecting and transporting wastewater to the desired facility. Based on the proposed area of service, it was estimated that collection facilities and a sewer trunk line will cost approximately \$34 million.

The recommendation of the report was that Separate-Use Alternative #1 (Decentralized) be used for the treatment of the City of Twentynine Palms wastewater. Separate-Use Alternative #1 proposes the use of packaged wastewater treatment plants for the treatment of wastewater generated by major subdivisions. Capital costs for this alternative are small for the City as the construction and associated collection facilities would be financed by the developers of new subdivisions.

¹⁵³City pays \$100 per meeting to have its Planning Commission and City Council meetings televised.

¹⁵⁴ FY2008 emergency management expenses included spending \$20,000 from a grant to fight West Nile Virus and \$1,772 for supplies for the Emergency Operations Center (EOC).

¹⁵⁵FY2008 expenses included \$20,218 for a classification plan and wage and salary study.

¹⁵⁶The City has retained and has been paying \$4,000 per month to Innovative Federal Strategies as a lobbyist in Washington D.C. **No funds are appropriated in FY2012 for a Washington D.C. lobbyist.**

¹⁵⁷ Other Employee Benefits (OPED) is the \$500 per month toward each retirees' health insurance premium. There are currently seven retired City employees covered under this provision. The City is required to contribute the "annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City's OPED contributions were \$134,680 for FY2010, \$100,000 for FY2011 and is projected to be \$105,000 for FY2012.

¹⁵⁸The City contributed \$36,000 in FY2010 and \$40,000 in FY2012 for its current year OPED contributions as explained in the above footnote.

¹⁵⁹The fire suppression tax is a property tax paid to the Twentynine Palms Water District for fire protection services. The City paid a fire suppression tax of \$7,019 in FY2008, \$7,366 in FY2009, \$7,086 in FY2010, \$8,500 in FY2011 and \$8,500 in FY2012.

01-0107-4992	Banner Repairs	0	0	0	0	3,300
01-0107-4993	Adopt-A-Street Program	0	0	0	0	1,450
01-0107-4994	Veterans' Day Event	0	0	0	0	1,750
	Total Maintenance and Operations	1,302,709	1,028,403	639,144	983,300	950,700

Total Non-Departmental Department Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Non-Departmental Department Expenditures	1,302,709	1,028,403	639,144	983,300	950,700

Economic Development Expenditures

Maintenance and Operation

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0203-4210,11	Visitor Center Utility Maintenance	0	0	948	5,000	6,000
01-0203-4231	Printing and Media	917	300	0	1,500	1,500
01-0203-4251	Training and Meetings	4,398	14	0	500	500
01-0203-4257	Dues and Subscriptions	969	352	0	500	500
01-0203-4955	Morongo Basin Regional Economic Development Consortium	250	250	250	250	250
01-0203-4356	Tourism Advertising ¹⁶¹	24,960	0	0	40,000	90,000
01-0203-4359	Visitor Center Operating Contract	45,449	57,453	13,023	20,000	38,000
01-0203-4559	Contract Services	0	17,002	19,583	20,000	20,000
01-0203-4371	Community Events and Promotion	5,797	6,216	6,506	2,500	1,000
01-0203-4371	Car show	0	0	0	0	500
01-0203-4371	Pioneer Days	0	0	0	0	1,500
01-0203-4371	Light Parade	0	0	0	0	500
01-0203-4374	Business Recruitment and Promotion	0	0	403	20,000	25,000
01-0203-4375	California Welcome Center	12,000	12,000	12,000	12,000	12,000
01-0203-4376	Business Development	11,058	30,636	28,832	0	0
	Total Maintenance and Operations	105,798	124,223	81,545	122,250	197,250

Total Economic Development Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Economic Development Expenditures	105,798	124,223	81,545	122,250	197,250

Total Economic Development and Non-departmental Expenses Department

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Economic Development and Non-Departmental Expenses Department Expenditures	1,408,507	1,152,626	720,689	1,105,550	1,147,950

¹⁶⁰ During FY2012, the City will review City facilities and programs for compliance with the federal American with Disabilities Act (ADA).

¹⁶¹ Includes \$5,000 to construct a Kiosk for the California Welcome Center similar to the one in the Twentynine Palms Visitor Center, \$2,500 Action Council for 29 Palms, Inc. and \$2,500 for the Morongo Basin Cultural Arts Council.

Community Development Department

Department Mission

The mission of the Community Development Department is to (1) implement the City's General Plan; (2) conduct planning studies and prepare long-range plans; (3) provide professional, residential, commercial and industrial planning services to City applicants, the Planning Commission and City Council; (4) conduct plan checks, issue building permits and inspect buildings and other public structures; and (5) provide code enforcement services to protect property values and the health, safety and welfare of the community.



The City Engineer (1) performs the statutory functions of the City Engineer pertaining to the review and checking of land subdivisions and improvement plans including review of tentative maps, parcel maps, final maps, lot-line adjustments, grant deeds, grant easements, and conditional use permits; (2) prepares plans and specifications for specific City capital projects; (3) oversees City consultants and manage technical studies focusing on traffic, streets, storm drainage, parks, and public buildings; (4) manages inspection services for all construction projects and (5) coordinates all infrastructure projects between different public and private entities including utility companies, government agencies and commercial and industrial businesses.

Department Description

The Community Development Department oversees all development within the City of Twentynine Palms. This includes the overall design of the City as well as specific commercial, residential and industrial site plans, building designs, community aesthetics, and property maintenance. The Community Development Department is divided into a Planning Division, Building, Safety and Engineering Division and a Code Enforcement Division.

Planning Division

The Planning Division reviews all residential, commercial and industrial development proposals made by developers to the City of Twentynine Palms. It processes all requests for annexations, rezoning, and land use entitlements such as conditional uses, and subdivision maps. The department coordinates recommendations from the City Engineer, City Attorney, Streets Supervisor, Building Official, Sheriff Captain/Police Chief and Fire Chief regarding development activities in the City. Community Development Planning Division personnel serve as staff members to the City Council, Planning Commission and various citizens' advisory committees. They make written and verbal recommendations to these decision-making bodies at public meetings.



The Planning Division is also responsible for long-range and advanced planning in the City. Staff prepares reports and studies for the Planning Commission and City Council on long-range planning issues such as land use, circulation, parks, open space, beautification, housing, historic preservation, conservation, streets, roads and many other community development issues. Planning personnel also make recommendations to the Planning Commission

and City Council concerning updates to the General Plan, City sphere of influence (SOI), municipal services plan, capital improvements plan (CIP) and state-mandated environmental impact reports (EIR).

Building, Safety and Engineering Division

The Building Division conducts plan checks, issues building permits and inspects residential, commercial and industrial structures under construction. Division personnel enforce the California Building Code, Fire Code and other building codes adopted by the City. They also investigate and respond to complaints and building code violations. The Building, Safety and Engineering Division maintains a telephone-based inspection request system that provides next-day inspection service. Personnel will provide same-day inspections where an inspection is urgently needed and inspectors are available. In unusual cases, where there is serious and urgent life-safety concerns, inspections are provided any time they are needed including nights, weekends, and holidays.

On January 9, 1992, the Twentynine Palms City Council entered into an agreement with Charles Abbott Associates, Inc. to provide building inspection services for the City. Compensation to consultant is 66 and 2/3% of all building permit fees collected by the City. Twentynine Palms deposits 33 and 1/3 percent of the building permit fees into the City's General Fund. The agreement may be terminated at any time by either party upon 30-days notice.

The Engineering staff is responsible for the orderly development of all public infrastructure in the City of Twentynine Palms including the water system, wastewater system, storm drainage system, parks system, streets system and public buildings. In this capacity, the Engineering staff reviews tentative maps, parcel maps, final maps, lot-line adjustments, grant deeds, grant easements and conditional use permits. Personnel checks improvement plans for all residential, commercial and industrial development proposals. They also conduct infrastructure analysis and prepare project-specific requirements for development projects. Staff also prepares inspection improvement agreements, subdivision improvement agreements, reimbursement agreements and deferred improvement agreements. In this capacity they coordinate the review and approval of various agreements with other staff of the Community Development Department and Public Works Department as well as the City Attorney and City Manager.

The Engineering staff also oversees infrastructure technical studies and assists in the preparation of environmental documents and development impact fees studies. Division personnel prepare bid documents and assist the City in the bidding process, award of construction contracts and construction management. They investigate and prepare change orders and progress payments for construction contracts. Staff also assists the Administrative Services Department in the preparation and submittal of reimbursement requests to State and other funding agencies.

On December 2, 1991, the City entered into an agreement with Charles Abbott Associates, Inc. to provide engineering services, public works construction inspection services and other related services for the City of Twentynine Palms. Compensation to the consultant for any services for which the City charges a fee shall be (1) 90 % of all engineering fees collected for completing any fee related engineering service; and (2) 36 % of all planning fees where City Engineering review work is involved. The agreement may be terminated at any time upon 60-days notice. Non-fee related services are compensated either in a lump sum amount as agreed to by the parties in writing or an hourly rate agreed to by the City and Charles Abbott Associates, Inc.

Code Enforcement Division

The Code Enforcement Division promotes, protects and improves the health, safety and welfare of the visitors, citizens and properties of the City of Twentynine Palms through an effective code enforcement program.

The Division's enforcement workload is generated by citizen complaints as well as on-site actions that are initiated whenever Code Enforcement Officers observe unsafe, unhealthy or particularly unsightly conditions. Code Enforcement personnel also issue sign permits and enforces the sign code, construction codes, business license codes, abandoned and inoperative vehicle codes and abates properties.

The primary function of the Code Enforcement Division is to educate the public on code issues and work with the citizens to achieve code compliance. The Division seeks voluntary compliance by establishing a relationship with residents and property owners encouraging them to maintain their properties and to keep unsightly conditions from occurring. Twentynine Palms code enforcement employees are committed to responsive and professional interaction with citizens of our community with the goal of promoting the attractiveness of our desert community as well as seeking the improvement of living conditions for everyone.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Prepare a new General Plan for Planning Commission and City Council review and approval.
Performance Measure: New General Plan is reviewed and approved by the Planning Commission and the City Council.
- 2. Goal:** Prepare new Environmental Impact Report (EIR) for new General Plan for review and approval by the Planning Commission and City Council.
Performance Measure: City Council certifies the General Plan Environmental Report (EIR)
- 3. Goal:** Prepare for City Council review and approval of a new Housing Element of the General Plan as part of the comprehensive General Plan update.
Performance Measure: City Council review and approves new Housing Element of the General Plan.
- 4. Goal:** Prepare for City Council approval the final changes to the Housing Element of the General Plan requested by the Department of Housing and Community Development (HCD).
Performance Measure: The City Council reviews and approves final changes to the Housing Element of the General Plan requested by the Department of Housing and Community Development (HCD).
- 5. Goal:** Prepare new Development Code consistent with new General Plan for Planning Commission and City Council review.
Performance Measure: Planning Commission recommends and City Council adopts new Development Code.
- 6. Goal:** Hold joint City Council/Planning Commission meeting to discuss issues and provide Planning Commission guidance on issues, projects and studies the elected officials wish the Planning Commission to address.
Performance Measure: Joint City Council/Planning Commission meeting is held to discuss issues and provide the Planning Commission guidance on issues, projects and studies the elected officials wish the Planning Commission to address.
- 7. Goal:** Review and make recommendations to the City Council amendments to the Twentynine Palms Municipal Code relating to fencing standards.
Performance Measure: Planning Commission recommends to the City Council amendments to the Twentynine Palms Municipal Code relating fencing standards.
- 8. Goal:** Abate unsafe, unhealthy or particularly unsightly conditions through code enforcement. Code enforcement personnel also issue sign permits and enforces the sign code, construction codes, business license codes, abandoned and inoperative vehicle codes and abates properties.

Performance Measure: Unsafe, unhealthy or particularly unsightly conditions are abated through code enforcement.

9. Goal: Issue sign permits and enforces the sign code, construction codes, and business license codes.

Performance Measure: Code enforcement personnel issue sign permits and enforce the sign code, construction codes and business license codes.

10. Goal: Work aggressively to remove abandoned vehicles from the community through code enforcement actions.

Performance Measure: Abandoned vehicles are removed from the City of Twentynine Palms.

11. Goal: Work aggressively to abate dangerous and abandoned buildings in the City of Twentynine Palms.

Performance Measure: Dangerous and abandoned buildings are removed from the City of Twentynine Palms.

12. Goal: Cleanup all illegal dumping within the City of Twentynine Palms through code enforcement actions or through the Twentynine Palms Public Works Department where property owners cannot be determined.

Performance Measure: Illegal dumping sites are cleaned up through code enforcement actions or by the Twentynine Palms Public Works Department.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.

Vision: Provides citizens with educational opportunities to become part of a talented and creative workforce. They are able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community and partner with the City to share responsibility for the health, safety and welfare of the community. The residents of Twentynine Palms are informed and civil in interactions with each other and City officials and employees.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas, and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Community Development Department Expenditures

Planning Division

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0201-4109	Planning Commission Salaries ¹⁶²	12,300	12,000	16,350	14,000	16,000
01-0201-4110	Salaries	114,866	95,016	126,633	128,367	158,800
01-0201-4125	Salaries—Contract	25,570	117,045	27,203	6,773	0
01-0201-4135	Vehicle Allowance	1,205	4,581	7,645	7,700	7,700
01-0201-4150	Insurance and Retirement	47,274	42,109	48,955	60,000	63,300
	Total Personnel Services	201,215	270,751	226,786	216,840	245,800

¹⁶² The Planning Commission has two regular meetings a month on the first and third Tuesday. Resolution 88-23 adopted July 12, 1988, sets Planning Commission salaries at \$50 per meeting up to a maximum of \$100 per month. Planning Commission is currently being paid \$150 per meeting, but there is no formal resolution by the City Council setting this amount by the City Council or the number of meetings for which they will be paid in any month. During FY2012, the Planning Commission will be paid a flat \$300 per month, regardless of the number of meetings held.

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0201-4221	Telephone	2,070	99	218	300	500
01-0201-4231	Printing	0	85	85	100	100
01-0201-4251	Training and Meetings	4,887	570	773	500	1,000
01-0201-4251A	Planning Commissioners Training & Meetings	5,384	1,573	1,667	4,200	7,000
01-0201-4257	Dues and Subscriptions	984	375	0	0	0
01-0201-4358	General Plan Amendment	4,523	136,267	592,432	372,000	75,000
01-0201-4359	Contract Services	19,811	32,651	10,748	10,000	10,000
01-0201-4360	Special Department Supplies	6,077	5,953	3,806	2,000	4,000
01-0201-4518	Computer Upgrades	1,963	501	0	0	0
	Total Maintenance and Operations	45,699	178,074	609,729	389,100	97,600

Total Planning Division Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Planning Division Expenditures	246,914	448,825	836,515	605,940	343,400



Twentynine Palms Planning Commission

Building, Safety and Engineering Division

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0204-4362	Building and Safety Contracts	138,903	164,315	140,141	100,000	100,000
01-0204-4363	Engineering Contract	96,810	30,425	20,701	9,000	10,000
	Total Maintenance and Operations	235,713	194,740	160,842	109,000	110,000

Total Building, Safety and Engineering Division Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Building, Safety and Engineering Division Expenditures	235,713	194,740	160,842	109,000	110,000

Code Enforcement Division

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0205-4110	Salaries	67,022	77,792	85,976	85,400	90,100
01-0205-4150	Insurance and Retirement	23,099	28,160	21,485	21,500	34,400
	Total Personnel Services	90,121	105,952	107,461	106,900	124,500

Maintenance and Operations

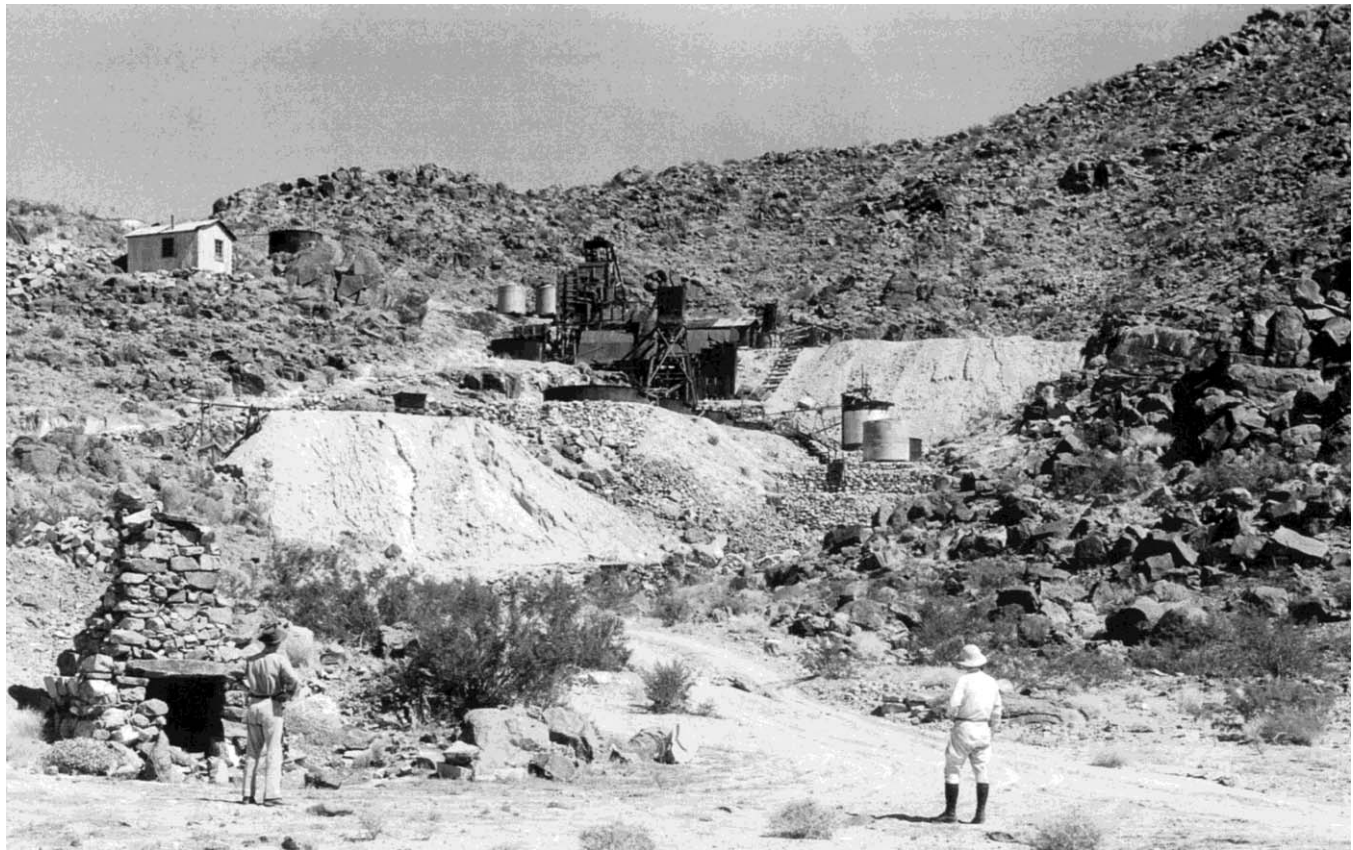
Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0205-4241	Office Supplies	2,383	1,222	891	800	800
01-0205-4262	Equipment Maintenance and Operation	187	145	4	400	300
01-0205-4272	Vehicle Maintenance and Operation	4,240	2,954	4,789	3,000	3,500
01-0205-4518	Computer Upgrades	0	526	0	0	0
	Total Maintenance and Operations	6,810	4,847	5,684	4,200	4,600

Total Code Enforcement Division Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Code Enforcement Division Expenditures	96,931	110,799	113,145	111,100	129,100

Total Community Development Department Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Development Department Expenditures	579,558	754,364	1,110,502	826,040	582,500



Virginia Dale Mine--1941

Law Enforcement Twentynine Palms Police Department (San Bernardino County Sheriff's Department)

Department Mission

The mission of the Twentynine Palms Police Department is to provide all types of law enforcement service to the citizens of Twentynine Palms and keep the community safe and an enjoyable place to live.

Department Description

The Twentynine Palms Police Department is a contract agency of the San Bernardino County Sheriff's Department. The Police Department is based out of the Morongo Basin Sheriff's station, located in the community of Joshua Tree. Patrol deputies assigned to the Twentynine Palms Police Department are available 24 hours per day, seven days a week to respond to all types of law enforcement calls for service.



There are currently 11 sworn personnel assigned to the City of Twentynine Palms including eight patrol officers, one juvenile (school resource) officer (SRO), one traffic officer and one detective. These personnel serve the City's 30,649 residents on a full-time basis. Sworn supervisory staff include six sergeants, one lieutenant, and one captain (who serves as the City's Chief of Police) and are shared with the Town of Yucca Valley and the Morongo Basin Station's county patrol operations. Clerical staff, dispatch and specialized law enforcement services (SWAT, aviation, intelligence, narcotics, homicide and specialized investigations, evidence processing and handling, training, etc.) are provided to the City by the San Bernardino County Sheriff's Department pursuant to the law enforcement services contract.

Sworn assignments within the Twentynine Palms Police Department are:

1. Patrol. here are eight patrol deputies assigned to the Twentynine Palms Police Department. Patrol deputies provide 24-hour a day, seven days a week law enforcement services to the City. These officers are currently assigned to 12-hour shifts. Responsibilities of patrol deputies include proactive patrol and crime suppression, investigation of all types of reported criminal activity, compliance checks on the area's registered sex offenders, traffic accident investigations and more.

2. Traffic Enforcement. The Twentynine Palms Police Department currently has one full-time traffic enforcement officer. The primary duties of the traffic officer are to provide enforcement of traffic laws, to investigate traffic collisions and make traffic movement throughout the City safer. The City's traffic officer has received extensive traffic accident investigation training and is a member of the Morongo Basin Station's Major Accident Investigation Team (MAIT).

3. Juvenile Officer. The Twentynine Palms Police Department currently has one full-time juvenile officer, sometimes referred to as a School Resource Officer (SRO). The Juvenile Officer has completed state mandated school police training and serves as the primary investigator of school related crimes, and general juvenile crimes, that occur within the City.

Department Philosophy

The motto, “Dedicated to Your Safety,” states the essential purpose of the San Bernardino County Sheriff’s Department. Dedicated means being devoted to a cause, to an ideal, or to a purpose, committed to a goal, or to a way of life. The Department is dedicated to protect the rights of all persons within its jurisdiction to be free from criminal attack, to be secure in their possessions, and to live in peace. We, the members of the Department, stand ready to serve the people of San Bernardino County by performing the law enforcement functions in a professional manner, as it is to these people that the Department is ultimately responsible.

Department Vision Statement

We believe in being a high performance, inclusive department with high professional standards of integrity, ethics and behavior guided by the letter and spirit of the law, and the Law Enforcement Code of Ethics. We will relentlessly investigate criminal acts and arrest those guilty of violating the law, while building positive relationships with those we serve.

This requires each of us to:

- Treat all people with respect, fairness and compassion;
- Value each employee’s and citizen’s contribution to the Department and the community regardless of position, assignment or role;
- Create a work environment that encourages innovation, input and participation, and values each member’s diversity;
- Work in a partnership with each other and the community to reach an environment where we are all accountable and responsible to one another.

Department Values Statement

We believe in strong, effective law enforcement services. We believe in high professional standards of integrity, ethics and behavior guided by the letter and spirit of the law, and the Law Enforcement Code of Ethics.

- We believe in a balance between personal and professional life.
- We believe in attaining and maintaining excellent physical conditioning, current intellectual confidence, and optimum mental health.
- We have a personal and professional commitment to improve our communities and earn their trust, respect and support through active partnerships, involvement and service.
- We believe we should treat all people with respect, fairness and compassion.
- We believe in loyalty and support for each other and the community without compromise of the high ethical standards of law enforcement.
- We believe in recognition for, and valuing each individual’s contribution to the Department and the community regardless of position, assignment or role.
- We believe in open and honest communications, both internal and external.
- We believe in an empowering work environment that encourages innovation, input and participation, and values each member’s diversity.
- We believe in all members working together through partnership with each other and the community.

- We believe in initiative and autonomy at all levels with responsibility for our own actions and the actions of those we lead and influence.
- We believe in an equitable system that evaluates each person on their merits and provides for appropriate recognition and just sanctions.

We have pride in the law enforcement profession with a productive work ethic and a high level of commitment to the Department and the community.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Reduce alcohol related traffic collisions and incidents by increasing public awareness through a public information campaign and by conducting enforcement operations and checkpoints targeting impaired driving.**
Performance Measure: Improve the Office of Traffic Safety ratings for the City of Twentynine Palms in areas such as alcohol related traffic collisions and increase the number of DUI arrests in the City during FY2012.
- 2. Goal:** Continue to focus enforcement efforts on reducing serious and violent crimes in the City of Twentynine Palms.
Performance Measure: The number of serious and violent crimes committed in the City of Twentynine Palms does not rise during FY2012.
- 3. Goal:** Continue and enhance collaborative crime reduction efforts by involving property managers, landlords, tenants and law enforcement in the Crime Free Multi-Housing Program (CFMH).
Performance Measure: Send one or more station personnel to “train the trainer” type of Crime Free Multi-Housing program training. Use those personnel to train the stakeholders and law enforcement personnel involved in CFMH efforts.
- 4. Goal:** Purchase or lease a 4 X 4 patrol vehicle using Supplemental Law Enforcement Services (SLESF) Grant funds.
Performance Measure: A new 4 X 4 vehicle is purchased or leased using Supplemental Law Enforcement Services (SLESF) Grant funds and placed into service.
- 5. Goal:** Continue to seek law enforcement grant funding that will be used to enhance crime prevention programs, to conduct gang and drug prevention and enforcement operations and community oriented policing (COPS) efforts.
Performance Measure: Grant funding is obtained.
- 6. Goal:** Work with the City Council, City Manager and all City departments to promote and secure a safe community environment.
Performance Measure: San Bernardino Sheriff’s Department personnel work with the City Council, City Manager and City departments to promote and secure a safe community environment.
- 7. Goal:** Review and update City animal control ordinance.
Performance: Animal control ordinance is reviewed and updated. Ordinance adopted by City Council.
- 8. Goal:** Amend the Twentynine Palms Municipal Code to permit the Sheriff’s Department and Public Works Department to temporarily close streets and roads for special events and repairs.
Performance Measure: Ordinance to permit the Sheriff’s Department and Public Works Department to temporarily close streets and roads for special events and repairs is adopted by the City Council.

9. Goal: Review Title 2 Chapter 2 (Emergency Organization and Functions) of the Twentynine Palms Municipal Code and update it with a Disaster Preparedness and Response Management and Coordination Ordinance.

Performance Measure: Disaster Preparedness and Response Management and Coordination Ordinance is prepared and adopted by the City Council.

10. Goal: Monitor and work within County, State and Federal legislative processes to promote laws of importance and interest to the City of Twentynine Palms.

Performance Measure: County, State and Federal legislative processes are monitored and steps are taken to promote laws important to the interests of the people of Twentynine Palms.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides a safe and secure environment for all who live, work and visit.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

San Bernardino County Sheriff's Department Contract

Department Expenditures

For FY2012, the proposed contract for police services for the City of Twentynine Palms is set to increase to \$2,751,824. This proposed contract includes salary increases for both safety and professional staff that are expected to take effect during July of 2011.

The details of this proposed contract are as follows:

<u>LEVEL OF SERVICE</u>	<u>FY 2011-12</u> <u>COST</u>
0.38 - Lieutenant	81,520 ¹
1.63 - Sergeant	304,571 ¹
1.11 - Detective/Corporal (40 hours/week)	173,518 ¹
9.30 - Deputy Sheriff (336 hours/week)	1,324,954 ¹
1.00 - Deputy Sheriff - Traffic Car (no relief factor)	142,468 ¹
1.00 - School Resource Officer	142,468 ¹
2.28 - Office Specialist	143,744 ¹
0.26 - Motor Pool Services Assistant	16,150 ¹
5.00 - Marked Unit	60,940 ²
1.00 - Marked Unit - Grant Purchase	1,284 ²
1.00 - Unmarked Unit	7,477 ²
1.00 - SUV/Pickup - COP	5,938 ²
3.00 - Citizen Patrol	3,813 ³
Dispatch Services	150,193 ¹
3.00 - Radar Unit	1,380
6 - HTs (Amortized over 7-years)	2,651
6 - HTs (Access & Maint Only)	3,432
14 - Taser Replacement (Amortized over 4-years)	3,976
Administrative Support	12,311
Facility Costs	4,705
Office Automation	10,346
Services & Supplies	22,338
Vehicle Insurance	10,267
Personnel Liability & Bonding	46,623
County Administrative Cost	74,757
TOTAL COST:	\$ 2,751,824 ¹

¹ Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

² Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

³ No replacement cost is included for donated and grant-funded vehicles.

Law Enforcement Twentynine Palms Police Department



Police (Sheriff's Department Contract) Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0501-4252	Sheriff Overtime	100,545	49,136	61,670	75,000	75,000
01-0501-4254	Citizen Patrol	2,336	2,586	1,673	3,000	2,000
01-0501-4254	Cal-ID Program	20,623	18,622	32,017	32,400	35,000
01-0501-4272	Vehicle Maintenance and Operation	0	87,260	95,286	100,000	100,000
01-0501-4359	Sherriff Department Contract Services	2,379,523	2,457,511	2,430,753	2,610,000	2,793,000
01-0501-4360	Special Department Supplies	3,619	4,074	12,743	5,000	0
01-0501-4366	Booking Fees ¹⁶³	0	0	0	0	50,000

¹⁶³ The Budget Act of 1990 (SB2557, Government Code Section 29550-29550.4) authorized counties to charge booking fees to any local agency, college or university presenting an arrestee to the county for booking into a county jail or other local detention facility. When the arresting agency presents the arrestee to the county for booking, the arresting agency pays the booking fee to the county. The booking fee must not exceed the county costs incurred in processing or booking persons. If there is a finding of guilt, the booking fee is added to the fine that the convicted person pays and is remitted to the arresting agency that paid the fee.

The purpose of booking fees is to enable counties to recover costs associated with booking persons into county detention facilities from the arresting agencies. More specifically, this "booking fee" authority was an attempt to mitigate the effects of reductions to state support for county programs. Prior to the authorization to charge booking fees, counties essentially paid for these services with general purpose revenues. Cities have argued that jail booking services have historically been provided by counties and paid from countywide tax revenues, and that the imposition of booking fees is merely a way for the state to shift its fiscal burdens to cities via counties.

A compromise was crafted on the booking fees issue by the sheriffs, police chiefs, cities and counties in the 2006 State Budget agreement. For FY2007, the State appropriated \$35 million to reimburse cities for actual booking fees paid during FY2006, consistent with current law at the time. However, beginning July 1, 2007, the booking fee procedure will be altered as follows:

1. In lieu of charging booking fees under Government Code Section 2550 et seq., counties would receive \$35 million directly into local detention facility revenue accounts, subject to an annual appropriation by the State.
2. Funds in the local detention facility revenue accounts may be used "exclusively for the purpose of operation, renovation, remodeling, or constructing local detention facilities and related equipment."
3. Counties would have the authority to charge a "jail access fee" for each booking in excess of each agency's three year average (recalculated annually) of bookings for the following low-level offenses: (1) municipal code violations, and (2) misdemeanor violations except driving under the influence, domestic violence offenses, and enforcement of protective orders.
4. Cities that operate Type One facilities would be eligible to receive funds from their county's local detention facility revenue account.
5. If the State Legislature appropriates less than \$35 million in any given year, counties would have the option of charging booking fees under Government Code Section 29550 in proportion to the level of under-appropriation. The booking fee rate would be the 2005 rate (1/2 actual costs and in effect on July 20, 2006) adjusted annually by the annual California Consumer Price Index plus 1% compounded annually and reduced in proportion to the extent the Legislature appropriates part of the \$35 million.

01-0501-4367	Seized Assets	0	1,055	0	2,000	0
01-0501-4378	COPS Grant Expenditures ¹⁶⁴	200,862	46,449	71,621	50,000	103,000
01-0501-4379	CLEEP Program	12,490	0	1,100	0	0
	Total Maintenance and Operations	239,930	160,046	214,440	192,400	290,000

Total Police (Sheriff Contract) Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Police (Sheriff Contract) Department Expenditures	2,719,998	2,666,693	2,706,863	2,877,400	3,158,000



Animal Control Division Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-0502-4110	Salaries	152,010	172,039	207,318	210,000	216,000
01-0502-4135	Vehicle Allowance	1,205	1,204	2,178	2,800	1,200
01-0502-4125	Salaries—Contract	0	24,550	8,178	0	0
01-0502-4150	Insurance and Retirement	54,739	66,745	78,951	95,100	101,300
	Total Personnel Services	207,954	264,538	296,625	307,900	318,500

Maintenance and Operations

Account Number	Account Description	Actual FY2010	Actual FY2011	Actual FY2010	Estimated FY2011	Approved FY2012
01-0502-4210	Electricity	8,258	8,228	7,480	9,000	10,000
01-0502-4211	Natural Gas and Propane Gas	4,864	3,672	5,337	5,000	5,000
01-0502-4212	Water	401	307	375	500	500
01-0502-4221	Telephone	4,506	2,644	3,190	3,500	3,500
01-0502-4231	Printing	1,162	1,219	851	3,500	1,000
01-0502-4232	Advertising	172	172	198	200	200

¹⁶⁴ Assembly Bill 1913 or California Citizen Option for Public Safety Grant (COPS) program provides a minimum of \$100,000 to eligible front line law enforcement agencies. To be eligible for allocations under the COPS program, a local jurisdiction must (1) submit an annual expenditure report to the State Controller as required by current law and (2) fully expend its allocation within 24 months of receipt. COPS funds cannot be used to replace existing City funding for the Police Department. Each county has an oversight committee from the District Attorney's Office that reviews the COPS expenditures of each law enforcement agency. FY2012 expenditures include spending \$53,203 to purchase a fully equipped Chevrolet Tahoe patrol vehicle. The current vehicle has reached the end of its service life.

01-0502-4241	Office Supplies	1,374	1,187	1,141	1,400	1,200
01-0502-4251	Training and Meetings	1,543	1,275	2,344	1,000	1,500
01-0502-4262	Equipment Operation and Maintenance	543	485	387	500	500
01-0502-4272	Vehicle Operation and Maintenance	8,565	6,219	9,285	6,000	7,500
01-0502-4291	Building Operation and Maintenance	6,152	6,195	7,618	6,000	5,000
01-0502-4312	Small Tools and Equipment	258	690	177	500	500
01-0502-4332	Uniforms	443	1,491	976	1,000	1,000
01-0502-4359	Contract Services	1,458	2,371	2,463	3,000	2,500
01-0502-4360	Special Department Supplies	5,380	4,199	4,071	5,000	5,000
01-0502-4422	Veterinary Services	22,327	25,680	24,057	20,000	22,000
01-0502-4423	License Tags	3,471	6,112	5,481	4,000	4,000
01-0502-4424	Animal Disposal	4,814	5,400	5,811	5,400	6,000
01-0502-4425	Leashes, Collars etc.	1,329	1,418	1,600	1,700	1,600
01-0502-4426	Animal Food and Cat Litter	6,330	6,441	4,905	5,500	5,500
	Total Maintenance and Operations	83,350	85,405	87,747	82,700	84,000

Total Animal Control Division Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Animal Control Division Expenditures	291,304	349,943	384,372	390,600	402,500

Total Law Enforcement Twentynine Palms Police Department Expenditures

Account Number	Account Description	Actual FY2010	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Law Enforcement Twentynine Palms Police Department Expenditures	3,011,302	3,016,636	3,091,235	3,268,000	3,560,500

Public Works Department

Department Mission

The mission of the Twentynine Palms Public Works Department is to (1) expand, construct, improve, maintain and repair Twentynine Palms' public infrastructure including the City's street system, sidewalk system, park system, storm drain system, landscaped areas, parking lots, traffic signals, street lights, City vehicles and equipment and all municipal buildings and facilities.

Department Description

The Public Works Department is responsible for the City's street system, park system, sidewalk system, storm drain system, landscaped areas, traffic signals, street lights, municipal buildings and City vehicles and heavy equipment. This Department works closely with the Community Development Department and City's contract Engineer during the development review process for all residential, commercial and industrial developments. The Public Works Department works closely with the Twentynine Palms Water District and the Community Services Department in constructing and maintaining community infrastructure projects.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Work with the San Bernardino County Flood Control District #6 to complete the engineering for the construction of the flood retention pond at Donnell Basin.
Performance Measure: Engineering for the Donnell Flood Retention Basin has been completed by the City and San Bernardino County Flood Control District #6.
- 2. Goal:** Work with the City Engineer to implement the City's National Pollutant Discharge Elimination System (NPDES) storm water program.
Performance Measure: Public Works Department works with the City Engineer to implement the City's National Pollutant Discharge Elimination System (NPDES) storm water quality program.
- 3. Goal:** Work with the Twentynine Palms Water District to update the five-year Urban Water Management Plan (UWMP) for the City of Twentynine Palms.
Performance Measure: Five-year Urban Water Management Plan (UWMP) is updated by the Twentynine Palms Water District.
- 4. Goal:** Remove any graffiti in the City of Twentynine Palms within 24 hours.
Performance Measure: Any graffiti in the City of Twentynine Palms is removed within 24 hours.
- 5. Goal:** Review and update Title 11 Chapter 16 of the Twentynine Palms Municipal Code relating to graffiti removal in the City of Twentynine Palms.
Performance Measure: Title 11 Chapter 16 of the Twentynine Palms Municipal Code relating to graffiti removal is updated and adopted by the City Council.
- 6. Goal:** Repair all malfunctioning street lights within 72 hours of being reported to the Public Works Department.

Performance Measure: All malfunctioning street lights are repaired within 72 hours of being reported to the Public Works Department.

7. Goal: Complete all goals approved for the Gasoline Tax Special Revenue Fund.

Performance Measure: Goals approved for the Gasoline Tax Special Revenue Fund are completed.

8. Goal: Complete all goals approved for the General Capital Projects Fund.

Performance Measure: Goals approved for the General Capital Projects Fund are completed.

9. Goal: Complete all goals approved for the Measure I Capital Projects Fund.

Performance Measure: Goals approved for the Measure I Capital Projects Fund are completed.

10. Goal: Complete all goals approved for the Curb, Gutter and Sidewalks Development Impact Fees Capital Projects Fund.

Performance Measure: Goals approved for the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund are completed.

11. Goal: Complete all goals approved for the Transportation Development Act (TDA) Special Revenue Fund.

Performance Measure: Goals approved for the Transportation Development Act (TDA) are completed.

12. Goal: Install four new handicap access drinking fountains, six new barbecues and a new handicap picnic table.

Performance Measure: Handicap drinking fountain, six new barbecues and a new handicap picnic table are installed.

13. Goal: Maintain all buildings and green spaces in accordance with the highest professional standards.

Performance Measure: Visual observation. Report to the City Council.

14. Goal: Identify and purchase software to keep track of maintenance performed on all City vehicles and heavy equipment. Enter historic information from paper files into program.

Performance Measure: Software to keep track of maintenance performed on all City vehicles and heavy equipment is purchased and historic information from paper files is entered into the program.

15. Goal: Arrange for all scheduled maintenance within the time parameters recommended by vehicle and equipment manufacturers.

Performance Measure: Vehicle and equipment maintenance records show that scheduled maintenance has been completed. Report to City Council.

16. Goal: Test vehicles for emission compliance and make any necessary repairs to achieve compliance.

Performance Measure: Written records show that all vehicles were tested for emission compliance. Report to the City Council.

17. Goal: Carry out regularly scheduled terminal inspection and maintenance of certain heavy-duty trucks to comply with California Highway Patrol requirements.

Performance Measure: Written maintenance records show terminal inspection and maintenance of certain heavy-duty trucks. Report to the City Council.

18. Goal: Plan, organize and conduct two City-wide cleanup days.

Performance Measure: City plans, organizes and conducts two City-wide cleanup days.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space. Twentynine Palms will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and California outback.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Public Works Department Expenditures

Public Works Administration

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-1001-4110	Salaries	6,025	8,498	10,632	10,000	9,800
01-1001-4150	Insurance and Retirement	5,269	8,377	7,704	3,000	4,200
	Total Personnel Services	11,294	16,875	18,336	13,000	14,000

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-1001-4210	Electricity	3,986	4,096	4,540	4,200	5,000
01-1001-4211	Natural Gas	337	115	391	500	500
01-1001-4212	Water	3,801	1,088	1,195	3,000	3,000
01-1001-4221	Telephone	2,678	2,118	2,325	2,000	2,500
01-1001-4241	Office Supplies	795	1,089	383	1,400	900
01-1001-4251	Training and Meetings	492	887	772	2,100	1,000
01-1001-4262	Equipment Repair and Maintenance	1,183	84	127	1,000	500
01-1001-4272	Vehicle Repair and Maintenance	14	309	110	200	200
01-1001-4291	Building repair and Maintenance	419	2,020	822	1,000	500
01-1001-4359	Contract Services	0	246	7	500	0
01-1001-4360	Special Department Supplies	309	74	380	400	400
	Total Maintenance and Operations	14,014	12,126	11,052	16,300	14,500

Total Public Works Administration Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Public Works Administration Expenditures	25,308	29,001	29,388	29,300	28,500

Parks Maintenance

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-1009-4110	Salaries	139,613	184,619	178,739	196,800	189,200
01-1009-4120	Salaries—Part time	15,286	8,165	6,044	2,500	0
01-1009-4150	Insurance and Retirement	63,579	96,849	71,204	81,000	95,400
	Total Personnel Services	218,478	289,633	255,987	280,300	284,600

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-1009-4210	Electricity	35,098	31,812	33,411	40,000	37,500
01-1009-4211	Natural Gas	905	555	1,294	2,200	1,000
01-1009-4212	Water	1,924	2,461	3,578	3,500	3,500
01-1009-4221	Telephone	1,700	2,499	2,621	1,500	1,500
01-1009-4251	Training and Meetings	50	956	701	500	500
01-1009-4262	Equipment Operation and Maintenance	11,043	11,236	9,604	36,000	15,000
01-1009-4272	Vehicle Operation and Maintenance	6,806	7,536	8,100	8,000	6,000
01-1009-4290	Grounds Operation and Maintenance	28,688	17,391	16,587	30,000	39,000
01-1009-4291	Building Operation and Maintenance	9,161	8,515	33,966	7,000	7,500
01-1009-4292	Minor Building repair	1,971	546	230	750	0
01-1009-4312	Small Equipment and Tools	6,186	2,993	3,009	2,000	2,500
01-1009-4332	Uniforms	2,562	3,429	2,761	3,000	3,000
01-1009-4663	Drinking Fountains, Barbecue Grills & Benches	0	0	0	0	10,200
01-1009-4885	National Park Drive Median Maintenance	0	0	0	0	10,000
01-1009-4990	Tree Trimming and Removal	0	0	0	45,000	0
	Total Maintenance and Operations	106,094	89,929	115,862	179,450	137,200

Total Park Maintenance Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Park Maintenance Expenditures	324,572	379,562	371,849	459,750	421,800

Total Public Works Department Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Public Works Department Expenditures	349,880	408,563	401,237	489,050	450,300

Community Services Department

Department Mission

The mission of the Community Services Department is to create community through people, parks and programs.

Department Description

The Community Services Department is responsible for recreation activities, athletic programs, special events and recreational, educational and cultural classes that encourages community spirit and allows youth and adults to develop their physical and mental capabilities, build good character, learn team work, improve physical fitness and have fun. Youth sports programs offered by the department include co-ed arena soccer, co-ed soccer, co-ed flag football, co-ed volleyball, youth basketball, and teen spring basketball.

Twentynine Palms also operates a swimming pool from Memorial Day to the end of August.

Activities such as the Summer Day Camp Program, summer movies in Luckie Park, Spring concerts, summer Red Cross swim lessons, Halloween Fun Fest and instructor classes are provided through the Community Services Department with the help of local sponsors. Department staff members also oversee the City leases with the Youth Club, Reach Out Morongo Basin and the Knott's Sky Park Pre-School.



Community Services Department and Recreation Office

The Community Services Department is made up of seven full-time staff members. These recreation professionals are responsible for the programming of all youth and adult recreation activities, its volunteers officials, coaches and facilities. They are also responsible for all special programs offered by the department along with leisure activities, business sponsorships for youth and special programs.

The Community Services Director coordinates the use of City facilities with the Twentynine Palms Youth Club, Morongo Unified School District, Hi-Desert Youth Football Association, Twentynine Palms Little League, Hi Desert Pony League and the Twentynine Palms Swim Team. Under the direction of the Community Services Director, the department also manages all rental properties owned by the City, works with the Chamber of Commerce and Twentynine Palms Welcome Center to promote the City, adjudicates parking citations, and administers the Community Development Block Grant (CDBG) program and other grant programs for the development of the



Luckie Park Swimming Pool

City's park system. Department personnel oversee the planning and construction of park facilities enjoyed by the people of Twentynine Palms.

The Recreation Superintendent is responsible for the department budget, the hiring of all seasonal and part-time staff, instructors, and their related training. The Recreation Supervisor/Construction Specialist is responsible for overseeing the Pony Baseball League, organizing other youth and adult sports programs and working with the Community Services Director in developing and constructing new facilities.

The Recreation Coordinator is responsible for the oversight of the daily programs and assisting the Recreation Superintendent and Recreation Supervisors as needed. The Recreation Program Supervisor/Office Manager is responsible for leisure activities, special programs, Summer Day Camp, facility rentals, special event insurance policies, advertising, brochures, activity guides, along with managing and overseeing the daily operations of the Community Services/Recreation Office.

In addition to City recreation programs, the Community Services Department provides staff support and facilities support to the Public Arts Advisory Council (PAAC),¹⁶⁵ Theatre 29,¹⁶⁶ Youth Club,¹⁶⁷ Senior Citizens' Center, 29 Palms Historical Society,¹⁶⁸ and 29 Palms Art Gallery.¹⁶⁹

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Work with engineers to develop an electrical master plan for Knott's Sky Park.

Performance Measure: An electrical master plan is prepared and approved for Knott's Sky Park.

2. Goal: Oversee and complete the installation of the underground electrical in Knott's Sky Park.



Bucklin Park Downtown Plaza

Performance Measure: Underground electrical system is installed at Knott's Sky Park.

3. Goal: Complete all goals approved by the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program Special Revenue Fund.

Performance Measure: Goals approved for the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program Special Revenue Fund Tax Special Revenue Fund are completed.

¹⁶⁵ The Public Arts Advisory Council (PAAC) encourages artists, developers, and the business community to discuss commissions and donations for public art, displaying art in public places, and planning cultural events.

¹⁶⁶ Theatre 29 was formed in January 2000 to bring quality family theater to the City of Twentynine Palms and the outlying community. Theatre 29 is also dedicated to promoting the participation of young people and people of all ages in the theater experience. Theatre 29 presents six major stage productions each year—musicals, dramas, and comedies—as well as the annual Haunted House event at Halloween. In the 11 years Theatre 29 has operated from the City facility, the organization has produced 81 productions viewed by about 5,000 patrons. It has involved 1,500 volunteers, children, active duty military and dependents, teens, and adults. While arts organizations around the state are failing, Theatre 29 remains sustainable and successful, garnering artistic accolades for high quality productions. In need of a larger space, Theatre 29 was awarded a grant from the county to prepare a design concept and fund-raising package to build a new 250 seat theater.

¹⁶⁷ The Twentynine Palms Youth Club is a private non-profit program located in Luckie Park. The club offers after-school and summer programs for youth ranging in ages 7 to 17.

¹⁶⁸ The Twentynine Palms Historical Society was founded by nine individuals on April 26, 1982, and incorporated on August 23, 1982, as a non-profit public benefit corporation. In 1992 the society moved the City's original 1927 one-room schoolhouse to a parcel of land on National Park Drive and significantly remodeled the building that is now home to the Old Schoolhouse Museum. Today, the Historical Society continues its original purpose of preserving and interpreting the historical heritage of the Twentynine Palms area through a variety of museum displays, special collections, historical gatherings and events, and educational activities including lectures, field trips, and a quarterly newsletter.

¹⁶⁹ The 29 Palms Art Gallery is hosted by the 29 Palms Artists' Guild, founded in 1951 and officially incorporated as an all volunteer, non-profit organization to "Create a spirit of cooperation and fellowship between the artist and the public."

4. Goal: Successfully coordinate the use of City facilities with the Twentynine Palms Youth Club, Morongo Unified School District, Hi-Desert Youth Football Association, Twentynine Palms Little League, Hi-Desert Pony League, Sky's the Limit Observatory and Nature Center, Twentynine Palms Chamber of Commerce, Public Arts Advisory Council, Theatre 29 and the Twentynine Palms Swim Team.

Performance Measure: The Twentynine Palms Youth Club, Morongo Unified School District, High Desert Youth Football Association, Twentynine Palms Little League, Hi-Desert Pony League, Sky's the Limit Observatory and Nature Center, Twentynine Palms Chamber of Commerce, Public Arts Advisory Council (PAAC), Theatre 29 and the Twentynine Palms Swim Team successfully use City facilities for their programs.

5. Goal: Oversee the lease agreement between the City, San Bernardino County and Reach Out Morongo Basin, a local not-for-profit organization.

Performance Measure: The City, San Bernardino County and Reach Out Morongo Basin work together in accordance with the lease agreement to serve the people of Twentynine Palms.

6. Goal: Organize and conduct education programs for the Sky's the Limit Observatory and Nature Center.

Performance Measure: Education programs are conducted for the Sky's the Limit Observatory and Nature Center.

7. Goal: Provide visitor education training for the staff of the Twentynine Palms Chamber of Commerce.

Performance Measure: Visitor education training is provided to the staff of the Twentynine Palms Chamber of Commerce.

8. Goal: Organize and operate a co-ed soccer program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a co-ed soccer program that provides all citizens the opportunity to participate in the program.

9. Goal: Organize and operate an arena soccer program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates an arena soccer program that provides all citizens the opportunity to participate in the program.

10. Goal: Organize and operate a soccer program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a soccer program that provides all citizens the opportunity to participate in the program.

11. Goal: Organize and operate a flag football program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a flag football program that provides all citizens the opportunity to participate in the program.

12. Goal: Organize and operate co-ed a volleyball program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a coed volleyball program that provides all citizens the opportunity to participate in the program.

13. Goal: Organize and operate a youth basketball program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a youth basketball program that provides all citizens the opportunity to participate in the program.

14. Goal: Organize and operate a teen basketball program that provides all participants the opportunity to participate in the program.

Performance Measure: Community Services Department operates a teen basketball program that provides all youth the opportunity to participate in the program.

15. Goal: Organize and operate a basketball tournament for boys and girls that provides all youth participants the opportunity to participate in the tournament.

Performance Measure: Community Services Department operates a basketball tournament for boys and girls that provides all youth the opportunity to participate in the program.

16. Goal: Organize and operate an adult co-ed softball program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates an adult co-ed softball program that provides all citizens the opportunity to participate in the program.

17. Goal: Organize and operate a men's softball program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a men's softball program that provides all citizens the opportunity to participate in the program.

18. Goal: Organize and operate a day camp program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a day camp program that provides all citizens the opportunity to participate in the program.

19. Goal: Organize and operate a summer movie program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a summer movie program that provides all citizens the opportunity to participate in the program.

20. Goal: Organize and operate a Spring concert program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a Spring concert program that provides all citizens the opportunity to participate in the program.

21. Goal: Organize and operate a Red Cross swim lessons program that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a Red Cross swim lessons program that provides all citizens the opportunity to participate in the program.

22. Goal: Organize and operate a Halloween Fest that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department operates a Halloween Fest that provides all citizens the opportunity to participate in the program.

22. Goal: Work with the Twentynine Palms Fire Department to organize and operate an Easter Egg Hunt that provides all citizens the opportunity to participate in the program.

Performance Measure: Community Services Department that provides all citizens the opportunity to participate in the program.

23. Goal: Conduct a wide variety of instructional classes for youth and adults in Twentynine Palms.

Performance Measure: Community Services Department conducts a wide variety of instructional classes for youth and adults in Twentynine Palms.

24. Goal: Conduct an at-risk youth program centered around recreational activities for troubled teens.
Performance Measure: Community Services Department conducts an at-risk youth program centered around recreational activities.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provision in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space. Twentynine Palms will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and California outback.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Community Services Department Expenditures

Community Services Administration

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2001-4110	Salaries	162,033	177,878	183,641	184,200	181,600
01-2001-4135	Vehicle Allowance	1,205	1,204	1,159	1,200	1,200
01-2001-4150	Insurance and Retirement	43,948	55,274	51,509	73,000	79,700
	Total Personnel Services	207,186	234,356	236,309	258,400	262,500

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2001-4210	Electricity	5,103	4,290	4,234	5,500	5,000
01-2001-4212	Water	1,525	568	895	1,000	1,000
01-2001-4221	Telephone	7,186	6,178	6,666	6,500	7,500
01-2001-4241	Office Supplies	5,503	5,262	4,151	5,000	5,000
01-2001-4251	Training and Meetings	4,136	4,669	3,991	2,500	3,000
01-2001-4257	Dues and Subscriptions	450	450	750	1,000	1,000
01-2001-4272	Vehicle Operation and Maintenance	820	3,393	2,560	2,000	2,500
01-2001-4291	Building Operation and Maintenance	22,397	4,369	8,325	5,000	5,000
01-2001-4291	Building Operation and Maintenance—Preschool	2,087	6,785	6,593	4,300	5,000
01-2001-4291	Building Operation and Maintenance—Theatre 29	(109)	5,744	1,697	3,000	2,000
01-2001-4327	Rent/Lease	5,944	8,889	6,566	7,000	8,000
01-2001-4359	Contract Consulting	0	388	274	300	300
01-2001-4360	Special Department Supplies	101	0	151	200	500
01-2001-4361	Public Art Advisory Committee	0	0	4,033	3,500	15,000
01-2001-4361	Special Events	3,434	3,743	0	0	0
01-2001-4518	Computer Hardware and Software	1,305	3,550	3,780	2,500	0
	Total Maintenance and Operations	59,882	58,278	54,666	49,300	60,800

Total Community Services Administration Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Services Administration Expenditures	267,068	292,634	290,975	307,700	323,300

Recreation

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2004-4110	Salaries—Full-time	228,781	265,100	291,994	292,000	306,500
01-2004-4120	Salaries—Temporary Youth Programs & Day Camp	22,911	14,550	15,204	20,000	20,000
01-2004-4150	Insurance and Retirement	75,553	100,795	105,774	136,500	150,000
	Total Personnel Services	327,245	380,445	412,972	448,500	476,500

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2004-4210	Electricity	19,582	27,004	22,087	25,000	28,000
01-2004-4232	Advertising	811	459	0	0	500
01-2004-4241	Office Supplies	1,317	507	1,143	1,000	1,000
01-2004-4251	Training and Meetings	6,011	8,209	4,856	3,500	3,000
01-2004-4253	Awards and Trophies	10,114	10,049	7,551	9,000	9,000
01-2004-4257	Dues and Subscriptions	1,232	946	775	1,000	1,000
01-2004-4262	Equipment Operation and Maintenance	0	553	1,055	1,000	1,000
01-2004-4272	Vehicle Operation and Maintenance	7,155	4,933	5,307	5,000	6,000
01-2004-4290	Grounds Operation and Maintenance	6,763	7,327	5,554	3,000	4,500
01-2004-4291	Building Operation and Maintenance	3,999	1,278	3,499	1,000	2,000
01-2004-4292	Minor Building Improvements	2,012	246	2,227	1,000	1,000
01-2004-4312	Small Tools and Equipment	86	412	524	500	500
01-2004-4332	Uniforms	29,599	25,886	24,313	25,000	25,000
01-2004-4359	Referees and Umpires	6,251	7,969	4,471	6,000	7,000
01-2004-4360	Special Department Supplies	34,820	33,153	25,307	25,000	25,000
01-2004-4369	Instructor Fees	14,765	15,753	25,046	25,000	20,000
01-2004-4380	Community and Youth Commission Events	11,323	16,969	12,711	5,000	5,000
01-2004-4391	Anti-Gang Anti-Drug Grant	0	4,269	13,721	5,000	5,000
	Total Maintenance and Operations	155,840	165,922	160,147	142,000	144,500

Total Recreation Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Recreation Department Expenditures	483,085	546,367	573,119	590,500	621,000

Luckie Park Swimming Pool

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2005-4110	Salaries—Temporary	29,441	29,129	33,391	36,000	37,000
01-2005-4150	Insurance and Retirement	1,216	4,268	1,787	3,100	3,200
	Total Personnel Services	30,657	33,397	35,178	39,100	40,200

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2005-4210	Electricity	12,491	12,627	11,449	12,000	13,200
01-2005-4211	Natural Gas	703	2,294	4,843	3,500	3,000
01-2005-4212	Water	1,391	1,241	1,446	1,600	1,500
01-2005-4221	Telephone	3,036	1,446	392	600	600
01-2005-4251	Training and Meetings	1,293	0	581	700	500
01-2005-4262	Equipment Operation and Maintenance	891	309	433	750	750
01-2005-4290	Grounds Maintenance	861	0	0	2,000	1,000
01-2005-4291	Building and Pool Maintenance	4,498	21,086	16,580	9,000	9,000
01-2005-4292	Minor Building Improvements	5,006	1,459	3,305	3,500	3,000
01-2005-4332	Uniforms	441	603	434	500	500
01-2005-4360	Special Department Supplies	1,508	1,189	668	1,500	1,500
	Total Maintenance and Operations	32,119	42,254	40,131	35,650	34,550

Total Luckie Park Swimming Pool Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Luckie Park Swimming Pool Expenditures	62,776	75,651	75,309	74,750	74,750

Senior Center

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2006-4210	Electricity	8,970	8,296	8,932	12,000	12,000
01-2006-4211	Natural Gas	2,435	1,839	1,712	1,800	2,000
01-2006-4212	Water	2,220	2,715	2,620	3,000	3,000
01-2006-4212	Telephone	2,739	2,309	2,488	2,500	2,500
01-2006-4291	Building Operation and Maintenance	561	5,329	3,239	3,600	4,000
01-2006-4292	Minor Building Improvements	6,029	193	1,653	1,500	2,000
01-2006-4359	Maintenance Contract	9,166	7,975	7,560	8,500	8,500
	Total Maintenance and Operations	32,120	28,656	28,204	32,900	34,000

Total Senior Center Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Senior Center Expenditures	32,120	28,656	28,204	32,900	34,000

Youth Club

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2013-4210	Electricity	4,938	4,345	4,748	6,000	6,700
01-2013-4211	Natural Gas	308	198	542	800	600
01-2013-4212	Water	431	471	605	700	700
01-2013-4221	Telephone	368	269	367	400	400
01-2013-4291	Building Repair and Maintenance	5,901	1,196	1,990	1,500	1,000
	Total Maintenance and Operations	11,946	6,479	8,252	9,400	9,400

Total Youth Club Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Youth Club Expenditures	11,946	6,479	8,252	9,400	9,400

Community Center

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
01-2014-4210	Electricity	11,079	9,498	11,570	12,000	13,000
01-2014-4211	Natural Gas	518	292	292	300	500
01-2014-4212	Water	556	681	791	800	900
01-2014-4221	Telephone	363	354	366	400	500
01-2014-4291	Building Repair and Maintenance	2,284	2,932	3,485	3,000	4,000
01-2014-4292	Minor Building Improvements	4,743	77	885	2,000	2,000
01-2014-4312	Small Equipment and Tools	453	0	0	0	2,000
	Total Maintenance and Operations	19,996	13,834	17,389	18,500	22,900

Total Community Center Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Center Expenditures	19,996	13,834	17,389	18,500	20,900

Total Community Services Department Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Services Department Expenditures	876,991	963,621	993,248	1,033,750	1,085,350

Total General Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total General Fund Expenditures	7,067,986	7,377,212	7,322,037	7,745,190	7,884,900

Projected Estimated Changes to General Fund Balance¹⁷⁰

Estimated Beginning FY2012 Unrestricted (Unreserved) General Fund Balance on July 1, 2011:
 Total Beginning General Fund Balance: \$ 11,083,969

Estimated Ending FY2012 Unrestricted (Unreserved) General Fund Balance on June 30, 2012:
 Total Ending General Fund Balance: \$ 11,084,069



Campbell House (now Roughly Manor) 1945

¹⁷⁰ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

GENERAL CAPITAL PROJECTS FUND

(Fund No. 10)

Fund Mission

The mission of the General Capital Projects Fund is to account for all activities, assets, liabilities, revenues, expenditures and fund balances related to the construction of major improvements and the purchases of major pieces of equipment except those constructed in accounting funds as required by the Governmental Accounting Standards Board (GASB).

Fund Description

The City uses a General Capital Projects Fund to account for revenues and expenditures related to the construction of major capital facilities and the purchase of vehicles or other major pieces of equipment, except as required by the Governmental Accounting Standards Board (GASB) to be recorded in another accounting fund. Construction projects can include roads, curbs and gutters, sidewalks, bridges, buildings, parks and other general infrastructure. Major pieces of equipment can include cars, trucks, graders, backhoes, lawnmowers, ball field groomers and other rolling stock. It can also include major capital purchases related to park play structures, radios, furniture, signs, hardware or software systems and other related capital expenditures.

In addition to general capital project funds that may be deposited into the General Capital Projects Fund, one-time or non-recurring monies, or state and federal grant funds can be deposited into this Accounting Fund. Unrestrictive one-time revenues may be transferred to other funds for capital projects or other one-time projects in other accounting funds.

Revenue Assumptions

The General Capital Project Fund's total revenues for FY2012 are projected to be \$962,900, including a \$245,000 Transportation Development Act (TDA) Article 3 Pedestrian Bicycle grant obtained through the San Bernardino County Associated Governments (SANBAG). The balance of the General Capital Projects Fund revenues come from transfers from other funds including \$220,000 from the Proposition 42 Traffic Congestion Fund, \$74,000 from the Risk Management Internal Service Fund, \$15,000 from the Article 3 Capital Projects Fund, \$35,000 from the Equipment Replacement Internal Service Fund and \$373,000 from the General Fund.

During FY2012, Twentynine Palms will spend \$100,000 for an update to the 2008 Wastewater Treatment Plant Joint Use Study, \$50,000 for gateway signs, \$45,000 for a new animal control truck, \$8,000 for a baseball field groomer, \$200,000 to construct 0.25 miles of road to connect Encelia Avenue from Sunnyslope Avenue to Two-Mile Road, \$15,000 for the Collins Bike Path, \$80,000 to install underground electrical utilities at Knott's Sky Park, \$20,000 to rebuild the flashing crosswalk at Highway 62 and Tamarisk, \$15,000 to slurry seal the Community Center parking lot, \$245,000 to construct sidewalks in the vicinity of Oasis Elementary school, \$90,000 for hardware and software upgrades, \$32,000 to upgrade the swimming pool at Luckie Park, \$20,000 for mural replacement or other public art and \$25,000 for a July 4 fireworks display.

Total expenditures are projected to be \$945,000. The fund balance in the General Capital Projects Fund is projected to be \$17,900 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Complete the update to the 2008 Wastewater Treatment Plant Joint-Use Study and examine the legal, regulatory, fiscal and technical issues surrounding the property handling of wastewater in Twentynine Palms.
Performance Measure: Complete the update to the 2008 Wastewater Treatment Plant Joint-Use Study and examine the legal, regulatory, fiscal and technical issues surrounding the proper handling of wastewater in Twentynine Palms.
- 2. Goal:** Install one “Welcome to Twentynine Palms” sign similar to the existing eastbound sign on Highway 62 at the entrance of Joshua Tree National Park and one sign west bound on Highway 62.
Performance Measure: One “Welcome to Twentynine Palms” sign similar to the existing eastbound sign on Highway 62 is installed at the entrance to Joshua Tree National Park and a second sign is installed westbound on Highway 62.
- 3. Goal:** Purchase new animal control vehicle.
Performance Measure: New animal control vehicle is purchased.
- 4. Goal:** Purchase new baseball field groomer to provide better field preparation for recreation programs.
Performance Measure: City purchases new baseball field groomer to provide better field preparation for recreation programs.
- 5. Goal:** Construct 0.25 mile of road to fill the missing link in Encelia Drive from Sunnyslope Road to Two-Mile Road.
Performance Measure: Encelia Drive construction project is completed from Sunnyslope to Two-Mile Road.
- 6. Goal:** Complete the Electrical Master Plan and complete the construction of the electrical underground at Knott’s Sky Park.
Performance Measure: Electrical Master Plan and construction of the electrical underground is completed.
- 7. Goal:** Complete the Collins Bike Path.
Performance Measure: Collins Bike Path is completed.
- 8. Goal:** Repair and rebuild the flashing crosswalk at Highway 62 and Tamarisk.
Performance Measure: Flashing crosswalk at Highway 62 and Tamarisk has been rebuilt and is operating.
- 9. Goal:** Complete slurry sealing of Community Center parking lot.
Performance Measure: Slurry sealing of Community Center parking lot is completed.
- 10. Goal:** Upgrade City hardware and software systems.
Performance Measure: City hardware and software systems are upgraded.
- 11. Goal:** Public Arts Advisory Council submits proposed public art piece for review and approval by the City Council.
Performance Measure: Public Arts Advisory Council submits proposed public art piece for review and approval by the City Council.
- 12. Goal:** Combine \$38,060 in Community Development Block Grant Funds with \$32,000 from the General Capital Projects Fund to complete \$70,060 in upgrades to the swimming pool at Luckie Park to meet new standards from the San Bernardino County Health Department.
Performance Measure: Luckie Park Swimming Pool is upgraded to meet new standards from the San Bernardino County Health Department.

13. Goal: Construct new sidewalks near Oasis Elementary School, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive.

Performance Measure: New sidewalks are constructed near Oasis Elementary School, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space. Twentynine Palms will be the gateway to the desert experience of Joshua Tree National Park, the Mojave Desert and the California outback.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes the long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

General Capital Projects Fund Revenues

General One-Time Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
10-0000-3316-1B	Transfer from Proposition 42 Traffic Congestion Relief Fund	0	0	0	0	220,000
10-0000-3316G	Transfer from Risk Management Internal Service Fund	0	0	0	0	74,000
10-0000-3316	Transfer from Article 3 Collins Bike Path	0	0	0	0	15,000
10-0000-3316G	Transfer from Equipment Replacement Fund	0	0	0	0	35,900
10-0000-3316G	Transfer from General Fund	0	0	0	406,200	373,000
10-0000-3449	Roberti/Zberg State Park Grant ¹⁷¹	227,417	0	0	0	0
10-0000-3450	HUD Visitors Center Grant	392,944	0	0	0	0
10-0000-3925	SANBAG Grant for Sunnyvale/Sun Valley Curb & Sidewalk ¹⁷²	0	0	0	0	245,000
	Total General One-Time Revenues	620,361	0	0	406,200	962,900

¹⁷¹ During FY2008, the City received a \$227,417 Roberti Z'Berg state park grant for the construction of Bucklin Park.

¹⁷² The City will spend \$245,000 in Transportation Development Act (TDA) Article 3, Pedestrian Bicycle funds obtained through the San Bernardino County Associated Governments (SANBAG) to construct new sidewalks near Oasis Elementary School.

Use of Current Revenues or General Capital Projects Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of General Capital Projects Fund Balance ¹⁷³	902,009	703,891	132,866	0	0
	Total Use of General Capital Projects Fund Balance	902,009	703,891	132,866	0	0

Total General Capital Projects Fund Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2011
	Total General Capital Projects Fund Revenues	1,522,370	703,891	132,866	406,200	962,900

General Capital Projects Fund Expenditures

General Capital Projects Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
10-1008-4292	Carpet & Tile Installation in the Community Services Building and Recreation Office ¹⁷⁴	16,475	0	0	0	0
10-1008-4327	Property Acquisition ¹⁷⁵	388,708	425,239	0	0	0
10-1008-4428G	Wastewater Treatment System Study ¹⁷⁶	0	0	0	0	100,000
10-1008-4509	Homeland Security Grant Purchases	0	8,667	4,932	14,300	0
10-1008-4517	Demolish City Buildings ¹⁷⁷	39,790	9,750	0	0	0
10-1008-4518	Computer Upgrades	84,748	79,659	70,432	25,000	0

¹⁷³ The use of General Fund Balance of \$902,009 in FY2008, \$703,891 in FY2009 and \$132,866 in FY2010 represents the taking of prior year's accumulated surplus and appropriating it in FY2008, FY2009 and FY2010.

¹⁷⁴ In FY2008, the City of Twentynine Palms spent \$16,475 in tile and new carpet for the Community Services Building and Recreation Office.

¹⁷⁵ The City spent \$388,708 in FY2008 and \$425,239 in FY2009 to acquire the 100-acre parcel at Indian Cove, the Twentynine Palms Visitor Center, Morongo Basin Transit Authority (MBTA) Facility on Adobe Road and the office building where the Finance Department is located.

¹⁷⁶ The Regional Water Quality Control Board (RWQCB) has expressed concern over the potential contamination of groundwater resources by nitrates from the improper installation and maintenance of septic systems in Twentynine Palms. They have required several new subdivisions in recent years to incorporate into their development the construction of small "package" wastewater treatment plants and localized collection systems to collect and treat wastewater independent of the City. In addition, the Regional Water Quality Control Board (RWQCB) is requiring Yucca Valley to construct a wastewater treatment plant and collection system and the City of Twentynine Palms may be required to do so in the near future. **The City will spend \$100,000 in FY2012 to update the 2008 Wastewater Treatment Plant Joint-Use Study and examine the legal, regulatory, fiscal and technological issues surrounding the proper handling of wastewater in Twentynine Palms. The study will also include an examination and analysis of the management and maintenance of current wastewater treatment "package" plants.**

¹⁷⁷ The City spent \$39,790 in FY2008 and \$9,750 in FY2009 to demolish an old garage and warehouse at the corner of Sullivan and Adobe Road.

10-1008-4520	Vehicle Replacement	20,672	0	0	19,600	0
10-1008-4523	Tractor—parks	45,246	0	0	0	0
10-1008-4524	Laser Fiche Upgrade	5,598	0	0	0	0
10-1008-4525	Animal Shelter Rehabilitation ¹⁷⁸	40,000	6,660	0		0
10-1008-4550	City Hall Dumpster Enclosure	85	14,963	2,418	0	0
10-1008-4553	Storage at Theatre 29 ¹⁷⁹	15,330	0	0	0	0
10-1008-4662G	Gateway Signs ¹⁸⁰	0	0	0	0	50,000
10-1008-4664G	Animal Control Truck ¹⁸¹	0	0	0	0	45,000
10-1008-4666G	Baseball Field Groomer	0	0	0	0	8,000
10-1008-4668-1B	Encelia Road Connection ¹⁸²	0	0	0	0	200,000
10-1008-4669	Collins Bike Path	0	0	0	0	15,000
10-1008-4670	Knott's Sky Park Electrical Underground ¹⁸³	0	0	0	0	80,000
10-1008-4805	Indian Cove Property Renovation	0	454	27,528	300	0
10-1008-4806	City Hall Annex Renovation ¹⁸⁴	0	0	24,168	0	0
10-1008-4817	Playground Equipment	140,761	0	0	0	0
10-1008-4823	Electronic Equipment	0	5,559	0	0	0
10-1008-4840	Vehicle Purchases	23,975	0	0	0	0
10-1008-4866	Visitors Center	392,944	79,260	0	0	0
10-1008-4875-1B	Downtown Crosswalk—Tamarisk ¹⁸⁵	0	0	0	0	20,000
10-1008-4876	Slurry Seal Community Service Dept. Parking Lot ¹⁸⁶	0	0	0	0	15,000
10-1008-4893	City Entry Signs	12,597	256	0	0	0
10-1008-4905	Park Master Plan	45,510	6,437	0	0	0
10-1008-4905	Bucky Bucklin Park	227,417	0	0	0	0
10-1008-4925	City Hall Carpets	7,450	0	0	0	0
10-1008-4926	Restrooms—Knott's Sky Park	0	6,800	0	0	0
10-1008-4928	Baseball Field Maintenance Machine	14,709	0	0	0	0
10-1008-4939	Luckie Park Maintenance Upgrade	355	0	0	0	0
10-1008-4943	Freezer for Animal Shelter	0	24,168	0	0	0
10-1008-4944	Two Way Radios	0	27,553	0	0	0
10-1008-4945	Veterans Park Sign	0	8,280	0	0	0
10-1008-4949	Sunnyvale/Sun Valley Curb, Gutter and Sidewalk ¹⁸⁷	0	0	3,250	32,400	245,000

¹⁷⁸The City spent \$40,000 in FY2008 and \$6,660 in FY2009, to rehabilitate the animal shelter. Improvements included installing 109 washable panels and upgrading the heating and air conditioning system.

¹⁷⁹During FY2008, the City spent \$15,330 to assist Theatre 29 in installing a 30 X 40 square-foot metal storage building. Theatre 29 provided \$15,000 in engineering, concrete and labor.

¹⁸⁰The City will spend \$50,000 to install two new Gateway “Welcome to Twentynine Palms” signs similar to the one already installed on Highway 62 as one travels east. One sign will be installed just outside of the Joshua Tree National Park and the other sign will be installed on Highway 62 as one travels west.

¹⁸¹City will spend \$45,000 during FY2012 to replace an animal control vehicle.

¹⁸²\$200,000 will be spent during FY2012 to construct the missing link in Encelia Drive from Sunnyslope Road to Two-Mile Road. The project will consist of approximately two 12-foot asphalt travel lanes for approximately 0.25 of a mile.

¹⁸³The City will spend \$80,000 in FY2012 to complete an Electrical Master Plan and install the main electrical underground distribution system at Knott's Sky Park.

¹⁸⁴Twentynine Palms spent \$24,168 during FY2010 to renovate the City Hall Annex building where the Finance Department is currently located.

¹⁸⁵The City will spend \$20,000 from the General Capital Projects Fund and \$20,000 from the Twentynine Palms Redevelopment Agency during FY2012 to repair and rebuild the flashing crosswalk at Highway 62 and Tamarisk.

¹⁸⁶\$15,000 will be spent during FY2012 to slurry seal the Community Center parking lot.

¹⁸⁷ **The City will spend \$245,000 in Transportation Development Act Article 3, Pedestrian Bicycle funds obtained through the San Bernardino County Associated Governments (SANBAG) to construct new sidewalks near Oasis Elementary School**, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive. The proposed sidewalks are designed to increase safety in the area

10-1008-4953	Patriot Hall & Community Center A/C	0	186	0	0	0
10-1008-4965	Solar Project	0	0	50	10,000	0
10-1008-4976	Energy Efficiency Project	0	0	88	60,000	0
10-1008-4976	City Match—Energy Efficiency Grant	0	0	0	134,600	0
10-1008-4985	Equipment Replacement Fund	0	0	0	100,000	0
10-1008-4987G	Hardware and Software Systems Upgrades ¹⁸⁸	0	0	0	0	90,000
10-1008-4988	Luckie Park Pool Upgrade ¹⁸⁹	0	0	0	0	32,000
10-1008-4261	Mural Replacement or Other Public Art	0	0	0	0	20,000
10-1008-4381	Fireworks	0	0	0	0	25,000
	Total Capital Expenditures	1,522,370	703,891	132,866	396,200	945,000

Total Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total General Capital Project Fund Expenditures	1,522,370	703,891	132,200	396,200	945,000

Projected Estimated Changes to the General Capital Projects Fund Balance¹⁹⁰

Estimated Beginning FY2012 General Capital Projects Fund Balance on July 1, 2011: \$ 0

Estimated Ending FY2012 General Capital Projects Fund Balance on June 30, 2012:¹⁹¹ \$ 17,900

for residents, especially children and youth traveling to and from school, who currently have to walk in the street or navigate dirt paths adjacent to the roadway.

The project includes the installation of Americans with Disabilities Act (ADA) compliant curbs, gutters and sidewalks on both sides of the street. Also grinding and reconstructing Sun Valley Drive within the project area.

The SANBAG grant will also allow the City to link the project curb, gutter and sidewalk with a previously installed curb, gutter, and sidewalk project near the same area using a California Department of Transportation (CalTrans) Safe Routes to School grant. This project will also include \$106,000 from the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund to match the grant funds from SANBAG and \$200,000 in Measure I funds to reconstruct Sun Valley Drive.

¹⁸⁸ The City will spend \$90,000 during FY2012 to upgrade its hardware and software systems. This upgrade will be done in accordance with a master plan prepared by Marshall Networking.

¹⁸⁹ During FY2012, the City will combine \$38,060 in Community Development Block Grant Funds with \$32,000 from the General Capital Projects Fund to complete \$70,060 in upgrades to the swimming pool at Luckie Park to meet new standards from the San Bernardino Health Department.

¹⁹⁰ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

¹⁹¹ \$10,000 is being set aside in a restricted reserve for the Community Emergency Response Team (CERT) equipment. Funds will be released upon approval by the City Council of equipment list.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM SPECIAL REVENUE FUND

(Fund No. 11)

Fund Mission

The mission of the Community Development Block Grant (CDBG) Program Special Revenue Fund is to account for all activities, revenues and expenditures related to the receipt of Federal Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD).

Fund Description

The Federal Community Development Block Grant (CDBG) Program is administered by the U.S. Department of Housing and Urban Development to achieve “national objectives” that include (1) assisting low- and moderate-income people, (2) eliminating urban blight or (3) to meet urgent needs. Twentynine Palms is not an “entitled” City and must compete state-wide each year for Community Development Block Grant (CDBG) funds. The Federal Omnibus Budget Reconciliation Act of 1981 provides for State of California administration of the Federal Community Development Block Grant Non-entitlement Program. These regulations set forth the policies and procedures governing the state’s management and use of these funds. In addition to these requirements, program participants must comply with Federal regulations contained in Title 24 of the Code of Federal Regulations, Part 570, Subpart I. In the event that Congress or the State Legislature add or amend any requirements concerning the use or management of these funds, grantees must comply with such requirements upon receipt of notice.

Revenue Assumptions

Community Development Block Grant (CDBG) funds may only be used to eliminate blight, meet an urgent need or assist low- and moderate-income residents. The City received \$341,000 during FY2011 in Community Development Block Grant (CDBG) funds. During FY2012, the City will spend \$75,000 to rebuild and upgrade the well in Luckie Park and \$38,060 to upgrade the City swimming pool to meet new San Bernardino County Health Department regulations. It will combine these funds with \$32,000 in General Capital Projects fund to complete \$70,060 in upgrades to the swimming pool. There will be no fund balance in the Community Development Block Grant (CDBG) Program Special Revenue Fund at the beginning of FY2012 or at the end of FY2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Maintain all required documentation and successfully pass all Community Development Block Grant (CDBG) audits.

Performance Measure: City maintains all required documentation and successfully passes all Community Development Block Grant (CDBG) audits. Audit Report to the City Council.

2. Goal: Obtain additional Community Development Block Grant (CDBG) funds to rebuild and upgrade the well in Luckie Park.

Performance Measure: City obtains Community Development Block Grant (CDBG) funds to rebuild and upgrade the well in Luckie Park. Well project is completed. Report to City Council.

3. Goal: Obtain additional Community Development Block Grant (CDBG) funds to upgrade the City swimming pool at Luckie Park to meet new San Bernardino County Health Department regulations. The City will combine \$38,060 in Community Development Block Grant Funds with \$31,940 from the General Capital Projects Fund to complete \$70,000 in upgrades to the swimming pool at Luckie Park to meet these new standards.

Performance Measure: City obtains Community Development Block Grant (CDBG) funds to upgrade the City swimming pool at Luckie Park to meet new San Bernardino County Health Department regulations.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides cultural, recreational and contemplative opportunities for the residents and visitors to Twentynine Palms.

Value: Shoulders the full share of the community, county, regional and state responsibilities, acknowledging that the City is part of a larger community and that the provision of services and the solution to certain problems must be the result of intergovernmental cooperation.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Community Development Block Grant (CDBG) Program Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
11-0000-3400	Community Development Block Grant	349,426	209,908	354,679	341,000	113,060
	Total Intergovernmental Revenues	349,426	209,908	354,679	341,000	113,060

Total Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Development Block Grant (CDBG) Program Special Revenue Fund Revenues	349,426	209,908	354,679	341,000	113,060

Community Development Block Grant (CDBG) Program Special Revenue Fund Expenditures

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
11-1008-4808	Metal Building—Knott’s Sky Park	0	0	55	136,000	0
11-1008-4828	Twentynine Palms Swim Team	20,928	0	0	0	0
11-1008-4858	Youth Club ¹⁹²	0	10,000	5,000	0	0
11-1008-4858	Hi Desert Football ¹⁹³	8,000	90,910	10,970	0	0
11-1008-4906	Luckie Park Improvements ¹⁹⁴	132,311	108,764	119,802	50,000	0
11-1008-4906	Historical Society Curb, Gutter and Sidewalk ¹⁹⁵	48,787	0	0	0	0
11-1008-4924	Bucky Bucklin Park Construction ¹⁹⁶	139,400	0	0	0	0
11-1008-4926	CDBG Not Programmed Funds ¹⁹⁷	0	234	218,852	0	38,060
11-1008-4975	Community Center Improvements ¹⁹⁸	0	0	0	55,000	0
11-1008-4977	Knott’s Sky Park Improvements	0	0	0	100,000	0
11-1008-4991	Luckie Park Well Project ¹⁹⁹	0	0	0	0	75,000
	Total Capital Expenditures	349,426	209,908	354,679	286,000	113,060

Total Community Development Block Program Grant (CDBG) Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Community Development Block Grant (CDBG) Program Expenditures	349,426	209,908	354,679	286,000	113,060

¹⁹²The City Council contributed \$10,000 in FY2009 and \$5,000 in FY2011 to the Twentynine Palms Youth Club for their programs.

¹⁹³Community Development Block Grant (CDBG) funds were used in FY2008, FY2009 and FY2010 to purchase football equipment and uniforms for the kids.

¹⁹⁴ FY2008 Community Development Block Grant (CDBG) expenditures in Luckie Park included the construction of restrooms. FY2009 expenditures in Luckie Park included \$33,624 for a new pool heater as well as swim lanes and purchase of a pool cover. FY2010 expenditures in Luckie Park include replacing the basketball court lighting, improvements to the heating and air conditioning system in the Community Center and upgrades to the racquetball court doors.

¹⁹⁵The City spent \$48,787 in FY2008 to install curb, gutter and sidewalk around part of the Old Schoolhouse museum.

¹⁹⁶During FY2008, the City spent \$139,400 in Community Development Block Grant (CDBG) funds for the construction of Bucklin Park.

¹⁹⁷Expenditures of un-programmed Community Development Block Grant (CDBG) funds during FY2010 included the purchase and installation of solar lights and a play structure. It also included the construction of a restroom and parking lot improvements. During FY2012, the City will combine \$38,060 in Community Development Block Grant Funds with \$32,000 from the General Capital Projects Fund to complete \$70,060 in upgrades to the swimming pool at Luckie Park to meet new standards from the San Bernardino Health Department.

¹⁹⁸ Twentynine Palms spent \$55,000 in FY2011 to install a covered patio at the Community Center.

¹⁹⁹ The City will spend \$75,000 during FY2012 to upgrade the well at Luckie Park.

Projected Estimated Changes to the Community Development Block Grant (CDBG) Program Special Revenue Fund Balance²⁰⁰

Estimated Beginning FY2012 Community Development Block Grant (CDBG) Program Special Revenue Fund Balance on July 1, 2011:	\$ 0
Total Estimated Ending FY2012 Community Development Block Grant (CDBG) Program Special Revenue Ending Fund Balance on June 30, 2012 :	\$ 0

²⁰⁰ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

CURB, GUTTER AND SIDEWALK DEVELOPMENT IMPACT FEES CAPITAL PROJECTS FUND

(Fund No. 12)

Fund Mission

The mission of the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund is to account for all development impact fees revenues and expenditures paid by residential, commercial and industrial development in lieu of installing curb, gutter and sidewalk at the time of development.

Fund Description

Twentynine Palms allows residential, commercial and industrial developers to pay into a special accounting fund the cost of curb, gutter and sidewalk in situations where the location, geography or other factors preclude the installation of these off-site improvements at the time of development. Monies collected from this accounting fund are used exclusively to install these improvements. These development impact fees may not be used to fund salaries and benefits or to pay for on-going maintenance and operation costs.

Revenue Assumptions

The City anticipates collecting \$40,000 in curb, gutter and sidewalk development impact fees during FY2012. In addition, \$1,325,000 in curb, gutter and sidewalk impact fees will be transferred from the General Fund to the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects fund. Total financial resources available for appropriation in FY2012 are \$1,365,000.

Twentynine Palms will spend \$450,000 during FY2012 to install curb, gutter and sidewalk along National Park Drive from Highway 62 to the Joshua Tree National Park headquarters. The City will also spend \$106,000 to match the \$200,000 in Measure I funds and a \$245,000 Transportation Development Act (TDA) Article 3 grant from SANBAG for the construction of new sidewalks near Oasis Elementary School. Another \$500,000 will be set aside for sidewalk construction in the downtown area at a location to be determined later by the City Council. Total FY2012 spending in the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund will be \$1,056,000. The Fund Balance on June 30, 2012 will be \$309,000.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Collect and properly account for all curb, gutter and sidewalk development impact fees revenue from new residential, commercial, and industrial developments in accordance with the purpose for which they were collected and the Government Accounting Standards Board (GASB).

Performance Measure: Curb, gutter and sidewalk development fee revenues are collected and properly accounted for during the fiscal year in accordance with the purpose for which they were collected and the Government Accounting Standards Board (GASB). Submit independent auditor's report to the City Council.

2. Goal: Spend all curb, gutter and sidewalk development impact fee revenues from new residential, commercial and industrial development in accordance with the purpose for which they were collected and in accordance with the guidelines of the Government Accounting Standards Board (GASB).

Performance Measure: All curb, gutter and sidewalk development impact fee expenditures were properly accounted for and done in accordance with the purpose for which they were collected and the guidelines of Government Accounting Standards Board (GASB).

3. Goal: Construct curb, gutter and sidewalk along National Park Drive from Highway 62 to the Joshua Tree National Park headquarters to improve pedestrian circulation between the National Park and downtown.

Performance Measure: Curb, gutter and sidewalk along National Park Drive from Highway 62 to the Joshua Tree National Park headquarters is installed.

4. Goal: Provide matching funds for a \$245,000 Transportation Development Act (TDA) Article 3 grant from the San Bernardino County Associated Governments (SANBAG) for the construction of sidewalks near Oasis Elementary School.

Performance Measure: Matching funds are provided through the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund for the \$245,000 Transportation Development Act (TDA) Article 3 grant for construction of sidewalks near the Oasis Elementary School.

5. Goal: Construct \$500,000 in curbs, gutters and sidewalks in the downtown area at a location to be determined by the City Council.

Performance Measure: Sidewalk in the downtown area at a location to be determined by the City Council has been constructed.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space. Twentynine Palms will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and California outback.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
12-0000-3264	Curb, Gutter and Sidewalk Development Impact Fees	0	0	0	0	40,000
12-0000-3316	Transfer from General Fund	0	0	0	0	1,325,000
	Total Curb, Gutter and Sidewalk Development Impact Fees Revenues	0	0	0	0	1,365,000

Total Curb, Gutter and Sidewalk Capital Projects Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Curb, Gutter and Sidewalk Development Impact Fees Revenues	0	0	0	0	1,365,000

Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund Expenditures

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
12-1008-4661	National Park Drive Sidewalk Project ²⁰¹	0	0	0	0	450,000
12-1008-4664	Downtown Sidewalk Construction ²⁰²	0	0	0	0	500,000
12-1008-4667	City Matching for Sunnyvale/sun Valley Sidewalk Project ²⁰³	0	0	0	0	106,000
	Total Curb, Gutter and Sidewalk Capital Projects Fund Expenditures	0	0	0	0	1,056,000

Total Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund Expenditures

Account Number	Account Description	Actual FY2007	Actual FY2008	Actual FY2009	Estimated FY2010	Approved FY2011
	Total Curb, Gutter and Sidewalk Capital Projects Fund Expenditures	0	0	0	0	1,056,000

²⁰¹ During FY2012, the City will spend \$450,000 to construct curb, gutter and sidewalk on the west side of National Park Drive from Highway 62 to the Joshua Tree National Park Headquarters to promote economic development and improve pedestrian circulation between the National Park and downtown. Project includes constructing sidewalk completely around the Old School House Museum and in front of the 29 Palms Art Gallery.

²⁰² The City has reserved another \$500,000 for curb, gutter and sidewalk construction in the downtown area at a location to be determined by the City Council. The purpose of this project is to improve pedestrian circulation and promote economic development in the downtown area.

²⁰³ **The City will spend \$245,000 in Transportation Development Act Article 3, Pedestrian Bicycle funds obtained through the San Bernardino County Associated Governments (SANBAG) to construct new sidewalks near Oasis Elementary School**, running north of El Paseo Drive along Hillside Avenue and extending west into the residential neighborhood of Sun Valley Drive and Sunnyvale Drive. The proposed sidewalks are designed to increase safety in the area for residents, especially children and youth traveling to and from school, who currently have to walk in the street or navigate dirt paths adjacent to the roadway.

The project includes the installation of Americans with Disabilities Act (ADA) compliant curbs gutters and sidewalks on both sides of the street. Also grinding and reconstructing Sun Valley Drive within the project area.

The SANBAG grant will also allow the City to link the curbs, gutters and sidewalks project with a previously installed curb, gutter, and sidewalk project near the same area using a California Department of Transportation (CalTrans) Safe Routes to School grant. **This project will also include \$106,000 from the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund to match the grant funds from SANBAG and \$200,000 in Measure I funds to reconstruct Sun Valley Drive.**

Projected Estimated Changes to Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund Balance²⁰⁴

Estimated FY2012 Curb, Gutter and Sidewalk Development Impact fees
Capital Projects Fund Balance on July 1, 2011: \$ 0

Estimated FY2012 Curb, Gutter and Sidewalk Development Impact Fees
Capital Projects Fund Balance on June 30, 2012: \$ 309,000



Desert Highway, now Highway 62--1933

²⁰⁴ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

FIRE DEVELOPMENT IMPACT FEES CAPITAL PROJECTS FUND

(Fund No. 14)

Fund Mission

The mission of the Fire Development Impact Fees Capital Projects Fund is to account for all development impact fee revenues and expenditures for the construction and improvement of public fire protection buildings and facilities as well as the purchase of equipment needed for new development pursuant to the State Mitigation Fee Act (Government Code Sections 66000 et. Seq.).

Fund Description

The State Mitigation Fee Act (Government Code Sections 66000 et. Seq.) allows municipalities to impose development impact fees on new residential, commercial and industrial developments so that each development pays its proportionate share of the impact these new developments have on the community. An impact fee is an exaction:



- In the form of a pre-determined monetary payment.
- Assessed as a condition to the issuance of a building permit, an occupancy permit, or subdivision map approval.
- Imposed pursuant to local government powers to regulate new growth and development and provide for adequate public facilities and services.
- Levied to fund public facilities and services necessary to serve new development.
- Levied in an amount that is proportionate to the need for the public facilities created by the new development.²⁰⁵

State law allows impact fees to be charged to pay for the cost of development of public facilities, including, but not limited to, streets and thoroughfares, law enforcement facilities and equipment, fire facilities and equipment, general City facilities, storm drainage facilities, wastewater treatment facilities, wastewater collection facilities, water supply and holding facilities, water distribution facilities and parks and recreation facilities. Development impact fees may not be used to fund salaries and benefits or to pay for on-going maintenance and operation costs.

²⁰⁵ Abbott, William W, Exactions and Impact Fees in California: A Comprehensive Guide to Policy, Practice and the Law, Point Arena: Solano Press Books, 2001, p. 21.

The Twentynine Palms Municipal Code gives the City Council the authority to establish and charge development impact fees as a condition of approval of development projects for the purpose of defraying the cost of fire protection buildings, facilities and equipment (including public improvements, public services and vehicles) related to development projects.

Revenue Assumptions

Revenues are projected to be \$40,000 based on the City issuing the historic number of commercial and single-family residential building permits during FY2012. No interest is projected because the Fire Development Impact Fee Capital Project Fund has a negative fund balance due to the purchase of the fire ladder truck during FY2011. Fire impact fees collected during FY2012 will be used to amortize the debt for the fire ladder truck. The Fire Impact Fee Capital Projects Fund Balance will be reduced from a negative \$300,000 to a negative \$260,000 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Collect and properly account for all fire development impact fees and interest revenue from all new residential, commercial, industrial and institutional developments in accordance with state law during the fiscal year.

Performance Measure: Fire development impact fees and interest revenue are properly collected and accounted for in accordance with state law. Submit independent auditor's report to the City Council.

2. Goal: Spend all fire development impact fees and interest revenue from all new residential, commercial, industrial and institutional developments in accordance with state law during the fiscal year.

Performance Measure: All fire development impact fees from all new residential, commercial, industrial and institutional developments are spent in accordance with state law during the fiscal year. Submit independent auditor's report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Interacts and works with other governmental entities for the mutual benefit of the City, County, Region, State and Nation.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Vision: Provides a safe and secure environment for all who live, work and visit.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Fire Development Impact Fees Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
14-0000-3264	Fire Protection Impact Fees ²⁰⁶	0	0	0	0	40,000
	Total Fire Development Impact Fees Capital Projects Fund Revenues	0	0	0	0	40,000

Total Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Fire Development Impact Fees Capital Projects Fund Revenues	0	0	0	0	40,000

²⁰⁶Fire protection development impact fee revenues during FY2012 are estimated based on the City issuing based on the City issuing the historic number of commercial and single-family residential building permits.

Fire Development Impact Fees Expenditures

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
14-0000-3264	Transfer from General Fund	0	0	0	300,000	0
	Total Fire Development Impact Fees Capital Projects Fund Expenditures	0	0	0	300,000	0

Total Fire Development Impact Fees Capital Projects Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Fire Development Impact Fees Fund Expenditures	0	0	0	300,000	0

Projected Fire Development Impact Fees Capital Projects Fund Balance²⁰⁷

Estimated Beginning FY2012 Fire Development Impact Fees Capital Projects Fund Balance on July 1, 2011: \$ (300,000)

Estimated Ending FY2012 Fire Development Impact Fees Capital Projects Fund Balance on June 30, 2012: \$ (260,000)

²⁰⁷ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

Traffic Safety Special Revenue Fund

(Fund No. 20)

Fund Mission

The mission of the Traffic Safety Special Revenue Fund is to account for revenues generated by traffic violations in the City of Twentynine Palms and expenses incurred to implement traffic safety measures within the community to reduce accidents.

Fund Description

Twentynine Palms receives a portion of all traffic fines and forfeitures collected within the City. These funds must be used to enhance traffic safety and reduce accidents. Funds cannot be used for police salaries.

Revenue Assumptions

The City anticipates collecting \$90,000 from vehicle code violations and another \$2,000 in interest payments. Total resources available during FY2012 for appropriation are \$92,000. The City intends to enhance traffic safety and reduce accidents by spending \$31,000 for the maintenance of traffic lights and signals, \$10,000 on street striping and \$3,000 on traffic engineering. This fund will also transfer \$48,000 to the General Fund. Total expenditures for the fiscal year will be \$92,000. The Traffic Safety Special Revenue Fund Balance will be \$191,701 at the beginning of the fiscal year and at the end of the fiscal year on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Stripe all crosswalks and other street markings at least once a year.
Performance Measure: Crosswalks and other street markings are striped at least once a year.
- 2. Goal:** Complete all street striping projects by May 2012.
Performance Measure: Street striping projects are completed.
- 3. Goal:** Perform preventative maintenance on all traffic signals to prevent malfunctions.
Performance Measure: Preventative maintenance is performed on all traffic signals to prevent malfunctions.
- 4. Goal:** Ensure that traffic control devices are in compliance with the Manual on Uniform Traffic Control Devices published by the U.S. Department of Transportation.
Performance Measure: Traffic Control Devices are in compliance with the Manual on Uniform Traffic Control Devices. Report made to the City Council.
- 5. Goal:** Replace faded City street signs and traffic control devices. There are numerous street signs and traffic control devices that are faded and need to be replaced.
Performance Measure: Street signs and traffic control devices are replaced. Report made to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Traffic Safety Special Revenue Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
20-0000-3245	Interest Revenue	6,820	4,790	1,819	1,300	2,000
20-0000-3251	Vehicle Code Fines	75,396	111,555	95,694	90,000	90,000
	Total Traffic Safety Special Revenue Fund Revenues	82,216	116,345	97,513	91,300	92,000

Total Traffic Safety Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Traffic Safety Special Revenue Fund Revenues	82,216	116,345	97,513	91,300	92,000

Traffic Safety Special Revenue Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
20-1002-4530	Traffic Signal/Lights	0	0	6,939	8,000	6,000
20-1002-4531	Signal Maintenance	0	0	34,892	35,000	25,000
20-1002-4532	Signs and Striping	0	0	12,894	10,000	10,000
20-1002-4539	Traffic Engineering	0	0	1,540	2,000	3,000
20-1002-4830	Transfer to General Fund	31,992	31,992	48,000	48,000	48,000
	Total Maintenance and Operations Expenditures	31,992	31,992	104,265	103,000	92,000

Total Traffic Safety Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2007	Actual FY2008	Actual FY2009	Estimated FY2010	Approved FY2011
	Total Traffic Safety Special Revenue Fund	31,992	31,992	104,265	103,000	92,000

Projected Estimated Changes to Traffic Safety Special Revenue Fund Balance²⁰⁸

Estimated FY2012 Traffic Safety Special Revenue Fund Balance on July 1, 2011:	\$ 191,701
Estimated FY2012 Traffic Safety Special Revenue Fund Balance on June 30, 2012:	\$ 191,701

²⁰⁸ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

GASOLINE TAX SPECIAL REVENUE FUND

(Fund No. 22)

Fund Mission

The mission of the Gasoline Tax Special Revenue Fund is to construct, repair and maintain streets and roads within the City of Twentynine Palms using gasoline taxes remitted to the City of Twentynine Palms by the State of California.

Fund Description

This Fund is used to account for revenues and the related expenditures limited to a variety of highway and transportation purposes. Revenues are derived from Sections 2103, 2105, 2106, 2107 and 2107.5 of the California Streets and Highways Code. These revenues come from gasoline taxes placed on motor vehicle fuels. Gasoline tax allocations are generally distributed on the basis of population. Funds may be used for construction, repair and maintenance of streets and roads. In 1990 voters approved Proposition 111, which doubled gasoline taxes, raising the state tax rate by nine cents per gallon over four years. In 1993, the federal government doubled its gas tax, raising it by another 9.4 cents per gallon.

The State Excise Tax is 18 cents per gallon. California also levies a .08-cent California Lead Recovery Charge, 12-cent California Oil Spill Recovery Fee and 10 cent Leaking Underground Storage Tank Fee. In California, the local sales tax (1%) is levied on the full price of gasoline, including on the federal and state excise taxes. The City of Twentynine Palms receives a 1% sales tax on every gallon of gasoline sold in the City.

2010 Gasoline Sales Tax—Gasoline Excise Tax Swap

Explanation of Legislation.

On March 4, 2010, as part of a special budget session called by the Governor, the State Legislature passed ABX8 6 and ABX8 9, which contains provisions for a swap of state sales taxes on gasoline for a gasoline excise tax. The bills were signed by the Governor on March 22, 2010. Governor Schwarzenegger signed AB 70 on March 23, which was a clean up to ABX8 6. Effective July 1, 2010 these new laws:

1. Repeal the state sales tax on gasoline. Local sales tax rates (1%) implemented pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law or the Transactions and Use Tax Law are not affected.
2. Increase the excise tax on gasoline by 17.3 cents and add an annual index that is intended to ensure the new excise tax keeps pace with the revenues expected from the sales tax on gas.
3. Increase the sales tax on diesel by 1.75% and allocate 75% to local transit agencies and 25% to state transit programs. The excise tax on diesel is reduced from 18 cents to 13.6 cents. Sales tax revenues from diesel must go to transit funding.

In FY2011, the revenues were allocated as follows:

1. First, state transportation debt service;
2. Second, \$54 million monthly set aside for future appropriation by the state Legislature (possibly to provide a future loan to the state General Fund under the currently flexible loan provisions of the Highway User Tax Account (HUTA));
3. Remainder allocated with 50% going to the State Transportation Improvement Program (STIP), and the other 50% divided evenly between cities and counties using the current Highway User Tax (HUTA) formulas.

Beginning in FY2012, the revenues were allocated as follows:

1. First, to transportation debt service;
2. Second, divided with 44% to the State Transportation Improvement Program (STIP), 12% to State Highway Operation and Protection Program.
2. The remaining 44% split evenly between the cities and the counties using the current Highway User Tax Account (HUTA).

FY2011 Highway User Tax Account (HUTA) Payment Delays.

The state Legislature also passed legislation that contains provisions to delay a variety of state payments to local agencies as a way to deal with anticipated state cash flow problems in FY2011. AB5 8X allows the state to delay a portion of the payments (\$50 million) of monthly Highway User Tax funds for the first nine months of FY2011 (July 2010 to March 2011) to be paid no later than April 28, 2011. The legislation contains an exemption for some agencies, including counties under 50,000 population and cities in those counties.



Proposition 42 Allocations.

The law included expressed legislative intent to fully replace the local streets and road funds cities and counties would have received under Proposition 42 states sales tax on gasoline with allocations from the new higher motor vehicle excise tax (HUTA) rate.

Revenue Assumptions

Gasoline tax revenue from Sections 2103, 2105, 2106, 2107 and 2107.5 of the State Streets and Highways Code are projected to be flat at \$830,000. Interest revenues are projected to be \$500 and Proposition 42 replacement funds under the Gasoline Sales Tax—Gasoline Excise Tax swap are projected to be \$117,400. **Total resources available for appropriation are projected to be \$958,900.**

The City will spend \$681,700 for personnel services and \$181,600 for maintenance and operation expenses including \$13,000 for road maintenance materials, \$24,500 for equipment lease and maintenance, \$34,000 for general liability insurance, \$55,000 for street lighting and \$25,000 to install backup batteries on City

traffic signals. **Total expenses for the Gasoline Tax Special Revenue Fund during FY2012 will be \$863,300.** The Fund Balance will grow \$120,660 from \$508,526 on June 30, 2011 to \$629,126 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Complete all sidewalk repair projects by May 2012.
Performance Measure: Sidewalk construction projects are completed by May 2012.
- 2. Goal:** Complete all Slurry seal, street rehabilitation and maintenance projects by May 2012.
Performance Measure: All Proposition 42 street maintenance projects are completed by May 2012.
- 3. Goal:** Complete all Slurry seal, street rehabilitation and maintenance projects by May 2012.
Performance Measure: All Proposition 42 street maintenance projects are completed by May 2012.
- 4. Goal:** Conduct a street light audit to compare City street light location with billing records from Southern California Edison.
Performance Measure: Street light audit is completed.
- 5. Goal:** Prepare an inventory of all street signs and traffic control devices. Place inventory in computer program and conduct an annual inspection of all street signs and traffic control devices.
Performance Measure: Street signs and traffic control devices are inventoried and inventory is placed in computer program. Report made to the City Council.
- 6. Goal:** Ensure that traffic control devices are in compliance with the Manual on Uniform Traffic Control Devices published by the U.S. Department of Transportation.
Performance Measure: Traffic Control Devices are in compliance with the Manual on Uniform Traffic Control Devices. Report made to the City Council.
- 7. Goal:** Replace faded City street signs and traffic control devices. There are numerous street signs and traffic control devices that are faded and need to be replaced.
Performance Measure: Street signs and traffic control devices are replaced. Report made to the City Council.
- 8. Goal:** Complete all goals approved for the Gasoline Tax Special Revenue Fund.
Performance Measure: Goals approved for the Gasoline Tax Special Revenue Fund are completed.
- 9. Goal:** Complete all goals approved for the General Capital Projects Fund.
Performance Measure: Goals approved for the General Capital Projects Fund are completed.
- 10. Goal:** Complete all goals approved for the Measure I Capital Projects Fund.
Performance Measure: Goals approved for the Measure I Capital Projects Fund are completed.
- 11. Goal:** Complete all goals approved for the Curb, Gutter and Sidewalks Development Impact Fees Capital Projects Fund.
Performance Measure: Goals approved for the Curb, Gutter and Sidewalk Development Impact Fees Capital Projects Fund are completed.
- 12. Goal:** Complete all goals approved for the Transportation Development Act (TDA) Special Revenue Fund.
Performance Measure: Goals approved for the Transportation Development Act (TDA) are completed.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Gasoline Tax Special Revenue Fund Revenues

Intergovernmental Revenues (Gasoline Taxes)²⁰⁹

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
22-0000-3245	Interest Income	2,453	3,358	413	600	500
22-0000-3316	Transfer from Risk Management Fund	0	0	0	0	11,000
22-0000-3316	Transfer from Traffic Congestion Relief Fund	0	0	0	0	117,400
22-0000-3439	Gasoline Tax Section 2103 Funds	0	0	0	308,000	341,000
22-0000-3440	Gasoline Tax Section 2106 Funds	105,358	97,134	108,404	107,000	105,000
22-0000-3441	Gasoline Tax Section 2107 Funds	218,291	201,314	224,062	220,000	216,000
22-0000-3442	Gasoline Tax Section 2107.5 Funds	6,000	6,000	6,000	6,000	6,000
22-0000-3443	Gasoline Tax Section 2105 Funds	163,126	151,263	168,116	166,000	162,000
	Total Gasoline Tax Special Revenue Fund Revenues	495,228	459,069	506,995	807,600	958,900

Total Gasoline Tax Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Gasoline Tax Special Revenue Fund Revenues	495,228	459,069	506,995	807,600	958,900

Gasoline Tax Special Revenue Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
22-1004-4110	Salaries and Wages	167,980	197,146	224,969	230,800	464,200
22-1004-4150	Insurance and Retirement	57,530	73,146	75,086	94,500	217,500
	Total Personnel Services	225,510	270,292	300,055	325,300	681,700

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
22-1004-4210	Utilities	5,302	7,149	8,073	8,900	8,700
22-1004-4241	Office, Uniforms and Contract Services	7,063	5,867	4,083	8,000	5,400
22-1004-4262	Equipment Lease and Maintenance	58,142	36,172	38,457	33,500	24,500
22-1004-4272	Vehicle Repair and Maintenance	12,843	5,163	10,772	10,000	10,000
22-1004-4291	Building Repair and Maintenance	932	1,291	1,189	1,500	1,000
22-1004-4432	General Liability Insurance	8,462	16,200	18,162	16,000	34,000
22-1004-4508	Capital Equipment	7,731	18,045	28,439	5,000	5,000
22-1004-4530	Traffic Signals and Lights ²¹⁰	6,912	8,378	0	0	25,000
22-1004-4532	Signs, Striping	1,617	9,503	255	2,000	0
22-1004-4532	Road Maintenance	7,399	13,554	12,101	16,000	13,000
22-1004-4995	Street Lighting	46,359	50,225	53,197	55,000	55,000
	Total Maintenance and Operations	170,000	163,169	174,728	155,900	181,600

²⁰⁹In 1990, voters approved Proposition 111, which doubled gasoline taxes, raising the state tax rate by nine cents per gallon over four years. In 1993, the federal government doubled its gas tax, raising it by another 9.4 cents per gallon.

²¹⁰ \$25,000 is budgeted in FY2012 to install backup batteries on traffic signals in Twentynine Palms.

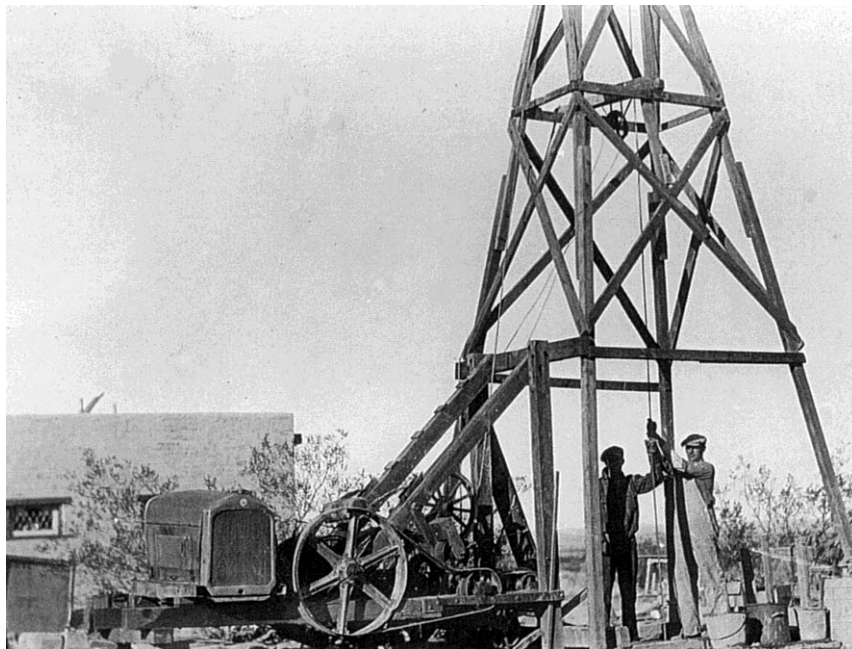
Total Gasoline Tax Special Revenue Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Gasoline Tax Special Revenue Expenditures	395,510	433,461	474,783	481,200	863,300

Projected Estimated Changes to Gasoline Tax Special Revenue Fund Balance²¹¹

Estimated Beginning FY2012 Gasoline Tax Special Revenue Fund Balance on July 1, 2011: \$ 508,526

Estimated Ending FY2012 Gasoline Tax Special Revenue Fund Balance on June 30, 2012: \$ 629,126



**Well Digger Charles Taylor—1935
(Courtesy of Pat Rimmington)**

²¹¹ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

PROPOSITION 42 TRAFFIC CONGESTION RELIEF SPECIAL REVENUE FUND

(Fund No. 23)

Fund Mission

The mission of the Proposition 42 Traffic Congestion Relief Special Revenue Fund is to provide funds to construct, repair, rehabilitate and maintain streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities to relieve traffic congestion within the City of Twentynine Palms.

Fund Description

In 2002 the voters approved Proposition 42. This ballot measure dedicated the sales tax on gasoline to transportation programs. Funds were allocated on a 40/40/20 split with 40% of the money going to cities and counties (50/50 split), 40% to state transportation projects and 20% to mass transit systems. Proposition 42 allowed these funds to be transferred to the state General Fund and appropriated for non-transportation purposes during times when the state has a fiscal crisis. The funds were transferred to the state General Fund in FY2004 and FY2005. FY2006 was the first time since Proposition 42 passed that the \$1.3 billion in sales tax on gas was spent on transportation. Cities received \$136,102,000 in FY2006, \$219,997,755 in FY2007, \$266,457,000 in FY2009, and \$284,451,000 in FY2010.



Cities and counties received no local streets and roads maintenance funds from Proposition 42 in FY2008 pursuant to a formula in current law and under a longstanding agreement that provided cities and counties with local streets and roads funds in FY2002 and FY2003.

Proposition 42 Traffic Congestion Relief funds could only be used for street and highway pavement maintenance, rehabilitation, reconstruction and storm damage repair. For Proposition 42 purposes, “maintenance” means patching, overlaying and sealing. Reconstruction includes overlaying, sealing or widening of the roadway to bring the roadway width to the desirable minimum pavement width consistent with accepted design standards for local streets and roads, but does not include widening for increasing the traffic capacity of a street or road.

In order to receive Proposition 42 allocations, cities had to be in compliance with the maintenance of effort provision (MOE) of the law. The maintenance of effort (MOE) provision requires cities to expend from their General Fund, in the budget year in which Proposition 42 monies are allocated, a defined amount of funds for transportation purposes. This amount had to be equal to or greater than the average transportation expenditures for FY1997, FY1998 and FY1999.

At the end of each fiscal year, the cities had to prove to the California State Controller that they have spent the required maintenance of effort (MOE) monies. Any city that fails to do so had to reimburse the state for the funds it received during the fiscal year. The City of Twentynine Palms has not spent General Fund monies for transportation purposes and therefore does not have a maintenance of effort (MOE) requirement.

FY2010 Proposition 42 Allocation Time and State Cash Flow

Proposition 42 funds have historically been allocated quarterly. However, as part of the FY2010 state budget, in order for the state to better manage cash flow difficulties, a delay in the regular quarter allocation was made as follows:

- The October 2009 and January 2010 payment was made in May 2010.
- The third quarter April and fourth quarter June payments were made on time.

Revenue Assumptions Gasoline Sales Tax—Gasoline Excise Tax Swap

On March 4, 2010, as part of a special budget session called by the Governor, the State Legislature passed ABx8 6 and ABx8 9, which contain provisions for a swap of State sales taxes on gasoline for a gasoline excise tax. The bills were signed by the Governor on March 22. Governor Schwarzenegger signed AB 70 on March 23, which is a clean up to ABX8 6. This legislation eliminated Proposition 42 funding for FY2011, and replaced it with additional gasoline excise tax allocation to cities and counties. The law included expressed legislative intent to fully replace City and County Proposition 42 State sales tax on gasoline with allocations from the new higher motor vehicle gasoline excise tax (HUTA) rate. There will be no Proposition 42 revenues during FY2012.

The City is appropriating \$377,400 in Proposition 42 Fund Balance during FY2012. The use of \$377,400 in fund balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. The City will transfer \$117,400 of the Proposition 42 Special Revenue Fund Balance to the Gasoline Tax Special Revenue Fund and \$220,000 from fund balance to the General Capital Improvements Fund. This accounting fund is being closed out at the end of FY2012 and will have no ending fund balance.

Goals and Performance Measures (To Be Completed by June 30, 2012)

- 1. Goal:** Comply with all state requirements to obtain and spend Proposition 42 Traffic Congestion Relief funds.
Performance Measure: City is in compliance with all grant requirements. Report to City Council.
- 2. Goal:** Successfully pass audit conducted by the California Department of Transportation (Caltrans) on the use of Proposition 42 Traffic Congestion Relief Funds.
Performance Measure: City successfully passes the audit. Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Proposition 42 Traffic Congestion Relief Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
23-0000-3245	Interest Revenue	1,081	642	1,959	1,150	0
23-0000-3260	SB County Portion of Mesquite Springs Road Revenue	0	0	0	283,500	0
23-0000-3444	Proposition 42 Traffic Congestion Relief Revenue	400,000	242,402	278,358	0	0
23-0000-3446	Proposition 1B Revenues ²¹²	0	0	369,131	0	0
23-0000-3457	SANBAG—American Recovery and Reinvestment Act Grant ²¹³	0	0	0	437,000	0
	Total Proposition 42 Special Revenue Fund Revenues	401,081	243,044	649,448	721,650	0

²¹² Proposition 1B included \$1 billion for cities and counties that is allocated to each city for projects to improve the local street and road system. The City of Twentynine Palms received \$369,131 in FY2010 under the Proposition 1B funding formula. Unlike Proposition 42 funding, which is dedicated exclusively to street maintenance and repair projects, cities could determine their own priorities for use of these transportation funds, including traffic congestion relief, traffic safety, transit, storm damage, maintenance, construction and other projects to improve the local street and road system.

²¹³ California received American Recovery and Reinvestment Act (ARRA) funds to repair and improve the state's transportation system, create jobs and stimulate economic growth. Street and road funds for cities and counties are allocated through the local metropolitan planning organizations (MPO). The San Bernardino County Associated Governments (SABAG) decided to allocate the available funds for the County by population. Twentynine Palms was allocated \$437,000 for FY2011.

Use of Proposition 42 Traffic Congestion Relief Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Proposition 42 Traffic Congestion Relief Fund Balance ²¹⁴	0	0	0	0	337,400
	Total Use of Proposition 42 Traffic Congestion Relief Fund Balance	0	0	0	0	337,400

Total Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Proposition 42 Traffic Congestion Relief Fund Revenues and Use of Fund Balance	401,081	243,044	649,448	721,650	337,400

Proposition 42 Traffic Congestion Relief Special Revenue Fund Expenditures

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
23-1005-4530	Traffic Signals and Lights	0	0	2,273	3,000	0
23-1005-4531	Traffic Signal Maintenance	0	0	975	1,500	0
23-1005-4532	Signs and Striping	0	0	159	200	0
23-1005-4850	Transfer to Gasoline Tax Special Revenue Fund	0	0	0	0	117,400
23-1005-4850	Transfer to General Capital Projects Fund	0	0	0	0	220,000
23-1005-4876	Slurry Seal Projects	401,081	0	0	335,000	0
23-1005-4923	Overlay of Mesquite Springs from Two Mile Road to Indian Trail	0	0	137,635	796,000	0
	Total Proposition 42 Special Revenue Fund Expenditures	401,081	0	141,042	1,135,700	337,400

²¹⁴ The use of \$377,400 in FY2012 from the Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Projected Estimated Changes to Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance²¹⁵

Estimated Beginning FY2012 Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance on July 1, 2011:	\$ 337,400
Estimated Ending FY202 Proposition 42 Traffic Congestion Relief Special Revenue Fund Balance on June 30, 2012:	\$ 0



Photograph by Maud Russell

²¹⁵Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

Combined Measure I Capital Projects Fund

(Fund No. 24)

Fund Mission

The mission of the Combined Measure I Capital Projects Fund is to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of Measure I half-cent retail transaction and use tax to construct, repair, rehabilitate and maintain streets, roads, bridges, traffic control devices, sidewalks, bike lanes and other transportation facilities.

Fund Description

In November 2004, San Bernardino County voters approved an extension of Measure I authorizing the San Bernardino County Transportation Authority to impose a half-cent transaction and use tax applicable in the incorporated and unincorporated territory of the County of San Bernardino for a period of 30 years. The San Bernardino Associated Governments (SANBAG), acting as the Transportation Authority, is authorized to administer the program as described in the Measure. The voter-approved Measure I funds are allocated based on an expenditure plan.

Revenue projections for the next 20 years will fluctuate due to unknown economic conditions. Over the 30-year life of the new Measure I, it is estimated that SANBAG will collect \$4.5 billion for transportation improvements in San Bernardino County. Measure I identifies six separate subareas of the county for the purpose of revenue allocation: Colorado River, Morongo Basin, Mountain, North Desert, Victor Valley and San Bernardino. Revenue generated in each subarea is returned to that subarea for projects identified in expenditure plans. Revenue from the tax can only be used for transportation improvement and traffic management programs as authorized in the Measure I and the Expenditure Plan.

Measure I collections are estimated to be \$111.6 million for FY2012. This is up from \$106.1 million for FY2010 and \$108 million in FY2011.

Revenue Assumptions

The City has received approval from the San Bernardino County Associated Governments (SANBAG) for \$600,000 in local distribution and \$200,000 in discretionary Measure I funds. In addition, Twentynine Palms will use \$1,653,800 from the Combined Measure I Fund Balance. The use of \$1,653,800 in FY2012 from the Combined Measure I Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total Measure I resources available for FY2012 are \$2,469,800.**

Twentynine Palms will spend \$1,718,000 for street construction and reconstruction projects and \$751,800 for the City Congestion Management Program, street and crosswalk repair and advanced seal projects. **Total FY2012 expenditures will be \$2,469,800.** The Combined Measure I Capital Projects Fund Balance will be reduced to \$1,694,672 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Comply with all requirements to obtain and spend Combined Measure I funds.

Performance Measure: City is in compliance with all Combined Measure I fund requirements. Report to City Council.

2. Goal: Successfully pass audits conducted by the San Bernardino County Associated Governments (SANBAG) on the use of Measure I funds.

Performance Measure: City successfully passes all audits on the use of Measure I funds. Report to the City Council.

3. Goal: Successfully complete all Combined Measure I projects by May 2012.

Performance Measure: City successfully completes all Combined Measure I projects by May 2012. Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Combined Measure I Capital Projects Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
24-0000-3245	Interest Earned	65,695	41,289	15,293	14,000	16,000
24-0000-3260	Reimbursement from County		400,000	0	2,500	0
24-0000-3455	Measure I Distribution	730,003	682,758	1,018,414	550,000	600,000
24-0000-3456	Measure I Discretionary	0	0	0	0	200,000
	Total Measure I Combined Funds Revenue	795,698	1,124,047	1,033,707	566,500	816,000

Use of Combined Measure I Funds Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Combined Measure I Fund Balance ²¹⁶	0	0	0	0	1,653,800
	Total Measure I Combined Funds Revenue	0	0	0	0	1,653,800

Total Combined Measure I Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Measure I Combined Funds Revenues	795,698	1,124,047	1,033,707	566,500	2,469,800

²¹⁶ The use of \$1,653,800 in FY2012 from the Combined Measure I Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Combined Measure I Capital Projects Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
24-1007-4110	Salaries and Wages	46,481	0	0	0	0
24-1007-4150	Insurance and Retirement	15,151	0	0	0	0
	Total Personnel Services	61,632	0	0	0	0

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
24-1007-4432	General Liability Insurance	2,342	0	0	0	
24-1007-4665	Congestion Management Program	2,480	105	20,521	3,000	3,000
24-1007-4857	Pavement Management Program	0	70	17,611	2,500	0
24-1007-4863	Street and Crosswalk Repair	51,765	577	743	7,500	20,000
24-1007-4935	Advanced Seal Projects					
	Lear Ave – Hwy 62 to Amboy	0	0	0	0	110,000
	Hatch – Sullivan to Hwy 62	0	0	0	0	52,000
	Larrea – Hwy 62 to Two Mile	0	0	0	0	100,000
	Utah Trail – Mesa to Amboy	0	0	0	0	44,100
	Indian Trail – Mesquite Springs to Adobe	0	0	0	0	44,000
	Utah Trail – Valle Vista to Mesa	0	0	0	0	44,000
	Valle Vista – Condor to Bullion	0	0	0	0	132,200
	Sun Valley – Hillside to Adobe	0	0	0	0	56,000
	Condor- MCAGCC Gate to Adobe	0	0	0	0	104,400
	Raymond – Mesquite Springs to Adobe	0	0	0	0	42,100
	Total Maintenance and Operations	56,589	752	38,875	13,000	751,800

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Construction and Reconstruction Projects					
24-1007-4863	Hwy 62 – Sunrise to Canyon – Widen	0	194,000	7,442	10,000	200,000
24-1007-4929	El Rey – Hwy 62 to Nicholson	29,697	481,968	0	0	0
24-1007-4934	National Park Drive- Utah to Mara Ave Install Berms	30,449	0	0	0	0
24-1007-4935	Adobe & El Paseo Median Crosswalk with Flashing Light	59,137	0	0	0	0
27-1007-4961	Hwy 62 Curbs, Gutters and Sidewalks	0	0	0	0	200,000
25-1007-4978	Sunnyslope, Sun Valley to Hillside (Overlay)	0	0	0	0	200,000
25-1007-4984	Sunnyslope, Ocotillo to Aztec Overlay Projects	0	0	0	0	96,000
24-1007-4909	Amboy Rd, Adobe to Utah Trail	159,165	0	0	0	0
24-1007-4922	Utah Trail, Joe Davis to Hwy 62	85,358	0	0	0	0
24-1007-4971	Sullivan, Adobe to Hillside (Overlay)	0	0	0	0	124,000
	Amboy Rd, Utah Trail to Bagdad Hwy (Overlay)	0	0	0	0	222,000
	Mesquite Springs, El Paseo to Two Mile (Overlay)	0	0	0	0	138,000
25-1007-4984	Ocotillo Ave, Sunnyslope to Two Mile (Overlay)	0	0	0	0	55,000
	Joshua Drive, Split Rock to Adobe (Overlay)	0	0	0	0	83,000
	Baseline Road, Utah Trail to Adobe Road (Overlay)	0	0	0	0	200,000
24-1007-4984	Adobe Road, Baseline to Hwy 62	0	0	0	0	200,000
	Total Capital Expenditures	363,806	675,968	7,442	10,000	1,718,000

Total Combined Measure I Funds Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Combined Measure I Funds Expenditures	482,027	676,720	46,317	23,000	2,469,800

Projected Estimated Changes to Measure I Combined Funds Capital Projects Fund Balance²¹⁷

Estimated Beginning FY2012 Combined Measure I Special Revenue Fund Balance on July 1, 2011:

\$ 3,384,472

Estimated Ending FY2012 Combined Measure I Special Revenue Fund Balance on June 30, 2012:

\$ 1,694,672



**TWENTYNINE
PALMS
INN**

Twentynine Palms, California

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Twentynine Palms Inn--1946

²¹⁷ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

BIKEWAYS AND SIDEWALKS ARTICLE 3 SPECIAL REVENUE FUND

(Fund No. 30)

Fund Mission

The mission of the Bikeways and Sidewalks Article 3 Special Revenue Fund is to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of Article 3 funds from 0.25% of one cent statewide sales tax set aside for transit, bike paths and pedestrian facilities and capital projects related to streets and roads as part of the 1972 Transportation Development Act (TDA).

Fund Description

The Transportation Development Act (Senate Bill 325, Public Utilities Code Section 99200) adopted in 1972 derives its revenues from the 0.25% of one cent statewide retail sales tax. The 0.25% is returned by the State Board of Equalization to each county according to the amount of the tax collected in that county. Revenues from county Local Transportation Funds (LTF) must be apportioned by population to areas within the county. An area can be a transit district, city, county or other government unit. Article 3 allocations of Transportation Development Act (TDA) must be used for transit, bike paths and pedestrian facilities. **Beginning in FY2012, Article 3 allocations of Transportation Development Act (TDA) will be accounted for in the General Capital Projects Fund, AB2766 Special Revenue Fund or the or the Transportation Development Act (TDA) Special Revenue Fund.**

Revenue Assumptions

The City does not anticipate that it will deposit any Bikeways and Sidewalks Article 3 allocations from the revenues collected as part of the Transportation Development Act (TDA). It will use \$95,700 from the Fund Balance during FY2012. The use of \$95,700 in FY2012 from the Combined Measure I Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total resources available for FY2012 are \$95,700.**

Twentynine Palms will transfer its entire fund balance to other funds during FY2012. \$15,000 will be transferred to the General Capital Projects Fund to complete the Collins Bike Path. Another \$80,700 will be transferred to the AB2766 Motor Vehicle Surcharge Special Revenue Fund during the fiscal year. **Total funds transferred out during FY2012 are \$95,700.** There will be no City funds in the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Comply with all requirements to spend Bikeways and Sidewalks Article 3 Transportation Development Act (TDA) funds.

Performance Measure: City is in compliance with all Bikeways and Sidewalks Article 3 Transportation Development Act (TDA) regulations. Report to City Council.

2. Goal: Successfully pass audits conducted by the San Bernardino County Associated Governments (SANBAG) on the use of Bikeways and Sidewalks Article 3 Transportation Development Act (TDA).

Performance Measure: City successfully passes all audits conducted by the San Bernardino Associated Governments (SANBAG) on the use of Bikeways and Sidewalks Article 3 Transportation Development Act (TDA). Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Bikeways and Sidewalks Article 3 Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Bikeways and Sidewalks Article 3 Revenues ²¹⁸	0	0	0	0	0
30-0000-3245	Interest Revenue	636	330	99	100	0
	Total Bikeways and Sidewalks Article 3 Revenues	636	330	99	99	0

Use of Bikeways and Sidewalks Article 3 Special Revenue Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Bikeways and Sidewalks Article 3 Fund Balance ²¹⁹	0	0	0	0	95,700
	Total Use of Bikeways and Sidewalks Article 3 Fund Balance	0	0	0	0	95,700

Total Revenues and Use of Bikeways and Sidewalks Article 3 Special Revenue Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Revenues and Use of Fund Balance	636	330	99	99	95,700

Bikeways and Sidewalks Article 3 Special Revenue Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
30-1005-4850	Transfer to AB 2766 Motor Vehicle Surcharge Fund ²²⁰	0	0	0	0	80,700
30-1005-4850	Transfer to Capital Projects Fund for Collins Bike Path ²²¹	0	0	0	0	15,000
	Total Maintenance and Operations	0	0	0	0	95,700

²¹⁸ During FY2012, the City will not receive any Bikeways and Sidewalk Article 3 revenues from Transportation Development Act (TDA) allocations.

²¹⁹ The use of \$95,700 in FY2012 from the Bikeways and Sidewalks Article 3 Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

²²⁰ \$80,700 will be transferred to the AB2766 Motor Vehicle Surcharge Special Revenue Fund during FY2012.

²²¹ \$15,000 will be transferred to the General Capital Projects Fund to complete the Collins Bike Path during FY2012.

Total Bikeways and Sidewalks Article 3 Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Bikeways and Sidewalks Article 3 Special Revenue Fund Expenditures	0	0	0	0	95,700

Projected Estimated Changes to Bikeways and Sidewalks Article 3 Special Revenue Fund Balance²²²

Estimated Beginning FY2012 Bikeways and Sidewalks Article 3 Special Revenue Fund Balance on July 1, 2011: \$ 95,700

Estimated Ending FY2012 Bikeways and Sidewalks Article 3 Special Revenue Fund Balance on June 30, 2012: \$ 0



²²² Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

AB 2766 MOTOR VEHICLE SURCHARGE SPECIAL REVENUE FUND

(Fund No. 31)

Fund Mission

The mission of the AB 2766 Motor Vehicle Surcharge Special Revenue Fund is to account for the revenues, expenditures, assets and liabilities related to the Mojave Desert Air Quality Management District (MDAQMD) Mobile Emissions Reduction Grant Program to improve the quality of the air in the High Desert by funding local, cost-effective projects to upgrade heavy-duty diesel equipment.

Fund Description

Assembly Bill 2766 authorized the Mojave Desert Air Quality Management District (MDAQMD) to impose up to a \$4 motor vehicle registration fee per vehicle licensed within the State of California to provide funds for air districts to meet new responsibilities mandated under the California Clean Air Act (CCAA). AB 2766 states that the fees shall be used to support district operating, planning, monitoring, enforcement and technical studies necessary to implement the California Clean Air Act (CCAA).

The purpose of these grants is to upgrade heavy-duty diesel equipment using proven technologies and procedures that reduce nitrogen (NOx), particulate matter (PM) and reactive organic gases (ROG) from diesel-powered engines. Diesel exhaust is a serious public health risk and is considered the number one airborne carcinogen in California. It is responsible for 70% of the cancer risk in California from toxic air contaminants, and a major contributor to lung and heart problems.

On July 31, 1995, the Mobile Source Emissions Reduction Program was established by the Mojave Desert Air Quality Management District (MDAQMD) Governing Board. The program allocates a portion of the available AB 2766 funds to local government entities and other organizations capable of effectively using the funds to reduce air pollution from mobile sources. Another portion of the AB 2766 funds allocated to the program creates a competitive grant pool that is used to fund other local projects and reduces emissions from mobile sources. Since the program's inception, the Mojave Desert Air Quality Management District (MDAQMD) has awarded close to \$3.9 million to creative and cost-effective projects.

Revenue Assumptions

The City anticipates that it will receive \$18,000 in grants to upgrade its heavy-duty diesel equipment to reduce nitrogen (NOx), particulate matter (PM) and reactive organic gases (ROG). Interest earnings are projected to be \$250 and another \$80,700 will be transferred from the Bikeways and Sidewalks Article 3 Special Revenue Fund. **Total FY2012 resources available for appropriation are \$98,950.**

Twentynine Palms will spend \$15,300 to install diesel engine kits on City diesel powered trucks and equipment to reduce air pollution and improve air quality during FY2012. The AB 2766 Motor Vehicle Surcharge Fund Balance will increase to \$83,650 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Comply with all requirements to spend grants given to the City by the Mojave Desert Air Quality Management District (MDAQMD) to improve air quality.

Performance Measure: City meets all requirements of the grants awarded by the Mojave Desert Air Quality Management District (MDAQMD) and is in compliance with all Bikeways and Sidewalks Article 3 Transportation Development Act (TDA) regulations. Report to City Council.

2. Goal: Purchase and install diesel engine kits on City diesel powered trucks and equipment to reduce air pollution and improve air quality.

Performance Measure: City installs diesel engine kits on City diesel powered trucks and equipment to reduce air pollution and improve air quality.

3. Goal: Successfully pass audits conducted by the Mojave Desert Air Quality Management District (MDAQMD) on the use of AB 2766 grants to improve air quality.

Performance Measure: City successfully passes all audits conducted by the Mojave Desert Air Quality Management District (MDAQMD) on the use of AB 2766 grants to improve air quality. Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, the Mojave Desert and the California outback.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

AB 2766 Motor Vehicle Surcharge Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
31-0000-3245	Interest Earned	2,698	1,493	384	250	250
31-0000-3281	AB 2766 Allocations from Mojave Desert Air Quality Management District	19,898	18,532	18,054	18,000	18,000
31-0000-3216	Transfer from Bikeways and Sidewalks	0	0	0	0	80,700
	Total AB 2766 Motor Vehicle Surcharge Fund Revenue	22,596	20,025	18,438	18,250	98,950

Use of AB 2766 Motor Vehicle Surcharge Special Revenue Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of AB 2766 Motor Vehicle Surcharge Fund Balance ²²³	1,710	7,317	0	0	0
	Total Use of AB 2766 Vehicle Surcharge Fund Balance	1,710	7,317	0	0	0

Total Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total AB 2766 Motor Vehicle Surcharge Fund	24,306	27,342	18,438	18,250	98,950

²²³ The use of \$1,710 in FY2008 and \$7,317 in FY2009 from the AB 2766 Motor Vehicle Surcharge Special Revenue Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2008 and FY2009.

AB 2766 Motor Vehicle Surcharge Special Revenue Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
31-1005-4244	Miscellaneous	0	0	2,500	0	0
31-1005-4816	Diesel Engine Kits	14,395	27,342	9,925	0	15,300
31-1005-4841	Alternative Fuel Vehicle	9,911	0	0	0	0
	Total AB 2766 Motor Vehicle Surcharge Fund Expenditures	24,306	27,342	12,425	0	15,300

Total AB2766 Motor Vehicle Surcharge Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total AB 2766 Motor Vehicle Surcharge Special Revenue Fund Expenditures	24,306	27,342	12,425	0	15,300

Projected Estimated Changes to AB 2766 Motor Vehicle Surcharge Special Revenue Fund Balance²²⁴

Estimated Beginning FY2012 AB 2766 Motor Vehicle Surcharge
Special Revenue Fund Balance on July 1, 2011: \$ 0

Estimated Ending FY2012 Regional AB 2766 Motor Vehicle Surcharge
Special Revenue Fund Balance on June 30, 2012: \$ 83,650

²²⁴Accountants employ the term "Fund Balance" to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

TRANSPORTATION DEVELOPMENT ACT (TDA) SPECIAL REVENUE FUND

(Fund No. 32)

Fund Mission

The mission of the Transportation Development Act (TDA) Special Revenue Fund is to account for all activities, revenues and expenditures related to Twentynine Palms' allocation of the 0.25% statewide sales tax set aside for transit, bike paths and pedestrian facilities and capital projects related to streets and roads.

Fund Description

The Transportation Development Act (TDA) authorizes the creation of a Local Transportation Fund (LTF) in each county for the transportation purposes specified in the "Mills-Alquist Deddeh Act," also known as the Transportation Development Act (TDA), Public Utilities Code Section 99200. Revenues to the Local Transportation funds are derived from the quarter cent of the 8.75% retail sales tax collected countywide. The quarter cent is returned by the state Board of Equalization (BOE) to each county according to the amount of tax collected in that county. There is a three-step process for disbursement of these funds: (1) apportionment, (2) allocation, and (3) disbursement. One step does not always imply or require the next. Annually, SANBAG, acting as the Transportation Planning Agency (TPA), determines each area's apportionment of the anticipated Local Transportation Funds. Once funds are apportioned to a given areas, they are typically available only for allocation to the claimants in that area. Allocation is the discretionary action by SANBAG that designates funds to a specified claimant for a specified purpose. Disbursement is authorized by allocation instructions issued by SANBAG, which may call for payment in a lump sum, installments or as funds become available.

After determining amounts allocated for planning and administrative purposes, funds are allocated for pedestrian/bicycle projects, support of transit operation and capital projects and in the Mountain/Desert region for street and road improvements. The LTF funds for FY2012 are estimated to be \$60.8 million. This represents a \$6.6 million increase from the previous fiscal year budget. LTF apportionments will be revised up or down depending on the actual collections.

Revenue Assumptions

The City will continue to see a reduction in Transportation Development Act (TDA) Article 8 funds. Twentynine Palms has been informed that it will receive \$250,000 from the San Bernardino Associated Governments (SANBAG) during FY2012. In addition, the City will transfer \$10,000 from the Risk Management Internal Service Fund to the Transportation Development Act (TDA) Special Revenue Fund for streets and roads. Another \$1,500 will be earned in interest revenue. **Total financial resources available for appropriation are \$261,500.**

The City will spend \$220,000 in Transportation Development Act (TDA) funds during FY2012. This includes \$20,000 for road maintenance and \$200,000 to slurry seal City streets. The Transportation Development Act (TDA) Fund Balance will increase from \$226,089 on July 1, 2011 to a projected \$267,589 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Comply with all requirements to spend Transportation Development Act (TDA) funds.

Performance Measure: City is in compliance with all Transportation Development Act (TDA) regulations. Report to City Council.

2. Goal: Complete all slurry seal projects and road maintenance projects by May 2012.

Performance Measure: All Slurry seal projects and road maintenance projects are completed by May 2012. Report to the City Council.

3. Goal: Successfully pass audits conducted by the San Bernardino County Associated Governments (SANBAG) on the use of Transportation Development Act (TDA) funds.

Performance Measure: City successfully passes all audits conducted by the San Bernardino Associated Governments (SANBAG) on the use of Transportation Development Act (TDA). Report to the City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Provides an atmosphere in which people can live in good health, move safely about the community (even at night) and feel confident that they and their property are protected from criminal harm, flood and other natural disasters and man-made hazards.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Transportation Development Act (TDA) Special Revenue Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
32-0000-3245	Interest Earned	53,524	15,394	1,267	0	1,500
32-0000-3260	Miscellaneous	0	0	3,472	3,500	0
32-0000-3316	Transfer from Risk Management Fund	0	0	0	0	10,000
32-0000-3465	Article 8 LTF Fund Revenues	1,312,248	301,829	246,269	367,100	250,000
32-0000-3901	SANBAG – Safe Routes 2 Schools	0	0	0	438,000	0
32-0000-3903	City Match – Curb Gutter and Sidewalk Impact Fee	0	0	0	132,000	0
32-0000-3905	CalEMA/FEMA Reimbursement	0	0	0	29,000	0
	Total Transportation Development Act (TDA) Revenues	1,365,772	317,223	251,008	969,600	261,500

Use of Transportation Development Act (TDA) Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Transportation Development Act Fund Balance ²²⁵	0	1,172,330	154,225	0	0
	Total Use of Transportation Development Fund Balance	0	1,172,330	154,225	0	0

Total Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Transportation Development Act Revenues and Use of Fund Balance	1,365,772	1,489,553	405,233	969,600	261,500

²²⁵ The use of \$1,172,330 in FY2009 and \$154,225 in FY2010 from the Transportation Development Act (TDA) Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2009 and FY2010.

Transportation Development Act (TDA) Special Revenue Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
32-1005-4110	Salaries and Wages	226,313	198,320	223,468	230,800	0
32-1005-4150	Insurance and Retirement	75,816	73,513	75,059	94,500	0
	Total Personnel Services	302,129	271,833	298,527	325,300	0

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
32-1005-4262	Equipment Lease and Maintenance	11,288	10,872	0	0	0
32-1005-4272	Vehicle Repair and Maintenance	2,654	34	0	0	0
32-1005-4291	Building Repair and Maintenance	182	1,393	0	0	0
32-1005-4432	General Liability and Insurance	11,401	11,196	12,940	16,000	0
32-1005-4530	Traffic Signals and Lights	727	552	0	0	0
32-1005-4531	Traffic Signal Maintenance	11,679	1,580	0	0	0
32-1005-4532	Signs, Striping	12,617	144	0	0	0
32-1005-4534	Road Maintenance	11,624	27,661	-14,790	0	20,000
32-1005-4564	Flood Cleanup/Repair	0	180,236	434	47,000	0
32-1005-4839	Sidewalk Rehabilitation	0	1,920	18,735	0	0
32-1005-4844	Slurry Seal Projects	67,352	47,036	0	0	200,000
32-1005-4918	Traffic Study & Traffic Control	3,625	24,897	0	0	0
	Total Maintenance and Operations Expenditures	133,149	307,521	17,319	63,000	220,000

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
32-1004-4915	Mesquite Springs, Hwy 62 to Two Mile – Widen and Install Berms	131,355	404,649	9,524	2,200	0
32-1004-4917	Bagley Ave., Split Rock to Two Mile Overlay	8,864	505,550	0	0	0
32-1004-4920	Safe Routes 2 Schools	0	0	79,863	525,000	0
32-1004-4937	East Court – Repave	26,297	0	0	0	0
	Total Capital Expenditures	166,516	910,199	89,387	527,200	0

Total Transportation Development Act Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Transportation Development Act Expenditures	601,794	1,489,553	405,233	915,500	220,000

Projected Estimated Changes to Transportation Development Act (TDA) Special Revenue Fund Balance²²⁶

Estimated Beginning FY2012 Transportation Development Act (TDA) Special Revenue Fund Balance on July 1, 2011: \$ 226,089

Estimated Ending FY2012 Transportation Development Act (TDA) Special Revenue Fund Balance on June 30, 2012: \$ 267,589



**Fordson Tractor owned by Bill Keys
(Photo courtesy of Charles Teel)**

²²⁶Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

Risk Management Internal Service Fund

(Fund No. 35)

Fund Mission

The mission of the Risk Management Internal Service Fund was to account for all revenues and expenditures related to the City's liability insurance coverage, workers' compensation insurance coverage, property insurance coverage and bond insurance coverage.

Fund Description

The City's liability, workers' compensation, and bonding is provided by the Public Agency Risk Sharing Authority (PARSAC), a public sector risk pool made up of 37 cities throughout the State of California. PARSAC is a joint powers authority public insurance company where there is insurance and risk sharing among the pool participants. The City pays an annual premium to PARSAC for all its coverage. PARSAC is self-sustaining through member premiums.

1. Liability Insurance Coverage. PARSAC provides up to \$35 million per occurrence for general and automobile liability and public officials errors and omissions. PARSAC self funds coverage up to \$1 million. Losses that exceed this amount are covered via the CSAC Excess Insurance Authority (CSAC-EIA). The City is self-insured for general liability claims up to \$5,000 for each occurrence. This risk sharing program requires members to maintain three times the retention amount in a reserve fund.

Employment practices liability coverage is a component of PARSAC's liability program with coverage provided by the Employment Risk Management Authority (ERMA) up to \$1 million per occurrence. Coverage above \$1 million is provided by CSAC-EIA up to the liability program limit of \$35 million.

PARSAC provides cost-effective, qualified defense counsel through the Liability Defense Panel. This highly recognized panel includes attorneys and firms statewide who have proven success in all areas of public entity defense including law enforcement, civil rights, land use, and dangerous conditions of public property. The PARSAC Liability Program is experience-rated, meaning member contributions are adjusted based on loss experience. This method ensures equitable distribution of risk and stable rates. Experience-rating also provides each member with an opportunity to effectively reduce their individual contribution by actively practicing loss prevention.

2. Workers' Compensation Insurance Coverage. PARSAC provides the City of Twentynine Palms with workers' compensation insurance coverage up to statutory limits per occurrence, including volunteer operations. The organization self-funds up to \$500,000. Losses in excess of this amount up to \$300 million are covered via the Local Agency Workers' Compensation Excess Pool (LAWCX) and reinsurance. Twentynine Palms has first dollar coverage under this program. PARSAC uses a dedicated Workers' Compensation Unit which is responsive to employees and ensures their needs are met and they are returned to work appropriately.

3. Property Insurance Coverage. The PARSAC Property Insurance Program is a group purchased commercial insurance policy through the Public Entity Property Insurance Program (PEPIP) that is specifically designed for public entities. Members are afforded all-risk, replacement costs coverage with

limits up to \$1 Billion including automatic coverage for new acquisitions, auto physical damage, boiler and machinery, and course of construction. There is optional coverage for earthquake and flood damage.

4. Bond Insurance Coverage. PARSAC provides Twentynine Palms with a Bond Program. This program is a group purchased program where rate reductions and coverage enhancements are realized because participants are able to leverage their significant purchasing power. This program provides up to \$1 million per occurrence for cost of \$1,500 annually with a \$2,500 deductible.

Revenue Assumptions

The City operated an internal service fund to keep track of revenues and expenditures related to the City's liability, workers' compensation, property and bond insurance coverage. The Risk Management Internal Service Fund would pay insurance premiums and then charge each accounting fund a portion of the premium. Beginning in FY2012, to simplify the City's accounting system, insurance premiums are charged directly to each accounting fund. The City will appropriate \$100,500 from the Risk Management Internal Service Fund Balance for transfer to other accounting funds. This use of \$45,052 in FY2010 and \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

The City will transfer \$74,000 to the General Capital Projects Fund and \$26,500 to the Gasoline Tax Special Revenue fund, Transportation Development Act (TDA) Special Revenue and the Twentynine Palms Redevelopment Agency Fund. There will be no fund balance in the Risk Management Internal Service Fund on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Insure the City has adequate liability, workers' compensation, property and bonding insurance coverage to prevent catastrophic losses.

Performance Measure: City liability, workers' compensation, property and bonding insurance coverage is reviewed to determine if coverage is adequate.

2. Goal: Implement liability risk management programs required by the City's liability insurance carrier.

Performance Measure: Liability risk management programs required by the City's liability insurance carrier are implemented.

3. Goal: Implement workers' compensation risk management programs required by the City's workers' compensation insurance carrier.

Performance Measure: Workers' compensation risk management programs required by the City's workers' compensation insurance carrier are implemented.

4. Goal: Implement property risk management programs required by the City's property insurance carrier.

Performance Measure: Property risk management programs required by the City's property insurance carrier are implemented.

4. Goal: Implement bonding risk management programs required by the City's bonding insurance carrier.

Performance Measure: Bonding risk management programs required by the City's bonding insurance carrier are implemented.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Shoulders the full share of the community's county, regional and state responsibilities, acknowledging that the City is part of a larger community and that the provision of services and the solution to certain problems must be the result of intergovernmental cooperation.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and be accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Risk Management Internal Service Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
35-0000-3245	Interest Earned	7,489	2,766	659	360	0
35-0000-3260	Miscellaneous	0	462	5,450	-5,000	0
35-0000-3611	Charges to General Fund	68,199	101,004	132,867	112,500	0
35-0000-3612	Charges to Special Revenue Funds	27,627	36,504	41,270	45,000	0
35-0000-3650	Charges for Workers Compensation	50,768	133,538	49,581	110,000	0
	Total Risk Management Internal Fund Revenue	154,083	274,274	229,827	262,860	0

Use of Risk Management Internal Service Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Risk Management Internal Service Fund Balance ²²⁷	0	0	45,052	0	100,500
	Total Use of Risk Management Internal Service Fund Balance	0	0	45,052	0	100,500

Total Risk Management Internal Service Fund Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Risk Management Internal Service Fund Revenues and Use of Fund Balance	154,083	274,274	274,879	262,860	100,500

²²⁷ The use of \$45,052 in FY2010 and \$100,500 in FY2012 from the Risk Management Internal Service Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Risk Management Internal Service Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
35-0109-4132	Workers Compensation Premiums	50,768	50,212	95,439	90,000	0
35-0109-4220	Claims Administration	10,045	1,923	0	5,000	0
35-0109-4251	Meetings and Travel	960	1,368	100	1,200	0
35-0109-4421	Defense Costs	0	960	5,503	5,000	0
35-0109-4432	Liability Premiums	79,392	136,660	163,065	140,000	0
35-0109-4435	Property & Other Insurance	6,754	8,485	10,677	12,200	0
35-0109-4436	Claims Settlement	3,902	5,000	95	5,000	0
35-0109-4476	Public Officials' Bond	700	700	0	800	0
35-0109-4830	Transfer to General Capital Projects Fund for General Fund	0	0	0	0	74,000
35-0109-4830	Transfer to Gasoline Tax, Transportation Development Act and Redevelopment Funds	0	0	0	0	26,500
	Total Risk Management Internal Service Fund Expenditures	152,521	205,308	274,879	259,200	100,500

Total Risk Management Internal Service Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Risk Management Internal Service Fund Expenditures	152,521	205,308	274,879	259,200	100,500

Projected Estimated Changes to Risk Management Internal Service Fund Balance²²⁸

Estimated Beginning FY2012 Risk Management Internal Service Fund balance on July 1, 2011: \$ 100,500

Estimated Ending FY2012 Risk Management Internal Service Fund Balance on June 30, 2012: \$ 0

²²⁸ Accountants employ the term "Fund Balance" to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

LIGHTING & LANDSCAPE ASSESSMENT DISTRICTS SPECIAL REVENUE FUND

(Fund No. 41)

Fund Mission

The mission of the Lighting and Landscape Assessment Districts Special Revenue Fund is to account for all activities, revenues, expenditures, assets and liabilities in providing maintenance, servicing, and operation of landscape improvements, median strip improvements, parks improvements, graffiti removal and associated activities located within the public right-of-way and dedicated landscape easements in the City of Twentynine Palms Lighting and Landscape Assessment Districts.

Fund Description

The City of Twentynine Palms levies and collects special assessments in order to maintain improvements within the City's Lighting and Landscape Assessment Districts. Assessments are levied annually for the District pursuant to Part 2 of Division 15 of the California Streets and Highways Code. The maintenance of the improvements provides the following special benefits to the properties within the District:

- Enhanced desirability of properties within the District.
- Improved aesthetic appeal to properties within the District providing a positive representation of the area.
- Enhanced adaptation of the urban environment within the natural environment through adequate green space and landscaping.
- Environmental enhancement through improved erosion resistance, dust and debris control, and reduced noise and air pollution.
- Reduced personal property loss and reduced vandalism resulting from enhanced surroundings.
- Increased promotion of business and business opportunities resulting from a positive representation of the area.

General Description of Services

The District provides for maintenance, servicing and operation of landscaped improvements, parks improvements, median strip improvements, graffiti removal, and associated activities located within the public right-of-way and dedicated landscape easements in each Lighting and Landscape Assessment District.

Each District has specific improvements that provide a special and direct benefit to the parcels within the zones. All parcels that are identified as being within a District, share in both the cost and the benefits of the improvements. The costs associated with improvements are equitably spread between all benefiting parcels within that District. Improvements within the District are generally parks, landscaped medians, and parkways.

These improvements also include turf, ground cover, shrubs and trees, and irrigation systems, graffiti removal and walkways.

Assessment Methodology.

The benefit formula used within each District may vary. The formula used for each District reflects the composition of the parcels, and the improvements and services provided, to accurately proportion the costs based on estimated special benefit to each parcel.

Revenue Assumptions

The annual Engineer's Report describes the District, any annexations, or changes to the District, and the proposed assessments for FY2012. The proposed assessments are based on the historical and estimated cost to maintain the improvements that provide a direct and special benefit to properties within the District. The cost of improvements and the annual levy includes all expenditures, deficits, surpluses, revenues and reserves. Each parcel is assessed proportionately for only those improvements provided and for which the parcel receives benefit. The word "parcel" refers to an individual property assigned its own assessment parcel number by the San Bernardino County Assessor's Office. San Bernardino County uses assessment parcel numbers and specific fund numbers to identify on the tax roll properties assessed for special benefit assessments.

Based on the Engineer's report and the assessments that will be levied by the City Council, the Lighting and Landscape Districts Special Revenue Fund will provide \$30,160 in homeowner assessments and \$240 in interest payments. **Total financial resources available for appropriation during FY2012 are \$30,400.**

FY2012 expenditures for the Lighting and Landscape Districts will be \$33,800, including \$10,000 for water and \$18,000 in contract costs to maintain the common landscape areas. The Lighting and Landscape Districts Special Revenue Fund Balance will be reduced by \$3,400 to \$45,551 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Use funds generated by the Lighting and Landscape District Assessment to provide maintenance, servicing and operation of landscaped improvements, park maintenance, graffiti removal, and associated appurtenances located within the public right-of-way and dedicated landscape easements in two Lighting and Landscape Districts in Twentynine Palms.

Performance Measure: Report to City Council.

2. Goal: Successfully pass audits on the use of funds generated from the Lighting and Landscape Districts.

Performance Measure: Report to City Council.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Value: Promotes efficient and effective municipal services and makes adequate provisions in community planning for police, fire, emergency medical, roads, water, sewer, natural gas, storm water, schools, libraries, parks and other public facilities and services. Community facilities are sensitively and successfully integrated into the natural environment.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and be accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Lighting and Landscape Assessment Districts Special Revenue Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
41-4101-3107	Homeowner Assessments	26,220	23,027	23,595	22,000	22,660
41-4101-3245	Interest Income	2,267	1,159	324	200	240
41-4102-3107	Homeowner Assessments	0	0	0	7,500	7,500
41-4102-3245	Interest Income	0	0	0	0	0
	Use of Risk Management Internal Service Fund Bal					3,400
	Total Lighting & Landscape Assessment Districts Special Revenue Fund Revenue	28,487	24,186	23,919	29,700	33,800

Total Lighting and Landscape Assessment Districts Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Lighting and Landscape Assessment Districts Special Revenue Fund Revenue	28,487	24,186	23,919	29,700	33,800

Lighting and Landscape Assessment Districts Special Revenue Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
41-4101-4210	Electricity	76	212	248	300	300
41-4101-4212	Water	10,816	6,246	8,082	10,000	10,000
41-4101-4233	Publishing/Notices	0	330	0	250	0
41-4101-4260	Graffiti Removal	450	0	0	500	1,000
41-4101-4290	Maintenance Contract	5,214	20,307	22,763	18,000	18,000
41-4102-4210	Electricity	0	0	0	0	2,000
41-4102-4260	Graffiti Removal	0	0	0	0	2,500
	Total Lighting & Landscaping Assessment Districts Special Revenue Fund Expenditures	16,556	27,095	31,093	29,050	33,800

Total Lighting and Landscape Assessment Districts Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Lighting and Landscaping Assessment Districts Special Revenue Fund Expenditures	16,556	27,095	31,093	29,050	33,800

Projected Estimated Changes to Lighting & Landscape Assessment Districts Special Revenue Fund Balance²²⁹

Estimated Beginning FY2012 Lighting & Landscape Assessment Districts Fund Balance on July 1, 2011:	\$	48,951
Estimated Ending FY2012 Lighting & Landscape Assessment Districts Fund Balance on June 30, 2012:	\$	45,551

²²⁹ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

PUBLIC ACCESS TV SPECIAL REVENUE FUND

(Fund No. 42)

Fund Mission

The mission of the Public Access TV Special Revenue Fund is to account for all activities, revenues, and expenditures associated with collecting and spending cable television franchise fees of 1% in support of public, educational governmental purposes consistent with state and federal law.

Fund Description

Under California law effective January 1, 2007, the California Public Utilities Commission (PUC) has the authority to grant State video franchises. The City of Twentynine Palms acquired certain rights and responsibilities with respect to State video franchise holders. These include receipt of a franchise fee and a fee for public, educational and government (PEG) purposes, both based on a percentage of gross revenues of state franchise holders as well as the establishment of enforcement penalties for violations of customer services rules.

Section 5.04.020(a) of the Twentynine Palms Municipal Code states that “any State video franchise holder (“State Franchisee”) operating within the boundaries of the City of Twentynine Palms shall pay a fee to the City equal to five percent (5%) of the gross revenue of the State franchisee.”

Section 5.04.020(b) of the Twentynine Palms Municipal Code states that “any franchisee operating within the boundaries of the City of Twentynine Palms shall pay an additional fee to the City equal to one percent (1%) of the gross revenue of that state franchisee, which fee shall be used by the City for public, educational and government purposes consistent with State and Federal Law.”

Revenue Assumptions

FY2012 projected revenues from the 1% franchise fee collected from gross cable television billings is projected to be \$10,000. In addition, the City is expected to earn \$500 in interest earnings. **Total financial resources available during FY2012 are \$10,500.**

The City will spend \$7,000 during FY2012 including \$5,000 to video tape the meetings and \$2,000 for electronic equipment. The Public Access TV Special Revenue Fund Balance will increase by \$3,500 from \$88,823 on June 30, 2011 to \$92,323 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Broadcast City Council meetings and Planning Commission meetings on the Internet.
Performance Measure: City Council meetings and Planning Commission meetings are broadcast on the Internet.

2. Goal: Broadcast Planning Commission meetings on the cable television public access channel.
Performance Measure: Planning Commission meetings are broadcast on the cable television public access channel.

3. Goal: Broadcast City Council meetings on the cable television public access channel.
Performance Measure: City Council meetings are broadcast on the cable television public access channel.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

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Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Public Access TV Special Revenue Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
42-0000-3245	Interest Income	3,641	1,958	559	400	500
42-0000-3500	Subscriber contributions ²³⁰	18,524	10,530	10,612	10,000	10,000
	Total Public Access TV Special Revenue Fund Revenue	22,165	12,488	11,171	10,400	10,500

Total Public Access TV Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Public Access TV Special Revenue Fund Revenues	22,165	12,488	11,171	10,400	10,500

Public Access TV Special Revenue Fund Expenditures

Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
42-0104-4275	Videotaping Meetings	0	1,200	4,300	5,000	5,000
42-0104-4360	Special Department Supplies	0	7,050			
42-0104-4823	Electronic Equipment	0	15,554	10,349	2,000	2,000
	Total Public Access TV Special Revenue Fund Expenditures	0	23,804	14,649	7,000	7,000

Total Public Access TV Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Public Access TV Special Revenue Fund Expenditures	0	23,804	14,649	7,000	7,000

²³⁰ Section 5.04.020(b) of the Twentynine Palms Municipal Code states that “any franchisee operating within the boundaries of the City of Twentynine Palms shall pay an additional fee to the City equal to one percent (1%) of the gross revenue of that state franchisee, which fee shall be used by the City for public, educational and government purposes consistent with State and Federal Law.”

Projected Estimated Changes to Public Access TV Special Revenue Fund Balance²³¹

Estimated Beginning FY2012 Public Access TV
Special Revenue Fund Balance on July 1, 2011: \$ 88,823

Estimated Ending FY2012 Public Access TV
Special Revenue Fund Balance on June 30, 2012: \$ 92,323



**Four Corners--1940-41
(Photo by Harlow Jones)**

²³¹ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

EQUIPMENT PURCHASE INTERNAL SERVICE FUND

(Fund No. 50)

Fund Mission

The Purpose of the Equipment Purchase Internal Service Fund was to account for the financial resources used to purchase and dispose of cars, trucks, heavy equipment and rolling stock used in City operations and to provide City services.

Fund Description

The Equipment Purchase Special Revenue Fund was an internal service fund operated by the City to account for the purchase of vehicles and heavy equipment used by the City of Twentynine Palms. Departments would pay into this accounting fund each year whether or not they bought new vehicles or heavy equipment. When the department needed to purchase new equipment they could draw upon the funds that had accumulated in this accounting fund. **This accounting fund is being discontinued in FY2012 and the purchase of vehicles and heavy equipment will be accounted for in the appropriate Special Revenue Fund or Capital Projects Fund.**

Revenue Assumptions

The Equipment Purchase Internal Service Fund is being discontinued in FY2012. No revenues are being deposited into this Accounting Fund. The City will transfer \$35,900 to the General Capital Projects Fund to purchase equipment. The Equipment Purchase Internal Service Fund will end the fiscal year on June 30, 2012 with no fund balance.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: There are no goals because the City is discontinuing this accounting fund.

Performance Measure: None

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a municipal government that is honest, dependable, inventive, creative, economical and ethical.

Value: Fosters a feeling of community spirit, community identity and promotes a sense of full citizen participation, guaranteeing an opportunity for everyone to share in the activities, duties, responsibilities and benefits of the City.

Value: Welcomes and accommodates the needs and desires of current residents, future residents and visitors, and lives with the spirit of volunteerism where neighbors work together for the common good to build a strong and vibrant community.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

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Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Equipment Purchase Internal Service Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
50-0000-3216	Transfer from General Fund	0	0	0	100,000	0
	Total Equipment Purchase Internal Service Fund Revenue	0	0	0	100,000	0

Total Equipment Purchase Internal Service Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Equipment Purchase Internal Service Fund Revenues	0	0	0	100,000	0

Equipment Purchase Internal Service Fund Expenditures

Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
50-1050-4840	Ford Flatbed F350 Truck (2011)	0	0	0	35,406	0
50-1050-4840	Toro 360 Mower (2011)	0	0	0	22,380	0
50-1050-4840	John Deere Gator T's	0	0	0	6,331	0
50-1050-4840	Transfer to General Capital Projects Fund	0	0	0	0	35,900
	Total Equipment Purchase Internal Service Fund Expenditures	0	0	0	64,117	35,900

Total Equipment Purchase Internal Service Fund

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Equipment Purchase Internal Service Fund Expenditures	0	0	0	64,117	35,900

Projected Estimated Changes to Equipment Purchase Internal Service Fund Balance²³²

Estimated Beginning FY2012 Equipment Purchase Internal Service Fund Balance on July 1, 2011:	\$	35,900
Estimated Ending FY2012 Equipment Purchase Internal Service Fund Balance on June 30, 2012:	\$	0

²³² Accountants employ the term "Fund Balance" to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

LANDFILL/LAND USE SPECIAL REVENUE FUND

(Fund No. 65)

Fund Mission

The mission of the Landfill/Land Use Special Revenue Fund is to account for solid waste revenues including grant revenues, and landfill tipping fee revenues from haulers outside the county as well as expenses for abandoned vehicle abatement, dangerous building abatement, graffiti removal, illegal dumping, recycling programs, hazardous household waste programs, litter reduction and expenses related to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority.

Fund Description

The Landfill/Land Use Special Revenue Fund is the primary solid waste disposal accounting fund used to account for the California Beverage Container Recycling and Litter Reduction Act grant and the Article 19 Funds the City receives from San Bernardino for landfill tipping fees collected from waste haulers outside the County. The county has a waste disposal agreement with its 15 cities to provide solid waste disposal for those communities. The county is also allowing haulers, who are not part of the agreement, to dispose of waste at county landfills. After extensive negotiations, the county and the 15 cities came to an agreement that the county would share one half of the net profit from these other parities with the contract cities. The amount Twentynine Palms receives is calculated quarterly and paid based on a formula where one half of the amount is distributed by population and one half of the revenue is distributed evenly among all of the cities.

Revenue Assumptions

Twentynine Palms anticipates that it will receive a \$5,000 grant from the California Department of Conservation for recycling plastic containers. This grant comes from the California Redemption Value (CRV) that is charged by retailers on all beverage containers. It will also receive \$500 in interest revenue and \$50,000 in Article 19 fees from San Bernardino County landfills. **Total resources available for appropriation are \$55,800.**

The City will spend \$101,500 on solid waste programs including \$500 for abandoned vehicle abatement, \$5,000 in dangerous building abatement, \$10,000 to cleanup illegal dumping, \$10,000 for recycling programs, \$40,000 for the household hazardous waste program, and \$5,000 in plastic container litter reduction. The City will also contribute \$30,000 to the Mojave Desert and Mountain Integrated Waste Joint Powers Authority. The Landfill/Land Use Special Revenue Fund Balance will be reduced from \$48,683 on June 30, 2011 to \$2,983 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Work aggressively to remove abandoned vehicles from the community through code enforcement actions.

Performance Measure: Abandoned vehicles are removed from the City of Twentynine Palms.

2. Goal: Work aggressively to abate dangerous and abandoned buildings in the City of Twentynine Palms.

Performance Measure: Dangerous and abandoned buildings are removed from the City of Twentynine Palms.

3. Goal: Work with San Bernardino County to operate a household hazardous waste program.

Performance Measure: Twentynine Palms works with San Bernardino County to operate a household hazardous waste program.

4. Goal: Cleanup all illegal dumping within the City of Twentynine Palms through code enforcement actions or through the Twentynine Palms Public Works Department where property owners cannot be determined.

Performance Measure: Illegal dumping sites are cleaned up through code enforcement actions or by the Twentynine Palms Public Works Department.

5. Goal: Comply with all requirements of the Beverage Container Recycling Grant administered by the California Department of Conservation.

Performance Measure: City complies with all requirements of the Beverage Container Recycling Grant administered by the California Department of Conservation.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, the Mojave Desert and the California outback.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Landfill/Land Use Special Revenue Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
65-0000-3245	Interest Income	16,168	4,123	1,808	800	800
65-0000-3260	Other/Miscellaneous	87,746	450		0	0
65-0000-3262	Beverage Container Recycling Grant ²³³	7,308	6,514	5,000	5,000	5,000
65-0000-3263	Article 19 Fees	67,228	57,409	48,350	50,000	50,000
	Total Landfill/Land Use Special Revenue Fund Revenues	178,450	68,496	55,158	55,800	55,800

Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Landfill/Land Special Revenue Fund Use of Fund Balance	0	168,106	6,995	46,000	45,700

Total Landfill/Land Use Special Revenue Fund Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Landfill/Land Use Special Revenue Fund Revenues	178,450	236,602	62,153	101,800	101,500

²³³ The City receives a Beverage Container Recycling Grant under the California Beverage Container Recycling and Litter Reduction Act each year from the California Department of Conservation. These funds come from the California Redemption Value (CRV) that is charged by retailers on all beverage containers purchased in the State of California. The City received \$7,308 in FY2008, \$6,514 in FY2009, \$5,000 in FY2011 and is projected to receive \$5,000 in FY2012.

Landfill/Land Use Special Revenue Fund Expenditures

Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
65-0115-4260	Graffiti Removal	36	925	190	100	1,000
65-0115-4546	Abandoned Vehicles	200	150	195	500	500
65-0115-4548	Dangerous Building Abatement	10,543	9,609	-5,826	12,000	5,000
65-0115-4549	Illegal Dump Cleanup	9,615	5,448	6,220	5,000	10,000
65-0115-4551	Recycling Programs	7,132	15,439	6,194	10,000	10,000
65-0115-4560	Hazardous Household Waste Program	32,447	33,838	26,009	39,200	40,000
65-0115-4562	Mojave Desert JPA	27,565	28,344	28,033	30,000	30,000
65-0115-4563	Recycling Grant/Litter Reduction	0	0	1,138	5,000	5,000
65-0115-4850	Transfer to General Fund	0	142,849	0	0	0
	Total Landfill/Land Use Special Revenue Fund Expenditures	87,538	236,602	62,153	101,800	101,500

Total Landfill/Land Use Special Revenue Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Landfill/Land Use Special Revenue Fund Expenditures	87,538	236,602	62,153	101,800	101,500

Projected Estimated Changes to Landfill/Land Use Special Revenue Fund Balance²³⁴

Estimated Beginning FY2012 Landfill/Land Use
Special Revenue Fund Balance on July 1, 2011 \$ 48,683

Estimated Ending FY2012 Landfill/Land Use
Special Revenue Fund Balance on June 30, 2012: \$ 2,983

²³⁴ Accountants employ the term "Fund Balance" to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

(Fund No. 70)

Fund Mission

The mission of the Twentynine Palms Redevelopment Agency Capital Projects Fund is to account for all activities, revenues, expenditures, assets and liabilities for the purpose of securing commercial and industrial development for job creation and revitalization of blighted residential, commercial or industrial areas in the City of Twentynine Palms.

Fund Description

The Twentynine Palms Redevelopment Agency is one of 422 redevelopment agencies in the State of California. Today, 81% of the cities and 52 % of the counties have redevelopment agencies. These redevelopment agencies have 760 redevelopment project areas and receive \$3.4 billion in property tax increment revenues each year.²³⁵

Redevelopment Agency Organization. The Twentynine Palms Redevelopment Agency is a blended component unit of the City of Twentynine Palms, although technically it is a separate government unit under California law. It was established in 1993 pursuant to the Community Redevelopment Law of the State of California and the California Health and Safety Code to eliminate urban blight and administer the City's redevelopment activities and projects. California's Community Redevelopment Law (Chapter 710, Statutes of 1951) was enacted by the California Legislature after approval of the voters of Article XVI, Section 16 of the California Constitution. The objective of the law is to allow redevelopment of those areas found in many communities that have suffered from unsafe, unfit, deteriorated, and economically dislocated properties.

Blight. The Community Redevelopment Law (CRL) emphasizes redevelopment's role in eliminating blighting conditions and defines blight as physical and economic conditions that affect the health, safety, and general welfare of a community. Section 33030 of the California Health and Safety Code Section 33030 describes a blighted area as being predominantly urbanized and substantially affected by detrimental physical and economic conditions to such an extent that the community cannot reasonably be revived without redevelopment.²³⁶

²³⁵California Redevelopment Association.

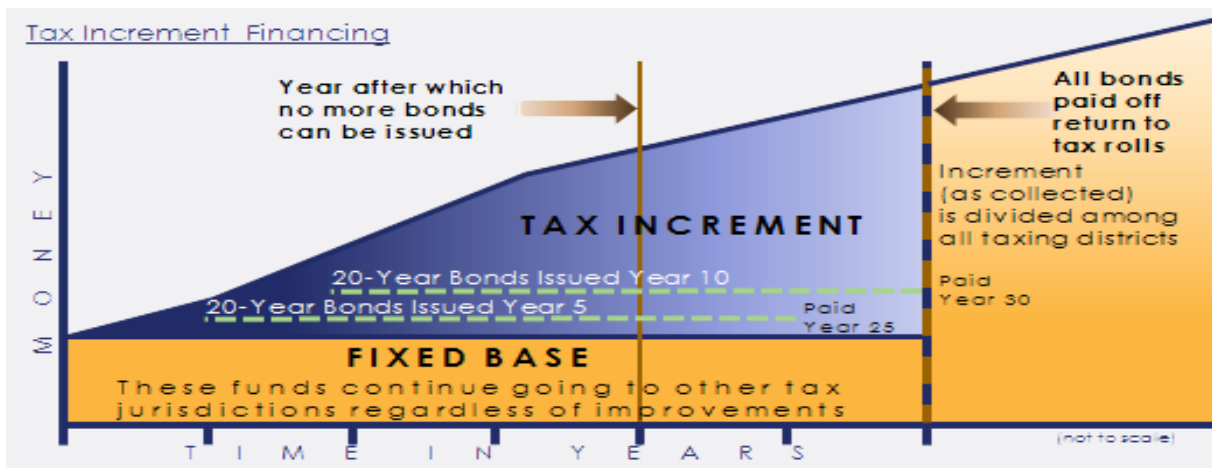
²³⁶The physical and economic conditions that cause blight are defined as follows in Section 33030 of the California Health and Safety Code:

- Buildings with serious code violations, dilapidation, or deterioration such that it is unsafe or unhealthy for a person to live or work.
- Conditions that prevent or substantially hinder the viable use or capacity of buildings or lots.
- Adjacent or nearby incompatible uses that prevent development.
- Existence of subdivided lots that are in multiple ownership and whose physical development has been impaired by their irregular shapes and inadequate sizes.
- Depreciated or stagnant property values.
- Impaired property values due to hazardous wastes.

California Redevelopment agencies have the power to:

1. Plan, develop, redesign, clear, reconstruct or rehabilitate all or part of a redevelopment project area. This includes the construction or reconstruction of public improvements such as streets, curbs, gutters, sidewalks, parks, and community facilities such as libraries, community centers, police and fire substations.
2. Buy and sell property for redevelopment. Redevelopment agencies under California law have the power of eminent domain and may convey property to other private persons or entities for development and use.
3. Provide financial assistance for residential, commercial, industrial, public space and structures appropriate or necessary for the public good.
4. Expand employment opportunities, increase low-and-moderate income housing and provide an environment for social, economic, and psychological growth and well-being of all citizens.

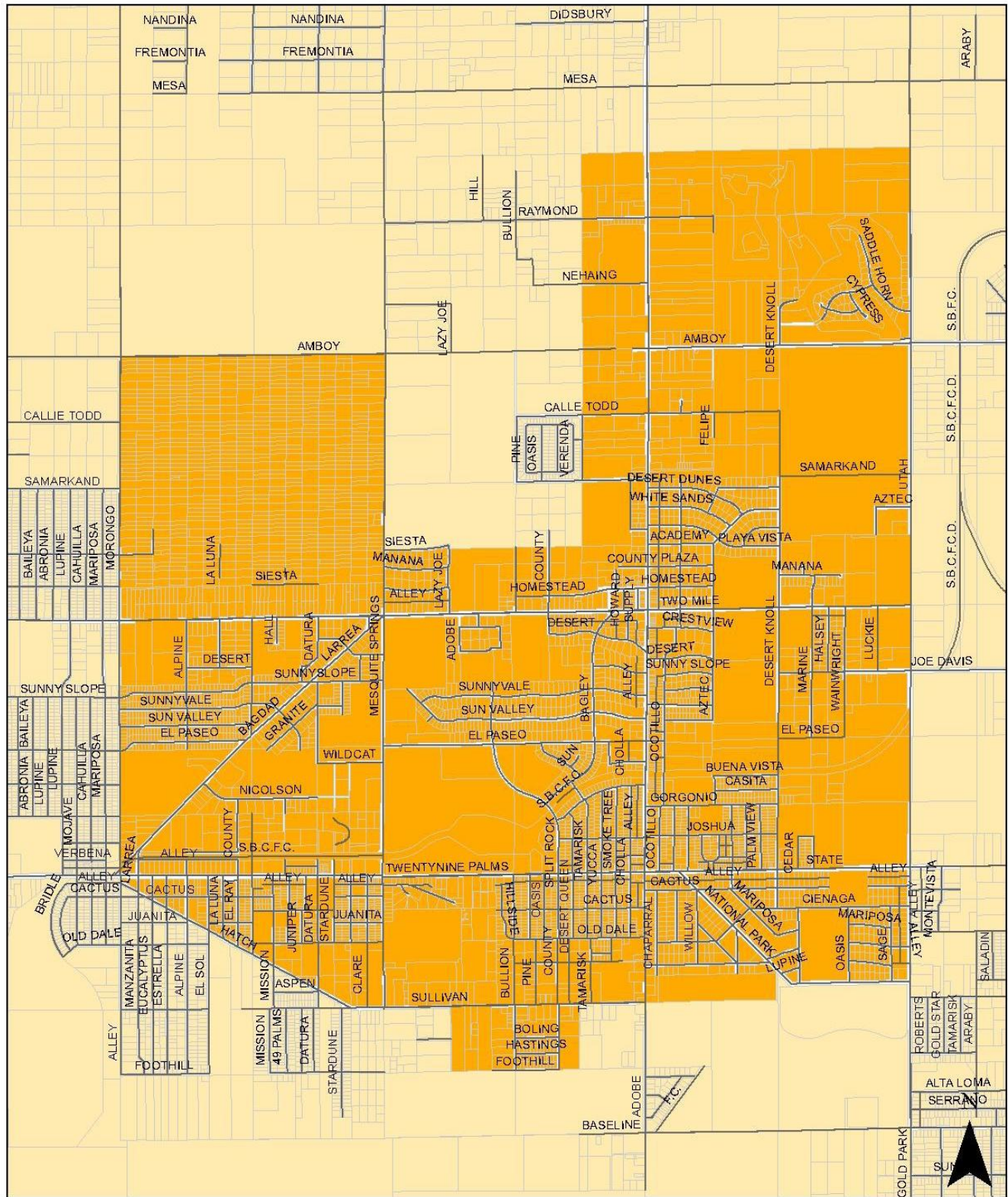
Tax Increment Financing. Tax increment financing is the primary source of funding to implement redevelopment initiatives. Tax increment financing is based upon the assumption that as a geographical area is



revitalized, property values will increase, and additional property taxes will be generated. When a redevelopment project area is adopted, the current assessed values of all the properties within the project area boundaries are designated as the base year value. As assessed values increase, tax increment revenue is generated from the growth in property values over the base year value. The increase in property values results in increased property tax revenue; a portion of the increased property tax revenue is allocated to a redevelopment agency (tax increment revenue) which is then charged with the responsibility of investing this revenue in the project area. (Please see Figure 23.)

- Abnormally high business vacancies, abnormally low lease rates, or an abnormally high number of abandoned buildings in an area developed for urban use and served by utilities.
- A serious lack of commercial facilities that are normally found in neighborhoods, including grocery stores, drug stores and banks.
- Serious residential overcrowding.
- An excess of bars, liquor stores, or adult-oriented businesses that have led to problems of public safety and welfare.
- A high crime rate that constitutes a threat to the public safety and welfare.

Figure 23
Twentynine Palms' Redevelopment Agency
Four Corners Project Area



Source: San Bernardino County GIS

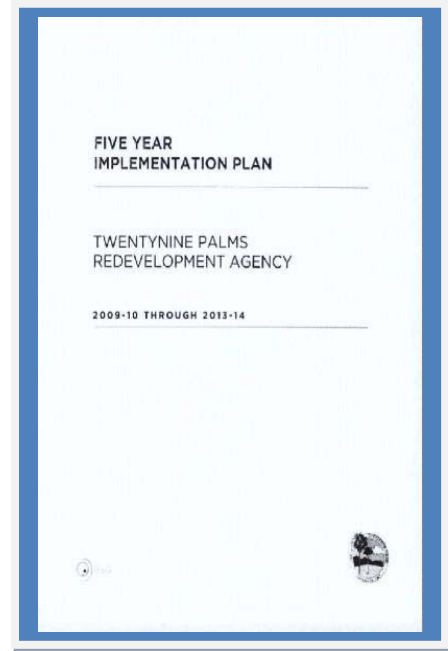
0 0.125 0.25 0.5 0.75 1 Miles

The Agency has no power to levy and collect taxes. In addition any legislative property tax reduction might reduce the amount of tax revenues that would otherwise be available to pay the principal and interest on debt is prohibited.

In addition to the property tax increment, other sources of funding for redevelopment agencies include loans and advances from the City's General Fund, loans or advances from developers or state, federal or local grants and loans.

All Redevelopment Agencies must adopt a Five-Year Implementation Plan within each project area. This plan is essentially the charter of the authorized redevelopment actions within a defined geographic area.²³⁷ The Twentynine Palms Five-Year Implementation Plan is organized into two major components. The first component assesses the blighted conditions in the Project Area and develops a Five-Year Implementation Plan for the elimination of blight. The second component addresses the Twentynine Palms Redevelopment Agency's housing responsibilities with regard to low- and moderate-income housing projection and replacement. The contents of a redevelopment plan are generally:

1. Legal description of the project area.
2. Redevelopment goals and objectives.
3. Permitted land uses and land use controls.
4. Permitted means of financing redevelopment actions.
5. Owner participation opportunities and business reentry



Twentynine Palms Redevelopment Agency Five-Year Implementation Plan (2009-10 through 2013-14)

²³⁷ On October 6, 1993, Governor Pete Wilson signed Assembly bill 1290. One of the provisions of this law is the requirement that each agency adopt a five-year Implementation Plan. The requirement for implementation plans reflects a strong legislative concern that redevelopment activities should be connected with the blight that justified adoption of the redevelopment plan in the first place. The Implementation Plan is one of several requirements which now direct redevelopment agencies that activities be linked to elimination of blight. Agencies need to constantly evaluate their activities to ensure this linkage is maintained. Each agency that had adopted a redevelopment plan prior to December 31, 1993, had to adopt, after public hearing, an Implementation Plan on or before December 31, 1994. Thereafter, the Implementation Plan had to be revised and adopted every five years.

Among the other requirements, the Implementation Plan must describe specific goals and objectives of the agency for the project area, specific programs, including potential projects and estimated expenditures to be made during the next five years, and an explanation of how these goals, objectives, programs and expenditures will eliminate blight remaining in the project areas and implement the requirements of Sections 33334.2, 33334.4 and 33334.13. The Implementation Plan required of redevelopment agencies with existing project areas must describe how the agency will implement both the requirement to increase, improve and preserve low- and moderate-income housing. The section of the plan addressing low- and moderate-income housing and estimated amounts which will be deposited in the Low- and Moderate-Income Housing Fund during each of the next five years and estimates of the expenditures of the monies from the Low- and Moderate-Income Housing Special Revenue Fund during each of the five years. If the Implementation Plan contains a project that will result in the destruction of low- or moderate-income housing, a separate replacement housing plan must be prepared by an agency that, among other requirements, identifies proposed locations for the replacement of dwelling units pursuant to Section 33413.5. (This plan must be prepared not less than 30 days prior to the execution of an agreement for the acquisition of real property, or other specific agreements.)

preferences.

6. Authority to buy and sell property.
7. Identification of proposed public improvements
8. Affordable housing requirements.
9. Supporting actions by the community.
10. Procedures for amendment.

20% Low and Moderate Income Housing Set-Aside Fund. A portion of tax increment revenue received by a redevelopment agency must be used to preserve and increase the supply of affordable housing within a project area. The Community Redevelopment Law (CRL) requires that a minimum of 20% of tax increment revenue be set aside to into a separate fund that is restricted for the purpose of creating low and moderate income housing, known as the Low and Moderate Income Housing Set-Aside fund. Redevelopment agencies may use these funds to acquire property, construct on-site and off-site improvements (required to build or preserve affordable housing), construct or rehabilitate affordable housing, provide subsidies to ensure continued affordability, and issue bonds to raise capital for affordable housing preservation and development. Redevelopment agencies are one of the primary entities producing affordable housing throughout the State of California.

Pass-Through Payments. Redevelopment agencies are required to remit tax increment revenue to affected taxing agencies (counties, school districts, community college districts, and special districts) that receive property tax revenue in redevelopment project areas. The Agency has negotiated pass-through payments with eight taxing entities and does not pay statutory payments. For the 2011-12 fiscal year Agency staff estimates that \$325,000 in pass-through payments will be made to taxing entities.

The remaining portion of the tax increment revenue, after the required 20% deposit into the Low and Moderate Income Housing fund and pass-through payments to taxing agencies, is available for eligible redevelopment projects, such as infrastructure improvements, community facilities, development incentives, debt service, and general administration. Tax increment revenue cannot be used, however, to fund ongoing operations and maintenance of public facilities or infrastructure.

Four Corners Project Area. The Four Corners Redevelopment Project Area is the City's only redevelopment project area. The project area encompasses 5,017 acres (7.8 square miles), which represents 13.3% of the City's total land area. The project area covers the City's central core including the downtown. The Redevelopment Project Area does not include several of the hotel properties located along Twentynine Palms Highway west of downtown. Most of the parcels within the Redevelopment Project Area are vacant.

Members of the City Council automatically sit as the Twentynine Palms Redevelopment Agency Board. The City Manager is the Executive Director and the City staff provides all support services. Currently the Agency meetings are held in conjunction with regular City Council meetings. Figure 40 shows the boundaries of the Twentynine Palms Redevelopment Agency Project area.

Revenue Assumptions

The Twentynine Palms Redevelopment Agency Capital Projects Fund revenues are projected to be \$2,261,500 during FY2012. Revenues will include \$4,500 transfer from the Risk Management Internal Service Fund, a \$250,000 transfer from the Redevelopment Agency Debt Service Fund, \$4,000 in interest income and the use of \$2,003,000 from the Redevelopment Agency Capital Projects Fund Balance. The use of \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represents the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012. **Total financial resources to be appropriated from all revenue sources during FY2012 are \$2,261,500.**

The City and the Redevelopment Agency will need to focus its resources (especially with regard to the 2011 bond proceeds) to eliminate blight, create jobs and transform and revitalize the downtown. The City will spend \$25,000 on marketing and business promotion and another \$50,000 on other economic development efforts from the Redevelopment Agency. These funds will be combined with \$90,000 tourism advertising budget and the \$25,000 business recruitment and promotion budget in the General Fund economic development budget. Funds will be spent in accordance with a marketing plan developed by elected officials, the Chamber of Commerce, the Innkeepers Association and other local businesses and interested stakeholders.

In addition to marketing the downtown, the Redevelopment Agency will spend \$31,000 to complete the Redevelopment Agency's portion of the General Plan, \$10,000 to update the Downtown Specific Plan, and \$7,000 to purchase new accounting software.

Redevelopment Agency Capital projects also includes \$285,000 to eliminate abandoned, dangerous and blighted buildings, \$300,000 to develop and implement a property improvement program to assist business owners, \$25,000 for sidewalk repairs, \$750,000 for Project Phoenix, \$25,000 for a geothermal study and \$125,000 for projects to be designated at a later date by the City Council.

The Redevelopment Agency Capital Projects fund will also combine \$300,000 of its money with \$200,000 from the Measure I Capital Projects Fund to complete the environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue. **Total Redevelopment Agency Capital Projects Fund spending during FY2012 will be \$2,261,500. The Redevelopment Agency Capital Projects Fund Balance will be reduced from \$7,356,993 on June 30, 2011 to \$5,353,993 on June 30, 2012.**

Goals and Performance Measures

(To Be Completed by June 30, 2012)

1. Goal: Work with business and community groups to develop and implement a multi-media marketing plan for Twentynine Palms to increase the number and length of stay by visitors.

Performance Measure: City Council works with business and community groups to develop and implement a marketing plan for Twentynine Palms to increase the number and length of stay by visitors.

2. Goal: Develop and implement a Capital Improvements Plan (CIP) to spend the 2011 Redevelopment Agency Bond proceeds.

Performance Measure: City Council adopts a Capital Improvements Plan (CIP) to spend the 2011 Redevelopment Agency Bond proceeds.

3. Goal: Complete Project Phoenix by June 2012.

Performance Measure: Project Phoenix is completed by June 2012.

4. Goal: Identify and complete elimination and abatement of abandoned, dangerous and blighted buildings by May 2012.

Performance Measure: Abandoned, dangerous and blighted buildings are eliminated and abated by May 2012.

5. Goal: Complete downtown sidewalk repair projects by May 2012.

Performance Measure: Downtown sidewalk repair projects are completed by May 2012.

6. Goal: Develop and implement a property improvement program to assist downtown businesses by May 2012.

Performance Measure: Property improvement program is developed and implemented by May 2012.

7. Goal: Future projects designed by the City Council are completed by May 2012.

Performance Measure: Future projects designated by the City Council are completed by May 2012.

8. Goal: Combine \$300,000 in Redevelopment Agency Capital Projects Fund monies with \$200,000 from the Measure I Capital Projects Fund to complete the environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue.

Performance Measure: The environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue is completed.

9. Goal: Work with the California Redevelopment Association and the League of California Cities to protect City redevelopment funds from raids from the State of California.

Performance Measure: Staff and City Council work with the California Redevelopment Association and the League of California Cities to protect City redevelopment funds from raids from the State of California.

10. Goal: Promote retail activities and attract and retain retail tenants in the Downtown Commercial District.

Performance Measure: City promotes retail activities and retains tenants in the Downtown Commercial District. Report to the City Council.

11. Goal: Conduct audit of the Twentynine Palms Redevelopment Agency revenues using an independent auditor to ensure City is receiving all required revenues from San Bernardino County.

Performance Measure: City conducts audit of Twentynine Palms Redevelopment Agency revenues using an independent auditor to ensure City is receiving all required revenues from San Bernardino County.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, the Mojave Desert and the California outback.

Vision: Provides citizens with educational opportunities to become part of a talented and creative workforce. They are able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community and partner with the City to share responsibility for the health, safety and welfare of the community. The residents of Twentynine Palms are informed and civil in interactions with each other and City officials and employees.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas, and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Redevelopment Agency Capital Projects Fund Revenues

Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
70-0000-3245	Interest Income	18,622	745	5,533	5,000	4,000
70-0000-3262	Gain from Sale of Assets	0	0	0	500	0
70-0000-3316G	Transfer from Risk Management Internal Fund	0	0	0	0	4,500
70-0000-3116	Transfer from Debt Service Fund	0	0	2,000,000	2,500,000	250,000
70-0000-3804	Debt Proceeds	0	0	0	7,500,000	0
	Total RDA Capital Projects Fund Revenues	18,622	745	2,005,533	10,005,500	258,500

Use of Redevelopment Agency Capital Projects Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Redevelopment Agency Capital Projects Fund Balance ²³⁸	258,194	808,793	0	0	2,003,000
	Total Use of Redevelopment Agency Capital Projects Fund Balance	258,194	808,793	0	0	2,003,000

Total Redevelopment Agency Capital Projects Fund Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Redevelopment Agency Capital Projects Fund Revenues and Use of Fund Balance	276,816	809,538	2,005,533	10,005,500	2,261,500

Redevelopment Agency Capital Projects Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
70-1009-4110	Salaries and Wages	87,202	93,623	105,299	118,200	113,900
70-1009-4150	Insurance and Retirement	31,350	36,258	34,629	45,000	49,100
	Total Personnel Services	118,552	129,881	139,928	163,200	163,000

²³⁸The use of \$258,194 in FY2008, \$808,793 in 2009, and \$2,003,000 in FY2012 from the Redevelopment Agency Capital Projects Fund Balance represented the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2008, FY2009, and FY2012.

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
70-1009-4210	Electricity	0	0	405	400	0
70-1009-4212	Water	0	0	59	500	0
70-1009-4231	Printing	0	234	0	0	0
70-1009-4330	Legal Notices	0	153	183	300	500
70-1009-4327	Property Acquisition	0	269,982	195	0	0
70-1009-4354	Audit	2,500	6,000	2,250	4,000	5,000
70-1009-4356	Marketing and Business Promotion ²³⁹	0	0	0	0	25,000
70-1009-4358	RDA Portion of General Plan Update	0	550	36,856	100,000	31,000
70-1009-4359	Contract services – Consulting	80,170	206,087	23,953	50,000	50,000
70-1009-4432	General Liability	4,393	7,404	8,501	9,500	10,000
70-1009-4841	Legal Service	16,938	24,031	42,828	35,000	30,000
70-1009-4846	Economic Development	0	20,170	44,640	25,000	50,000
70-1009-4847	Storefront Improvements Project	0	0	0	10,000	0
70-1009-4849	Downtown Parking	0	11,631	1,356	0	0
70-1009-4851`	Blight Elimination and Dangerous Buildings ²⁴⁰	0	3,314	11,690	10,000	65,000
70-1009-4870	Traffic Study	10,507	0	0	0	0
	Total Maintenance and Operations	114,508	549,556	172,916	244,700	266,500

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
70-1009-4851	Abatement of Abandoned and Blighted Buildings ²⁴¹	0	0	0	0	220,000
70-1009-4867	Bucklin Park Parking Lot	0	0	67,878	20,000	0
70-1009-4885	National Park Drive Median	12,835	10,689	7,457	9,000	0
70-1009-4921	Downtown Plan	13	61,073	53,071	15,000	10,000
70-1009-4938	Street Furniture, Visitor Center Sign ²⁴²	30,908	0	0	0	20,000
70-1009-4940	Historic Plaza Redesign and Construction ²⁴³	0	57,644	521,499	150,000	0
70-1009-4941	Veterans Park Improvements	0	0	14,275	0	0
70-1009-4959	Building Improvements, Bucklin Park	0	0	167,006	1,000	0
70-1009-4960	Property Improvements Program ²⁴⁴	0	0	127,336	25,000	300,000
	Property Improvements – Sidewalks ²⁴⁵	0	0	34,974	225,000	25,000
70-1009-7961	Hwy 62 – Curbs, Gutters and Sidewalks ²⁴⁶	0	0	0	300,000	300,000

²³⁹ The Redevelopment Agency will spend \$25,000 in marketing and business promotion in the Twentynine Palms Redevelopment Agency Four Corners Project Area.

²⁴⁰ The Twentynine Palms Redevelopment Agency will spend \$65,000 in FY2012 in administrative costs to eliminate blight and dangerous buildings.

²⁴¹ During FY2012, the Twentynine Palms Redevelopment Agency will spend \$220,000 in demolition costs to abate dangerous, abandoned and blighted buildings within the Project Area.

²⁴² \$20,000 has been allocated in FY2012 by the Twentynine Palms Redevelopment Agency for street furniture and a sign for the Twentynine Palms Visitor Center.

²⁴³ The Twentynine Palms Redevelopment Agency spent \$57,644 in FY2009, \$521,499 in FY2010 and \$150,000 in FY2011 to redesign and reconstruct the Historic Plaza. Improvements included curb, gutter, sidewalk, asphalt, and landscaping.

²⁴⁴ City will allocate \$300,000 to work with property owners in the Redevelopment Agency project area to improve the appearance of their businesses to assist in revitalizing the downtown.

²⁴⁵ The City will spend \$25,000 during FY2012 to repair sidewalks in the Redevelopment Agency Four Corners Project Area.

70-1009-4962	Wastewater/Draining Master Plan	0	695	0	10,000	50,000
70-1009-4964	Project Phoenix	0	0	39,904	35,000	750,000
70-1009-4973	Projects to be Announced	0	0	0	100,000	125,000
70-1009-4978	New Accounting Software	0	0	0	0	7,000
70-1009-4986	Research and Development—Geothermal Study	0	0	0	0	25,000
	Total Capital Expenditures	43,756	130,101	1,033,400	901,000	1,832,000

Transfers to Other Funds

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
70-1009-4865	Transfer to RDA Debt Service Fund	0	0	0	1,500,000	0
	Total Transfers to Other Funds	0	0	0	1,500,000	0

Total Redevelopment Agency Capital Projects Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Redevelopment Agency Capital Projects Fund Expenditures	276,816	809,538	1,346,244	2,797,900	2,261,500

Projected Estimated Changes to Redevelopment Agency Capital Projects Fund Balance²⁴⁷

Estimated Beginning FY2012 Redevelopment Agency Capital Projects Fund Cash and Investment Fund Balance on July 1, 2011 \$ 7,356,993

Estimated Ending FY2012 Redevelopment Agency Capital Projects Fund Cash and Investment Fund Balance on June 30, 2012: \$ 5,353,993

²⁴⁶ The Redevelopment Agency Capital Projects fund will combine \$300,000 of its money with \$200,000 from the Measure I Capital Projects Fund to complete the environmental document, engineering and construction of the first phase of the curb, gutter and sidewalk along Highway 62 from Encelia Avenue to Split Rock Avenue.

²⁴⁷ Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

TWENTYNINE PALMS REDEVELOPMENT AGENCY LOW- AND MODERATE- INCOME HOUSING FUND

(Fund No. 72)

Fund Mission

The mission of the Low- and Moderate-Income Housing Special Revenue Fund in the Twentynine Palms Redevelopment Agency is to account for all activities, revenues, expenditures, assets and liabilities used for increasing or improving housing for low- and moderate-income households.

Fund Description

The Low- and Moderate-Income Special Revenue Fund has been established by the Twentynine Palms Redevelopment Agency to comply with the California Redevelopment Law and Assembly Bill 1290 adopted on January 1, 1994. Each agency by law must set aside 20% of its property tax increment funds to increase, improve and preserve low- and moderate-income housing. (California Community Redevelopment Law Section 33334.2) In addition, each agency must adopt a Five-Year Implementation Plan that contains a section addressing low- and moderate-income housing. This section of the Implementation Plan must make projections of revenues and expenditures over five-year periods. Each agency must also replace, in equal or greater number, very low-, and low- and moderate-income housing units (which have an equal or greater number of bedrooms) and bedrooms which are destroyed or removed as a result of a redevelopment project.²⁴⁸

Revenue Assumptions

The Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund revenues during FY2012 are projected to \$2,163,000. This includes \$387,000 in tax increment funds, \$12,000 in interest income, \$1,000 transfer from the Risk Management Internal Service Fund and \$1,763,000 from the Redevelopment Agency Low- and Moderate-Income Housing Special Revenue Fund Balance. The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Fund Balance represented the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Expenditures in the Twentynine Palms Redevelopment Agency Low- and Moderate-Income Housing Fund will include \$32,000 for personnel services, \$31,000 for maintenance and operations expenses and \$200,000 for debt service payments. \$1,900,000 is reserved for a future low- and moderate-income housing project to be determined at a later date by the City Council. **Total FY2012 expenditures are \$2,163,000.** The Redevelopment

²⁴⁸Very low income households are those earning not more than 50% of the area median income; lower income households are those earning between 51% and 80% of the area median income and low- and moderate-income households are those earning between 81% and 120% of area median income.

Agency Low- and Moderate-Income Housing Special Revenue Fund Balance will be decreased from \$4,781,798 on July 1, 2011 to \$3,018,798 on June 30, 2012.

Goals and Performance Measures (To Be Completed by June 30, 2012)

1. Goal: Use code enforcement program to identify substandard housing and housing in need of substantial rehabilitation. Take appropriate corrective action.

Performance Measure: Code enforcement program is implemented and appropriate corrective action is taken.

2. Goal: Provide information about City and County rehabilitation programs to low- and moderate-income households with homes and apartments in need of repairs.²⁴⁹

Performance Measure: Information is provided about City and County rehabilitation programs to low- and moderate-income households with homes and apartments in need of repairs.

3. Goal: Monitor affordable multi-family housing projects to help prevent conversion of affordable units to market units. Work with non-profit organizations and other agencies to preserve affordability of these units.

Performance Measure: City monitors affordable multi-family housing projects to prevent conversion of affordable units to market units. City works with non-profit organizations and other agencies to preserve affordability of these units.

4. Goal: Use no less than 20% of the Agency's property tax increment to preserve, increase and improve the community's supply of low- and-moderate income housing.

Performance Measure: Twentynine Palms Redevelopment Agency uses no less than 20% of the Agency's property tax increment to preserve, increase and improve the community's supply of low- and-moderate income housing.

5. Goal: Identify a low- and moderate-income housing project and use Redevelopment Agency funds to help complete it.

Performance Measure: A low- and moderate-income housing project is identified and Redevelopment Agency funds are used to help complete it.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

²⁴⁹Based on the Housing Condition survey completed as part of the "Twentynine Palms Housing Element 2003-2008," approximately 82% of the housing stock was in sound condition or needed only minor repairs, while 16% was in a deteriorated condition.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, the Mojave Desert and the California outback.

Vision: Provides citizens with educational opportunities to become part of a talented and creative workforce. They are able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community and partner with the City to share responsibility for the health, safety and welfare of the community. The residents of Twentynine Palms are informed and civil in interactions with each other and City officials and employees.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas, and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Low and Moderate Income Housing Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
72-0000-3108	Property Tax Increment ²⁵⁰	367,495	394,764	384,872	375,000	387,000
72-0000-3245	Interest Income	33,507	24,607	9,579	10,000	12,000
72-0000-3260	Miscellaneous	-2,586	10,000	0	0	0
72-0000-3316G	Transfer from Risk Management Internal Fund	0	0	0	0	1,000
72-0000-3804	Proceeds of Debt	0	0	0	2,750,000	0
	Total Low and Moderate Housing Revenues	398,416	429,371	394,451	3,135,000	400,000

Use of Redevelopment Agency Low and Moderate Income Housing Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of Low and Moderate Housing Fund Balance ²⁵¹	0	0	0	0	1,763,000
	Total Use of Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund Balance	0	0	0	0	1,763,000

Total Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Redevelopment Agency Low and Moderate Income Housing Special Revenue Fund Revenues	398,416	429,371	394,451	3,135,000	2,163,000

²⁵⁰Pursuant to the California Health and Safety Code Section 33334.2, the Twentynine Palms Redevelopment Agency has set aside 20% of its Redevelopment Agency property tax increment for the purpose of increasing the supply of low- and moderate-income housing. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the San Bernardino County Assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name and value. Secured property taxes are taxes on property that, in the opinion of the assessor, have sufficient value to guarantee payment of the tax levies and that, if unpaid, can be satisfied by the sale of the property by the tax collector.

The Twentynine Palms Redevelopment Agency Four Corners Project Area secured property taxes will be increased from \$367,495 in FY2008 to an estimated \$387,000 in FY2012.

²⁵¹The use of \$1,763,000 in FY2012 from the Redevelopment Agency Low- and Moderate-Income Housing Fund Balance represented the taking of prior year's accumulated fund surplus and appropriating it for expenditure in FY2012.

Low and Moderate Income Housing Fund Expenditures

Personnel Services

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
72-1009-4110	Salaries and Wages	17,102	17,200	20,655	20,700	22,600
72-1009-4150	Insurance and Retirement	6,183	6,497	6,241	10,500	9,400
	Total Personnel Services	23,285	23,697	26,896	31,200	32,000

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
72-1009-4358	RDA Portion of General Plan Update	0	163	0	45,000	8,000
72-1009-4372	Service Charges	7,263	5,016	5,897	6,000	6,000
72-1009-4432	General Liability	862	1,704	1,667	2,500	3,000
72-1009-4841	Legal Service	4,620	0	0	1,500	2,000
72-1009-4846	Economic Development	0	0	0	5,000	12,000
	Total Maintenance and Operations	12,745	6,883	7,564	60,000	31,000

Capital Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
72-1009-4952	Affordable Housing Rehabilitation/Development	0	0	26,561	30,000	1,900,000
	Total Capital Expenditures	0	0	26,561	30,000	1,900,000

Debt Service Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
72-1009-4801	Debt Service	0	0	0	0	200,000
	Total Debt Service Expenditures	0	0	0	0	200,000

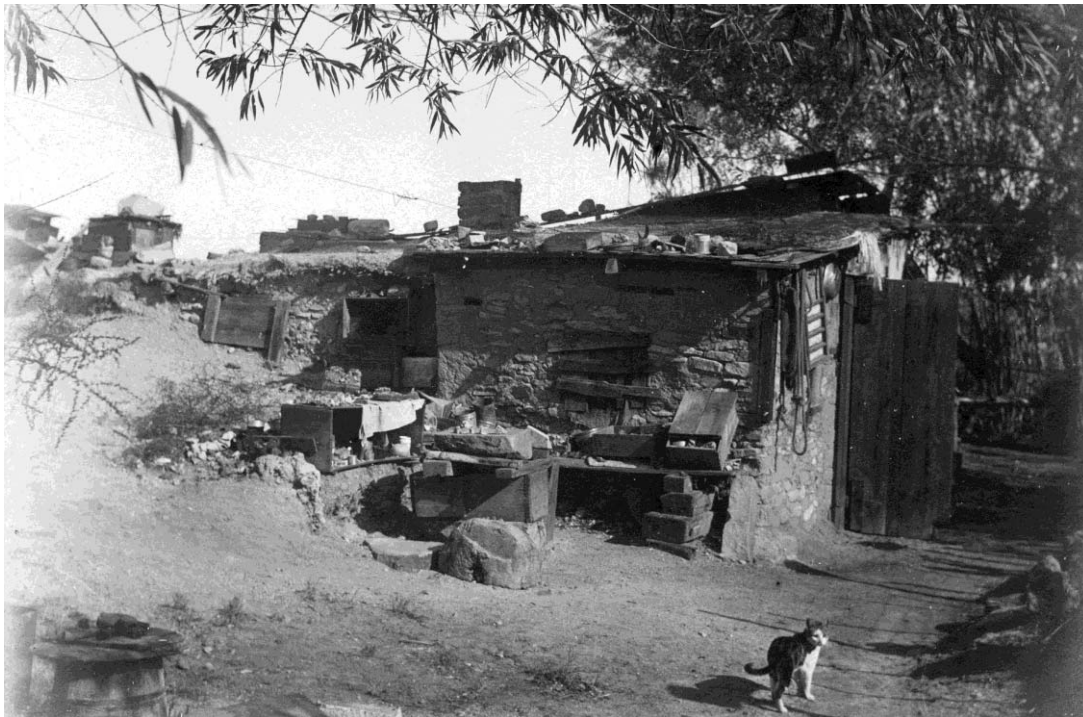
Total Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Redevelopment Agency Low- and Moderate-Income Housing Fund Expenditures	36,030	30,580	61,021	121,200	2,163,000

Projected Estimated Changes to Low and Moderate Income Housing Special Revenue Fund Balance²⁵²

Estimated Beginning FY2012 Low and Moderate Income Housing Special Revenue Fund Balance on July 1, 2011: \$ 4,781,798

Estimated Ending FY2012 Low and Moderate Income Housing Special Revenue Fund Balance on June 30, 2012: \$ 3,018,798



“Chuckwalla” Quartz Wilson’s House--1942

²⁵²Accountants employ the term “Fund Balance” to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government’s budgetary basis. In both cases, “Fund Balance” is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

TWENTYNINE PALMS REDEVELOPMENT AGENCY DEBT SERVICE FUND

(Fund No. 73)

Fund Mission

The Mission of the Debt Service Fund in the Twentynine Palms Redevelopment Agency is to account for the activities, revenues, expenditures, assets and liabilities of the Redevelopment Agency for debt service payments, Education Revenue Augmentation Fund (ERAF) payments and any pass through payments to other taxing agencies required by law or contract.

Fund Description

The Twentynine Palms Debt Service Fund uses tax increment collected by the Redevelopment Agency to make debt service payments, Education Revenue Augmentation Fund (ERAF) payments and any pass through payments required by law or contract. Prior to 2011, the Twentynine Palms Redevelopment Agency had only debt to the City's General Fund. On March 22, 2011, the Agency issued 30-year bonds in the amount of \$11,575,000. The Debt Service Fund's obligation is \$8,575,000 plus interest.

Redevelopment Agency Pass-Through Agreement Payments

Entity	Actual FY2008	Actual FY 2009	Actual FY2010	Estimated FY2011	Approved FY2012
San Bernardino County Transportation/Flood Control	21,918	23,732	16,722	20,562	24,548
San Bernardino County Superintendent of Schools	13,767	14,906	10,503	12,915	15,418
San Bernardino County Free Library	19,657	21,284	14,997	18,441	22,015
County of San Bernardino	17,861	19,340	13,628	16,756	20,005
Copper Mountain College	38,092	41,246	29,062	35,736	42,663
Morongo Unified School District	185,204	200,536	141,300	173,746	207,426
High Desert Medical Center	25,936	28,083	19,788	24,331	29,048
Twentynine Palms Cemetery District	23,998	25,985	18,309	22,513	26,878
Total	346,433	375,112	264,309	325,000	388,000

Revenue Assumptions

The Twentynine Palms Redevelopment Agency Debt Service Fund tax increment revenues during FY2012 are projected to be \$1,550,000. Interest revenues are projected to be \$10,000 and \$293,000 will be taken from the Redevelopment Agency Debt Service Fund Balance. The use of \$293,000 in FY2012 in Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's surplus and appropriating it in FY2012. **Total funds available for appropriation during FY2012 are \$1,853,000.**

Expenditures in the Twentynine Palms Redevelopment Agency Debt Service Fund include \$388,000 in pass through payments to other taxing entities, \$99,000 in Education Revenue Augmentation Fund (ERAF) payments to the State of California, \$25,000 in San Bernardino County administrative charges for the collection of property tax, \$250,000 transfer to the Redevelopment Agency Capital Projects Fund, \$50,000 in debt interest payments and \$1,041,000 in debt principal payments. **Total expenditures are projected to be \$1,853,000.** The Redevelopment Agency Debt Service Fund Balance is expected to decrease from \$2,262,180 on July 1, 2011 to \$1,969,180 on June 30, 2012.

Goals and Performance Measures

(To Be Completed by June 30, 2012)

- 1. Goal:** Submit annual Statement of Indebtedness to the State Controller on time.
Performance Measure: Statement of Indebtedness is submitted to the State Controller on time.
- 2. Goal:** Accurately complete pass through payments to taxing entities on time.
Performance Measure: Pass through payments to taxing entities are made accurately and on time.
- 3. Goal:** Accurately make the Agency's Supplemental Education Revenue Augmentation Fund (SERAF) payments on time.
Performance Measure: Supplemental Education Augmentation Fund (SERAF) are made accurately and on time.
- 4. Goal:** Accurately make the Agency's bond principal and interest payments on time.
Performance Measure: The Agency's bond principal and interest payments are made accurately and on time.

Community Vision and Community Values Link

The annual goals and performance measures are linked and established to achieve the Long-term Community Vision based on Community Values.

Value: Promotes the development of a wholesome, serviceable and attractive City resulting from orderly development and preservation of its natural beauty.

Value: Provides a clear, clean and open visual image of the community that reflects the highest standards of design quality for public and private commercial, residential, institutional and industrial development.

Value: Recognizes that it is in the midst of one of earth's great natural treasures and its unique, spectacular, and fragile environment is worthy of preservation and careful stewardship.

Value: Fosters retail commercial, office and light industrial enterprises that will preserve the City's natural environment, capitalize on the City's natural beauty, provide tax revenues to fund City services and be conducive to the City's desire to be a rural, open and un-crowded community.

Value: Promotes buildings and public infrastructure development that are practical, aesthetically pleasing and in harmony with the environment and surrounding landscape.

Vision: Preserves and maintains its desert vistas, clean air, night sky and open space; will be the gateway to the desert experience of Joshua Tree National Park, Mojave Desert and the California outback.

Vision: Provides citizens with educational opportunities to become part of a talented and creative workforce. They are able to be involved in the community and demonstrate a high degree of volunteerism; take pride in the large military presence in the community and partner with the City to share responsibility for the health, safety and welfare of the community. The residents of Twentynine Palms are informed and civil in interactions with each other and City officials and employees.

Vision: Provides a safe and secure environment for all who live, work and visit. The City will be clean and attractive with public art and amenities. It will have structurally sound and well-maintained homes, businesses, and public buildings and will have a special identity of which the community can be proud.

Vision: Provides economic and efficient City services and is sensitive to customer satisfaction. Twentynine Palms has exceptional parks, trails, and outdoor cultural facilities.

Vision: Provides safe and convenient access within the City and has flood control facilities, sewer, water and power systems built to protect property and public health.

Vision: Provides necessary space for the operation of City business and for community cultural opportunities through City and other civic buildings. Twentynine Palms is sensitive to resource conservation, minimum impact on and respect for the desert environment through community infrastructure and facilities.

Vision: Offers a local economy vibrant in shopping experiences and business opportunities. The City offers revitalized residential, commercial, and industrial areas, and is a visitor destination. Twentynine Palms is a retirement community, offering attractive housing opportunities and recreational opportunities. Twentynine Palms offers high quality employment opportunities within the community.

Vision: Provides City government that is competent, responsive, open, trustworthy, and transparent, and maximizes citizen participation in community decisions. City officials work to minimize bureaucracy, emphasize efficiency and are accessible to all citizens. Twentynine Palms is fiscally responsible, financially stable and promotes long-term goals of the City while addressing immediate needs and desires.

Vision: Operates a City government that is ethical, customer-friendly, cost conscious, collaborative and technologically advanced. The City creates a challenging and supportive environment which treats employees fairly, promotes teamwork, and provides employee career development opportunities.

Redevelopment Agency Debt Service Fund Revenues

Intergovernmental Revenues

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
73-0000-3108	Property Tax Increment ²⁵³	1,469,982	1,579,057	1,539,486	1,550,000	1,550,000
73-0000-3245	Interest Income	48,877	42,095	18,614	8,000	10,000
73-0000-3804	Proceeds of Debt	0	0	0	1,500,000	0
	Total Debt Service Fund Revenues	1,518,859	1,621,152	1,558,100	3,058,000	1,560,000

Use of Debt Service Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Use of RDA Debt Service Fund Balance ²⁵⁴	0	0	0	446,000	293,000
	Total Use of RDA Debt Service Fund Balance	0	0	0	446,000	293,000

Total Redevelopment Agency Debt Service Fund Revenues and Use of Fund Balance

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Debt Service Fund Revenues and Use of Fund Balance	1,518,859	1,621,152	1,558,100	3,058,000	1,853,000

²⁵³Property tax increment collected during FY2012 is projected to be \$1,550,000, up from FY2008's collection of \$1,469,982.

²⁵⁴ The use of \$446,000 in FY2011 and \$293,000 in FY2012 in Redevelopment Agency Debt Service Fund Balance represents the taking of prior year's surplus and appropriating it in FY2011 and FY2012.

Redevelopment Agency Debt Service Fund Expenditures

Maintenance and Operations

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
73-1009-4371	Pass-Through Agreements ²⁵⁵	346,433	375,112	264,309	325,000	388,000
73-1009-4372	SERAF ²⁵⁶	29,054	20,066	478,586	99,000	99,000
73-1009-4850	Transfer to RDA Capital Projects Fund	0	0	2,000,000	2,500,000	250,000
73-1009-4974	County Service Charges ²⁵⁷	0	0	23,588	25,000	25,000
	Total Maintenance and Operations	375,487	395,178	2,766,483	2,949,000	762,000

²⁵⁵ **Pass-Through Payments.** Redevelopment agencies are required to remit tax increment revenue to affected taxing agencies (counties, school districts, community college districts, and special districts) that receive property tax revenue in redevelopment project areas. The Agency has negotiated pass-through payments with eight taxing entities and does not pay statutory payments. For the 2011-12 fiscal year Agency staff estimates that \$325,000 in pass-through payments will be made to taxing entities.

The remaining portion of the tax increment revenue, after the required 20% deposit into the Low and Moderate Income Housing fund and pass-through payments to taxing agencies, is available for eligible redevelopment projects, such as infrastructure improvements, community facilities, development incentives, debt service, and general administration. Tax increment revenue cannot be used, however, to fund ongoing operations and maintenance of public facilities or infrastructure.

²⁵⁶ **Twentynine Palms Redevelopment Agency Property Tax Shift to State Government.** The State Legislature adopted legislation in September 2002 to take \$75 million in redevelopment funds from cities and counties throughout the State of California to assist in solving the State budget crisis. Twentynine Palms was required to contribute \$5,336 during FY2003 to the State's Education Revenue Augmentation Fund (ERAF). The budget passed by the Legislature on July 29, 2003, required municipal Redevelopment Agencies to pay \$135 million in local property taxes to the State Education Revenue Augmentation Fund (ERAF) by May 10, 2004. Twentynine Palms' FY2004 share was \$35,571. The agreement between the League of California Cities and the Governor included in the State budget passed by the State Legislature on July 27, 2004, required municipal Redevelopment Agencies to make additional contributions to the State Education Revenue Augmentation Fund (ERAF) in FY2005 and FY2006. Twentynine Palms' share of that State-wide contribution was \$19,823 for FY2005 and \$19,820 for FY2006.

These transfers of municipal property tax increment revenues reduced the State General Fund educational obligations. Funds collected from municipalities were distributed by the San Bernardino County Auditor in accordance with instructions received from the school superintendents and chancellors of the community colleges.

The FY2007 and FY2008 State budgets contained no Twentynine Palms Redevelopment Agency property tax shift to State Government. However, in FY2009, the State Legislature adopted AB1389 which shifted \$350 million from city redevelopment agencies across the State of California to the State Education Revenue Augmentation Fund (ERAF). The Twentynine Palms Redevelopment Agency share of this was \$20,066. **The state raids on redevelopment agency funding continued in FY2010 and FY2011 with the State Legislature and the Governor taking \$1.7 billion state-wide in redevelopment funds in FY2010 and \$350 million in FY2011. Twentynine Palms' share was \$478,586 in FY2010 and \$99,000 in FY2011. Staff has budgeted \$99,000 in FY2012 in anticipation of another \$350 million State raid on redevelopment agencies.**

²⁵⁷ The Redevelopment Agency projects that San Bernardino will charge the Agency \$25,000 in FY2012 to collect property taxes.

Debt Service Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
73-1009-4437	Interest Expense	63,802	41,851	60,334	55,000	50,000
73-1009-4801	Debt Service Payments	0	0	0	500,000	1,041,000
	Total Debt Service Expenditures	63,802	41,851	60,334	555,000	1,091,000

Total Redevelopment Agency Debt Service Fund Expenditures

Account Number	Account Description	Actual FY2008	Actual FY2009	Actual FY2010	Estimated FY2011	Approved FY2012
	Total Redevelopment Agency Debt Service Fund Expenditures	439,289	437,029	2,826,817	3,504,000	1,853,000

Projected Estimated Changes to Redevelopment Agency Debt Service Fund Balance²⁵⁸

Estimated Beginning FY2012 Redevelopment Agency
Debt Service Fund Balance on July 1, 2011:

\$ 2,262,180

Estimated Ending FY2012 Redevelopment Agency
Debt Service Fund Balance on June 30, 2012:

\$ 1,969,180

²⁵⁸ Accountants employ the term "Fund Balance" to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis. In both cases, "Fund Balance" is intended to serve as a measure of the financial resources available in a governmental fund. It is essential the City of Twentynine Palms maintain adequate levels of fund balance to provide working capital, mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.



SECTION 7 STATISTICAL INFORMATION



Twentynine Palms High School (1937) now Twentynine Palms Jr. High

Figure 24
City of Twentynine Palms
Assessed Property Values
FY2001-FY2010

Real Property								
Fiscal					Gross			Net
Year	Land	Improvements	Personal Property	Exemptions	Assessed Value	Homeowners Exemptions	Inventory Exemptions	Assessed Value
2001	86,231,832	333,965,544	5,328,162	7,005,903	418,519,635	13,718,210	0	404,801,425
2002	89,692,998	338,367,529	6,176,037	7,069,727	427,166,837	13,922,402	0	413,244,435
2003	Detailed information not available				436,412,209		0	
2004	90,634,808	352,558,585	6,983,578	9,704,853	440,412,118	13,780,041	0	426,692,077
2005	93,901,952	375,336,424	6,297,946	9,347,846	466,188,476	13,776,938	0	452,411,538
2006	104,087,399	411,665,785	6,481,735	10,075,515	512,159,404	13,274,131	0	498,885,273
2007	Detailed information not available				640,447,928		0	
2008	180,782,538	584,927,806	9,533,973	12,099,788	763,144,529	13,246,177	0	749,898,352
2009	223,311,085	607,197,426	10,416,670	15,381,874	825,543,307	13,510,446	0	812,102,861
2010	223,102,840	593,357,699	1,404,774	15,189,840	607,566,938	13,830,209	0	802,675,473

Source: San Bernardino County's Assessed Values Annual Report

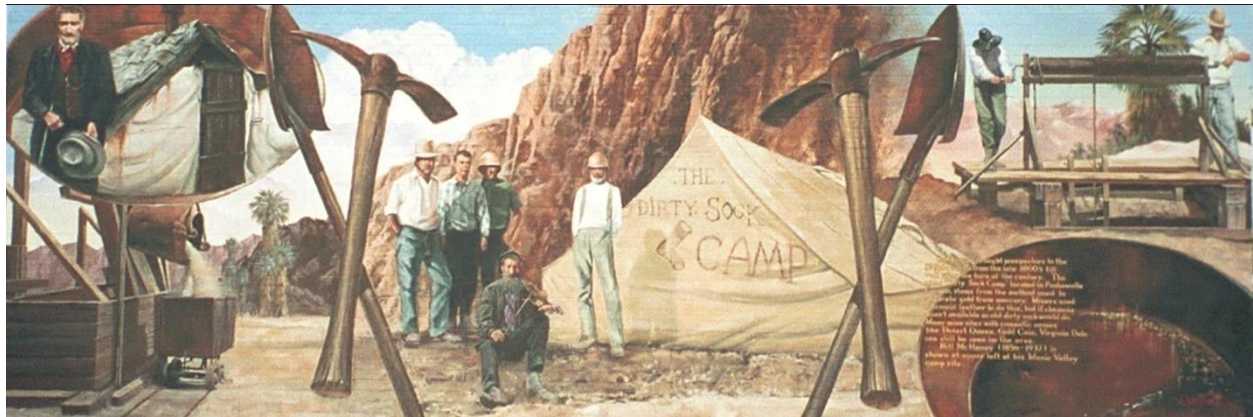


Figure 25
City of Twentynine Palms
ASSESSED VALUES OF SECURED AND UNSECURED PROPERTY
FY2001-FY2010

Secured		Unsecured		Total Net	
Fiscal Year	Assessed Value	Assessed Value	Total Taxable Assessed Value	Annual % Increase	
2001	409,309	9,330	418,662	0	
2002	417,010	10,287	427,374	2.08	
2003	425,153	11,398	436,628	2.17	
2004	429,303	11,354	440,734	.94	
2005	456,116	10,075	466,269	5.79	
2006	501,931	10,169	512,182	9.85	
2007	640,467	11,987	640,467	25.05	
2008	763,254	19,105	825,677	19.17	
2009	825,677	17,962	825,677	8.18	
2010	824,080	21,318	824,080	(0.19)	

Source: San Bernardino County's
Assessed Values Annual Report

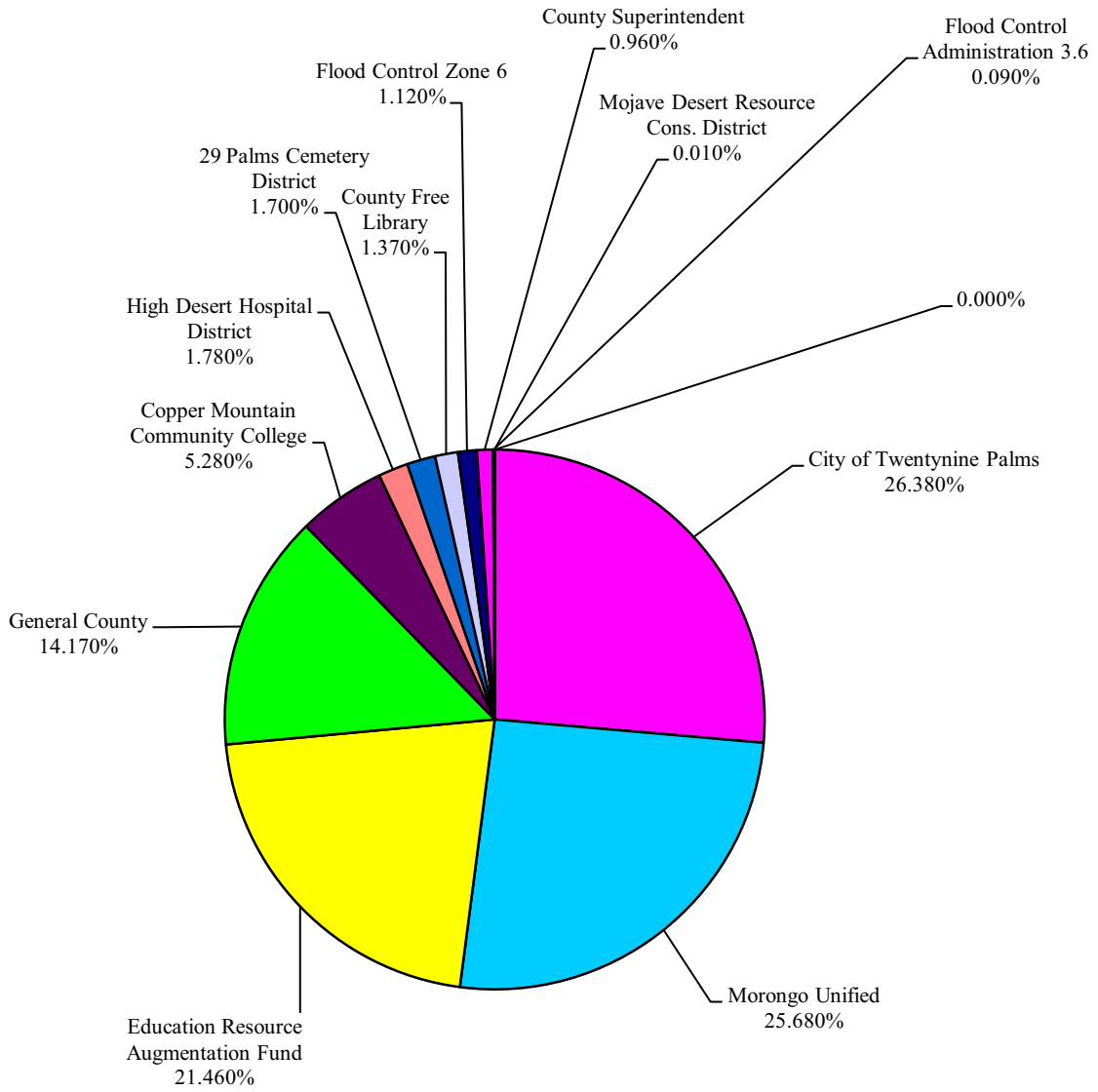
Figure 26
City of Twentynine Palms
Analysis of the General County \$1.00
percentage Factor For Each Taxing Agency
Within The City's Tax Rate Area

TAXING AGENCY	% FACTORS BY TAX RATE AREAS
City of Twentynine Palms	0.2638
Morongo Unified School District	0.2568
Education Revenue Augmentation Fund	0.2146
General County	0.1417
Copper Mountain Community College	0.0528
High Desert Hospital District	0.0178
29 Palms Cemetery District	0.0170
County Free Library	0.0137
Flood Control Zone 6	0.0112
County Superintendent	0.0096
Flood Control Administration 3.6	0.0009
Mojave Desert Resource Cons. District	0.0001
<hr/>	
TOTAL Prop 13 Rate	<u><u>\$1.00</u></u>

Note: The above factors represent each taxing agency's percentage share of incremental growth in general property taxes.

Source: San Bernardino County Auditor - Controller/Treasurer - Tax Collector

Figure 27
City of Twentynine Palms
Property Tax Distribution Percentages
To Local Taxing Agencies
Within the City of Twentynine Palms



This table shows how much of each property tax dollar goes to each taxing entity in the City of Twentynine Palms.

Figure 28
City of Twentynine Palms
Principal Property Taxpayers
FY2010

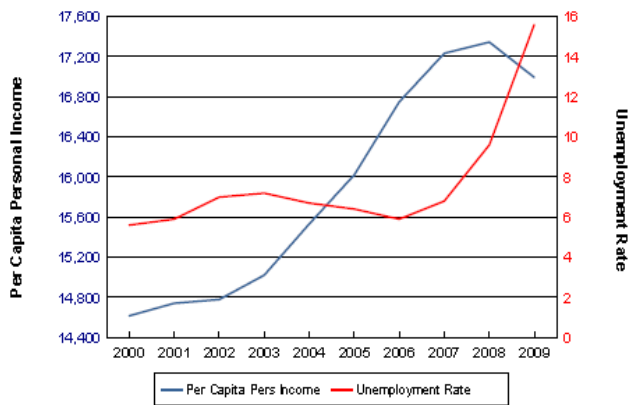
Taxpayer (A)	Type of Business	Assessed Value	% of Total Net Assessed Values
Twentynine Palms LLC	Residential	\$ 42,941,788	5.21
Burton Properties	Residential	8,315,340	1.01
Proactive Properties	Vacant	4,697,670	0.57
VN Hospitality	Commercial	4,550,711	0.55
Hospitality Ventures 1 LLC	Commercial	4,537,702	0.55
CAC Exchange I – Time Warner	Unsecured	4,130,316	0.50
Motel 6 Operating LP	Commercial	4,018,360	0.49
Pacific Costanzo-Lewis	Commercial	3,946,380	0.48
Sunwest Apartments, LLC	Residential	3,600,000	0.44
Burton Properties California	Residential	3,565,199	0.43
		824,080,488	10.23%

(A) Based on 2010 Assessed Property Values
Source: San Bernardino County Assessor's Office

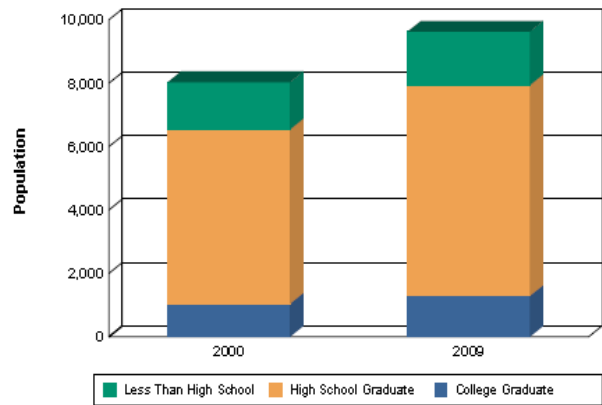
Figure 29
City of Twentynine Palms
Demographic and Economic Statistics
2001-2010

Year Ending	Population	Personal Income (In thousands)	Per Capita Personal Income	Unemployment Rate
2001	30,123	444,061	14,742	5.9%
2002	25,513	377,033	14,778	7.0%
2003	25,102	377,087	15,022	7.5%
2004	26,276	408,083	15,531	6.7%
2005	27,447	439,728	16,021	6.4%
2006	29,909	500,963	16,750	5.9%
2007	29,515	508,655	17,234	6.8%
2008	30,482	528,732	17,346	9.6%
2009	30,795	523,369	16,995	15.6%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

*Decennial census data

Population: California State Department of Finance

Unemployment Data: California Employment Development Department

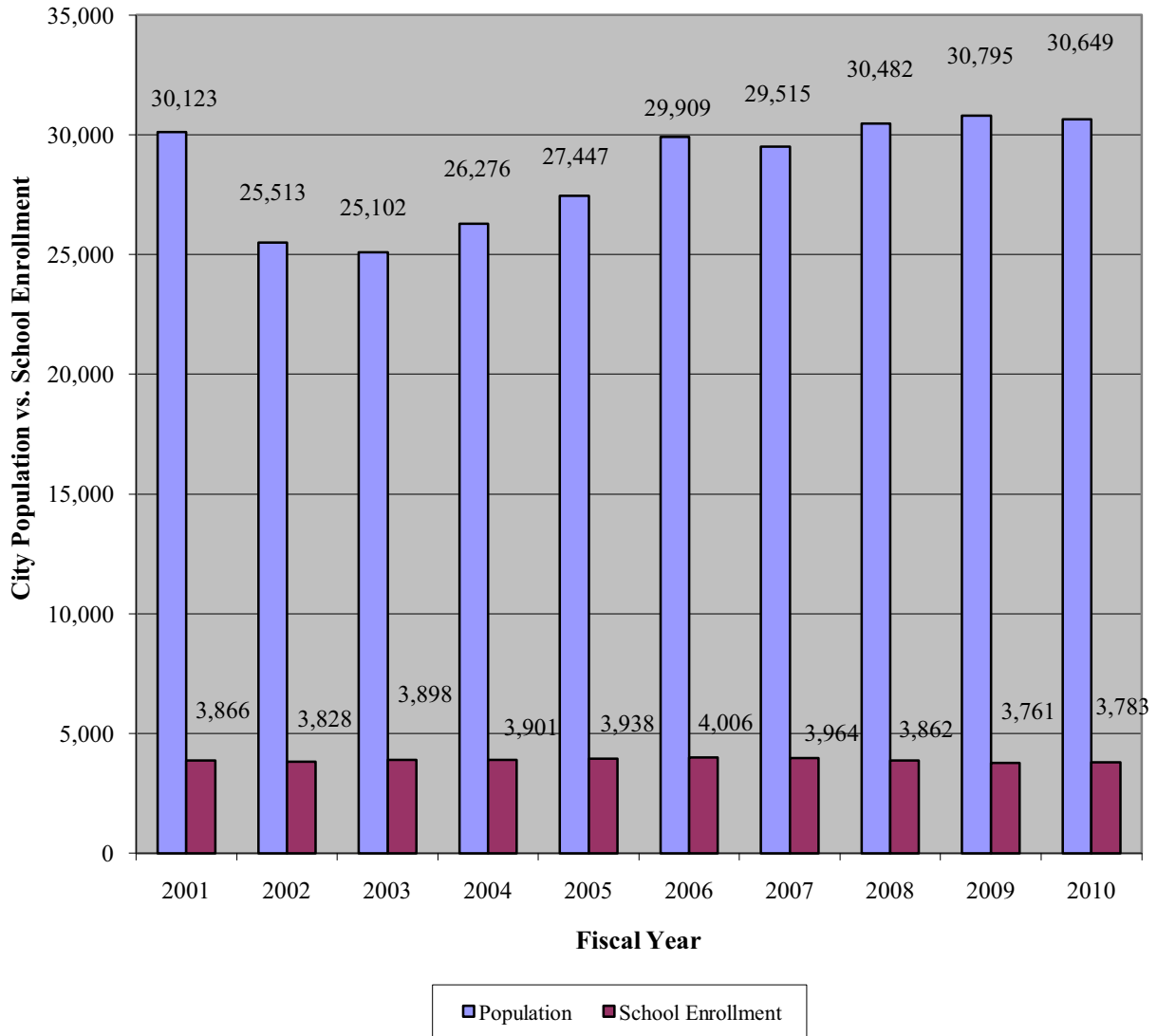
Figure 30
City of Twentynine Palms
Population Growth Compared to
School Enrollment Growth
FY2001 - FY2010

Fiscal Year	Population	Morongo Unified School District
2001	25,870	3,963
2002	27,589	3,866
2003	25,171	3,828
2004	25,957	3,901
2005	27,337	3,938
2006	27,498	4,006
2007	24,830	3,964
2008	27,966	3,862
2009	30,832	3,761
2010	30,649	3,783

Source: California Department of Finance
Morongo Unified School District

This table shows the growth in City population and school enrollment from FY2001 to FY2010. During this period, Twentynine Palms' population grew from 25,870 to 30,649. However, school enrollment declined slightly during this 10-year period from 3,963 in FY2001 to 3,783 in FY2010.

**Figure 31
City of Twentynine Palms
Population Growth Compared to
School Enrollment Growth
FY2001 - FY2010**

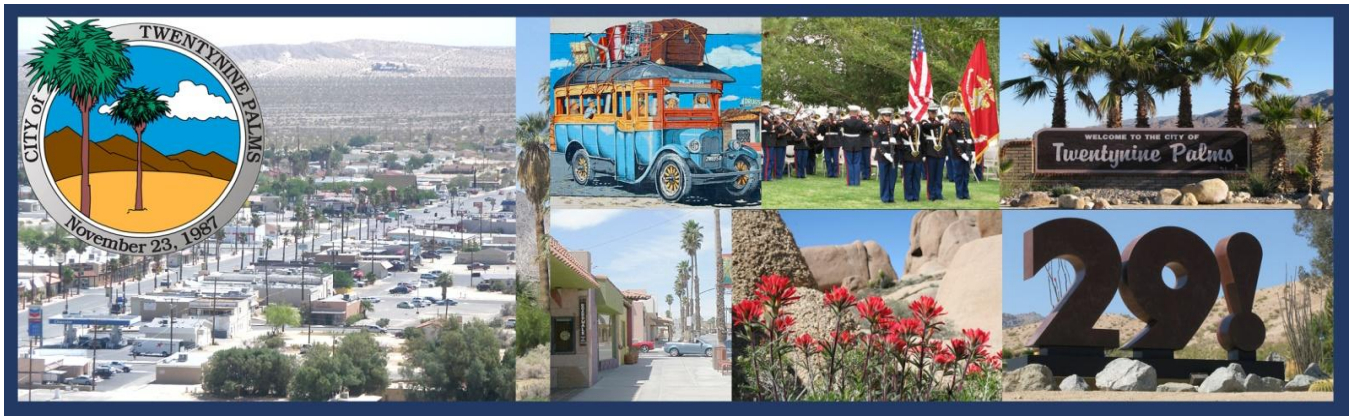


**Source: California Department of Finance
Morongo Unified School District**

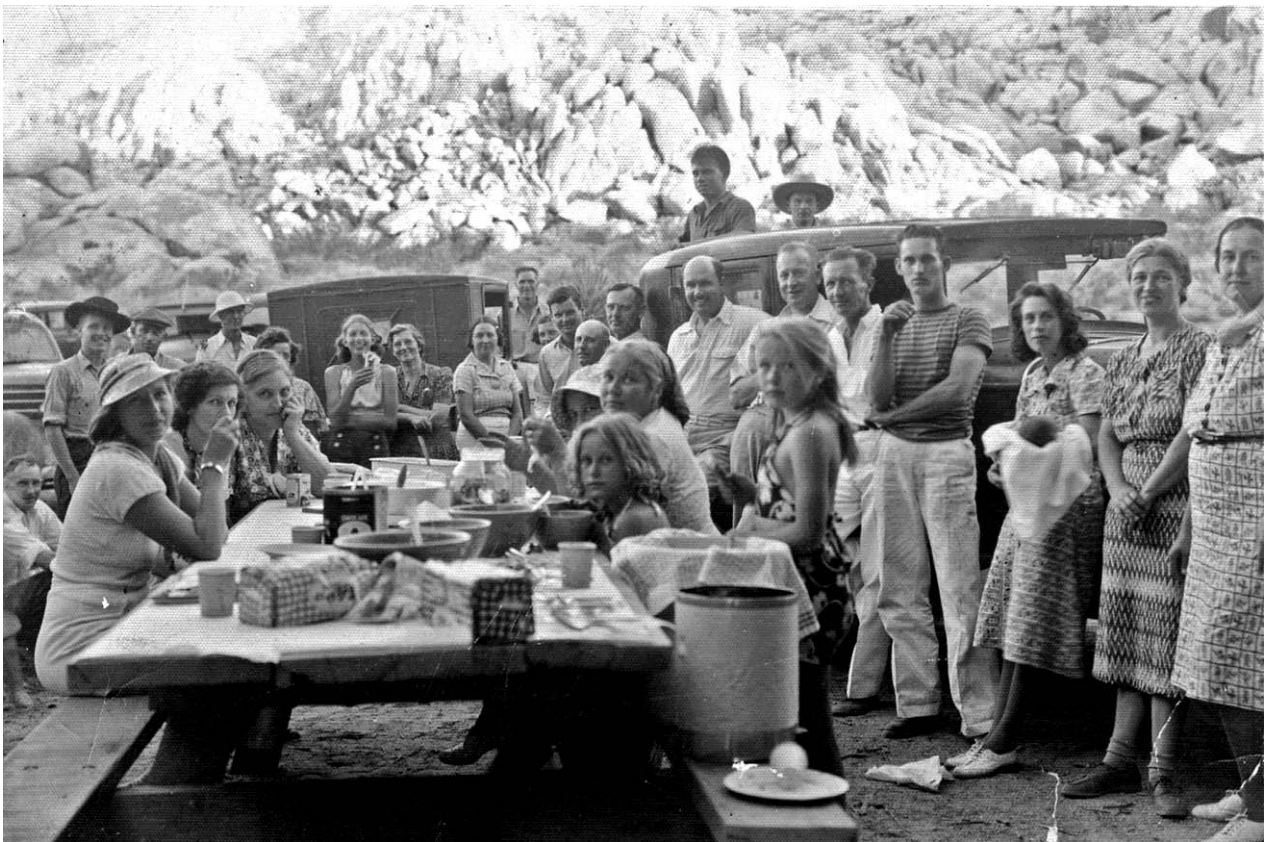
This table shows the growth in City population and school enrollment from FY2001 to FY2010. During this period, the population grew from 30,123 to 30,649. School enrollment did not increase significantly during this period of time. The table shows school enrollment decreased from 3,866 in FY2001 to 3,783 in FY2010.

Figure 32 Miscellaneous Statistics

Date of Incorporation	November 23, 1987
Form of Government	Council/Manager
Number of Employees (Full-time, Part-time, Volunteers)	60
Area in Square Miles	58
Population	30,649
Government Facilities and Services:	
Miles of Paved Streets and Alleys	174
Number of Street Lights	326
Culture and Recreation:	
Community Centers	1
Senior Citizen Centers	1
Parks	4
Park Acreage	80
Swimming Pool Complex	1
Soccer Field	1
Baseball Fields (Luckie Park)	4
Baseball Fields (Knott Sky Park)	1
Fire Protection: Provided by Twentynine Palms Water District	
Number of Stations:	1
Police Protection: Contracted with San Bernardino County Sheriff's Department	
Number of Police Personnel and Officers	11
Number of Patrol Units	4
Elections:	
Registered Voters	5,498
Votes Cast Last Election	3,054
percentage Voting Last Election	56%



SECTION 8 GLOSSARY OF ACRONYMS AND TERMS



Bagley Picnic--1936-37

GLOSSARY OF ACRONYMS

AB:	Assembly Bill
AFY:	Acre Feet Per Year
APB:	Accounting Principles Board
ARB:	Accounting Research Bulletins
ACR:	Annually Required Contributions
ARRA:	American Recovery and Reinvestment Act
AV:	Assessed Valuation
BEGIN:	Build Equity and Growth in Neighborhoods Program
BOE:	Board of Equalization
CAEATFA:	California Alternative Energy and Advanced Transportation Financing Authority
CAL-HFA:	California Housing Finance Agency
CAX:	Combined Arms Exercises
CDF:	California Department of Forestry
CDL:	Commercial Drivers License
CDS:	Credit Default Swaps
CEQA:	California Environmental Quality Act
CalEMA:	California Emergency Management Agency
CalPERS:	California Public Employees Retirement System
CalRECYCLE)	California Department of Resources Recycling and Recovery
CalTRANS:	California Department of Transportation
CARMA:	California Affiliated Risk Management Authorities
CCAA:	California Clean Air Act
CD:	Certificates of Deposit
CDBG:	Community Development Block Grant
CDIAC:	California Debt and Investment Advisory Commission
CERT:	Community Emergency Response Team
CIP:	Capital Improvement Plan
CFMH:	Crime Free Multi-Housing Program
CMAQ:	Congestion, Mitigation and Air Quality Funds
COP:	Certificates of Participation
COPS:	California Citizen Option for Public Safety
CPI:	Consumer Price Index
CRL:	California Redevelopment Law
CSAC:	California State Association of Counties
CSAC-EIA:	California State Association of Counties Excess Insurance Authority
CTC:	California Transportation Commission
CTTC:	California Tourism and Travel Commission
CVB:	Convention and Visitors' Bureau
DARE:	Drug Abuse Resistance Education
DDA:	Disposition and Development Committee
DHS:	Department of Health Services
DOF:	Director of Finance (State of California)
DOJ:	Department of Justice
DMV:	department of Motor Vehicles
DUI:	Driving Under the Influence
DVP:	Delivery v. Payment
EAP:	Employee Assistance Program
EDA:	Economic Development Administration
EIR:	Environmental Impact Report
ERMA:	Employment Risk Management Authority

ERAF:	Education Revenue Augmentation Fund
ESL:	English as a Second Language
FASB:	Financial Accounting Standards Board
FDIC:	Federal Deposit Insurance Corporation
FFCB:	Federal Farm Credit Bank
FHLB:	Federal Home Loan Bank
FMAP:	Federal Medical Assistance percentages
FNMA:	Federal National Mortgage Association
FMOC:	Federal Open market Committee
FSA:	Federally Sponsored Agencies
GAAP:	Generally Accepted Accounting Principles
GAGAS:	Generally Accepted Government Auditing Standards
GC:	Government Code
GIS:	Geographic Information System
GASB:	Government Accounting Standards Board
GFOA:	Government Finance Officers Association of the United States and Canada.
GHG:	Green House Gas
HMO:	Health Maintenance Organization
HOME:	Home Investment Partnerships Program
HUD:	U.S. Department of Housing and Urban Development
ICMA:	International City/County Management Association
IRS:	Internal Revenue Service
JEPA:	Joint Exercise of Powers Act
JPA:	Joint Powers Authority
JTNP:	Joshua Tree National Park
LAFCO:	Local Agency Formation Commission
LAIF:	Local Agency Investment Fund
LGIP:	Local Government Investment Pool
LLC:	Limited Liability Company
LAWCX:	Local Agency Workers Compensation Excess Pool
LTF:	Local Transportation Funds
MAGEC:	Multi-Agency Gang Enforcement Consortium
MAIT:	Morongo Basin Station's Major Accident Investigation Team
MBTA:	Morongo Basin Transit Authority
MCAGCC:	Marine Corps Air Ground Combat Center
MCCS:	Marine Corps Community Services
MDAQMD:	Mojave Desert Air Quality Management District
M&I:	Municipal and Industrial
MIS:	Management Information System
MLO:	Mortgage Loan Originator
MOE:	Maintenance of Effort
NASD:	National Association of Securities Dealers
NCGA:	National Council on Governmental Accounting
NPDES:	National Pollutant Discharge Elimination System
NYMEX:	New York Mercantile Exchange
OPED:	Other Public Employee Benefits
OSH:	Occupational Safety and Health
PARSAC:	Public Agency Risk Sharing Authority of California
PDL:	Pregnancy Disability Leave
PEPIP:	Public Entity Property Insurance Program
PEG:	Public, Education and Government
PFA:	Public Financing Authority
PID:	Project Initiation Documents
PM:	Particulate Matter

POST:	Peace Officer Standards Training
PAAC:	Public Arts Advisory Council
PUC:	Public Utilities Commission
RBCA:	Risk Based Corrective Action Environmental Study
RDA:	Redevelopment Agency
RFP:	Request for Proposal
RHNA:	Regional Housing Needs Assessment
ROG:	Reactive Organic Gases
RP:	Repurchase Agreement
RSTP:	Regional Surface Transportation Program
RTA:	Regional Transportation Agency
RWQCB:	Regional Water Quality Control Board
SAD:	Special Assessment District
SB:	Senate Bill
SCADA:	Supervisory Control and Data Acquisition System
SCAG:	Southern California Association of Governments
SDI:	State Disability Insurance
SERF:	Supplemental Education Revenue Augmentation Fund
SOI:	Sphere of Influence
SRO:	School Resource Officer
SR2S:	Safe Routes to School
STIP:	State Transportation Improvement Program
T-BILLS:	U.S. Treasury Bills
TI:	Tax Increment
TIF:	Tax Increment Financing
TDA:	Transportation Development Act
TDS:	Total Dissolved Solids
TOT:	Transient Occupancy Tax
TPWD:	Twentynine Palms Water District
UI:	Unemployment Insurance
WWTP:	Wastewater Treatment Plant
UWMP:	Urban Water Management Plan
UWMPA:	Urban Water Management Plan Act
USBR:	U.S. Bureau of Reclamation
VLF:	Vehicle License Fees
WAM:	Weighted Average Maturity
WTI:	West Texas Intermediate Crude
YTC:	Yield to Call

GLOSSARY OF TERMS

Absentee Owner: Property owner who owns property at one location, but lives or operates a business at another location.

Accountability: Being obligated to explain one's actions, to justify what one does. Accountability requires governments to answer to the citizenry—to justify the raising of public resources and the purposes for which they are used. Governmental accountability is based on the belief that the citizenry has a “right to know,” and a right to receive openly declared facts that may lead to public debate by citizens and their elected representatives.

Accrual Basis of Accounting: A method of accounting that recognizes the financial effect of transactions, events, and inter-fund activities when they occur, regardless of the timing of related cash flows.

Accrued Interest: The accumulated interest due on a bond as of the last interest payment made by the issuer.

Accumulated Depreciation: A valuation account to record the accumulation of periodic credits made to record the expiration of the estimated service life of fixed assets.

Activity: A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

Actuarial Accrued Liability: Term used in connection with defined benefit pension plans. That portion, as determined by a particular actuarial cost method, of the actuarial present value of pension plan benefits and expenses which is not provided for by future normal costs.

Actuarial Assumptions: Term used in connection with defined benefit pension plans. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and government-provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods; and other relevant items.

Actuarial Cost Method: Term used in connection with defined benefit pension plans. A procedure for determining the actuarial present value of pension benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a normal cost and an actuarial accrued liability.

Actuarial Value of Assets: Term used in connection with defined benefit pension plans. The value of cash, investments, and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation. The actuarial value of assets, which may represent an average value over time, normally differs from the amount reported in the financial statements, which is a point-in-time measure (i.e., as of the date of the statement of net assets).

Ad Valorem Tax: A tax assessed based on the dollar value of an item or activity. Typical examples are property taxes and sales taxes. Ad valorem taxes, contrast with per-unit taxes, such as alcoholic beverage and cigarette taxes, which are assessed at a fixed dollar per unit purchased.

Adopted Budget: The official budget as approved by the Twentynine Palms City Council at the start of each fiscal year.

Advance Refunding: A transaction in which new debt is issued to provide monies to pay interest on old, outstanding debt as it becomes due, and to pay the principal on the old debt either as it matures or at an earlier call date. An advance refunding occurs before the maturity or call date of the old debt, and the proceeds of the new debt are invested until the maturity or call date of the old debt. Most advanced refundings result in defeasance of debt.

Agency: A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Agency Fund: One of the types of a Fiduciary Fund Type. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Amortization: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Annual Appropriated Budget: The expenditure authority and related estimated revenues created by the appropriation bills or ordinances that are approved by the Twentynine Palms City Council and signed into law by the Mayor. The annual appropriated budget would include all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes.

Annual Required Contribution (ACR): Term used in connection with defined benefit pension plans. The employer's mandated contribution for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting.

Appropriation: A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and as to the time when it may be expended.

Arbitrage: The simultaneous purchase and sale of the same or an equivalent security in order to profit from price discrepancies. In government finance, the most common occurrence of arbitrage involves the investment of the proceeds from the sale of tax-exempt securities in a taxable money market instrument that yields a higher rate, resulting in interest revenue in excess of interest costs.

Assessed Valuation: A valuation set upon real estate or other property by a government as a basis for levying taxes. Assessed value multiplied by the tax rate determines the property tax.

Assessment District. A defined area of land which will be benefited by the acquisition, construction or maintenance of a public improvement. An assessment district is not a separate government entity.

Audit: A review of the City's accounts by an independent auditing firm to substantiate year-end fund balances, reserves, cash on hand, revenues, and expenditures.

Availability Criterion: Principle of the modified accrual basis of accounting according to which revenues may only be recognized when they are collectible within the current period or soon enough thereafter to be used to pay liabilities.

Availability Period: A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.

Average Life: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Base Value: The total assessed value of property within a Redevelopment Agency project area in the year in which the redevelopment project is approved.

Base Year: The year in which the Redevelopment Agency plan is adopted.

Basis of Accounting: The time of recognition, that is, when the effects of transactions or events should be recognized for financial reporting purposes. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus.

Basis Point: A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 % of yield, e.g., "1/4" of 1 % is equal to 25 basis points.

Benefit Assessment. Charges levied on parcels to pay for public improvements or services provided within a pre-determined district or area according to the benefit the parcel receives from the improvement or services.

Benefit Assessment Bonds. Bonds levied by cities, counties and special districts to acquire or construct public improvements which convey a special benefit to a defined group of properties.

Benefit Assessment District: An area of the City, established in accordance with State law, whose residents pay an annual assessment for service which specifically benefits them.

Betterment: An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The cost of the addition or change is added to the book value of the asset. The term "improvement" is preferred.

Bid: The indicated price at which a buyer is willing to purchase a security or commodity.

Blighted Areas: Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of health, safety, and general welfare of the people of the community and the state.

Book Value: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Bond: A written promise to pay a specific sum of money called the face value or principal amount, at a specified date or dates in the future, called maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a period of time and requires greater legal formality.

Bond Resolution: A legal order or contract by a governmental unit to authorize a bond issue. A bond resolution carefully details the rights of the bondholders and the obligations of the issuer.

Broker: A broker brings buyers and sellers together for a commission. He or she does not take a position.

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term “budget” is used in two senses in practice. It can designate the financial plan presented to the appropriating body for adoption or the plan finally approved by that body.

Budget Document: The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of three parts. The first part contains a message from the budget-making authority, together with a summary of the significant financial data supporting the summary. These schedules show in detail the information as to past years’ actual revenues, expenditures and other data used in making estimates. The third part is composed of drafts of the appropriation, revenue and borrowing measures necessary to put the budget in effect.

Budget Message: A general discussion of the annual budget as presented in writing by the budget-making authority to the legislative body. The budget message should contain an outline of the government’s experience during the past period of financial reporting and its financial status at the time of message, and recommendations regarding the financial policy for the coming period.

Budgetary Control: The control or management of a government or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

Business-Type Activities: One of two classes of activities reported in the government-wide financial statements. Business-type activities are financed in whole or part by fees charged to external parties for goods or services. These activities are usually reported in Enterprise Funds.

California Community Redevelopment Law (CRL): Redevelopment law of the state contained in California Health and Safety Code, Division 24, Part 1 (Section 33000 et seq.)

California State Board of Equalization (BOE): California state agency responsible for the collection and administration of the state’s sales and use, alcohol, tobacco, and other taxes. In addition the BOE determines the assessed value of certain properties and oversees property tax assessment practices of county assessors.

California State Controller: The Controller is the Chief Fiscal Officer of the state and is elected every four years. The controller is responsible to: account and disburse all state funds; determine the legality and accuracy of claims against the state; pay the state’s bills; audit and process all personnel and state payroll transactions; audit various state and local government programs; administer the Unclaimed Property Law; and inform the public of financial transactions of city, county and district governments.

Callable Bond: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond’s original issue price to compensate the holder for loss of income and ownership.

Call Risk: The risk to a bondholder that a bond may be redeemed prior to maturity.

Capital and Related Financing Activities: Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit.

Capital Assets: Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital Expenditure: A Capital Expenditure is an outlay of funds for fixed assets, including land, buildings, machinery, equipment, construction in progress, design in progress, improvements and infrastructure with an original cost of \$5,000 or more.

Capital Improvements Plan (CIP): A plan for capital expenditure to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program of the City. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures.

Capital Projects Fund: A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds, and trust funds).

Certificate of Deposit (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD's are typically negotiable.

Capital Outlay: A budget category which includes all equipment having a unit cost of more than \$500 and a useful life of more than one year.

Cash: The term, used in connection with cash flow reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash Sale/Purchase: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Categorical Grant: Grant typically allocated either to qualifying applicants according to a formula or to applicants competing for project grants through an application process. Categorical grants are the most common form of federal aid.

Collateral: Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

Commercial Paper: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Component Unit: A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Consumer Price Index (CPI): A statistical description of price levels provided by the U.S. Department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

Contributed Capital: This equity is obtained from other sources (e.g., capital grants). Thus it is somewhat like "capital stock" and "paid-in-capital in excess of par" for private enterprises. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

Convexity: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Cost-Reimbursement Basis: Term used in connection with internal service funds. The setting of charges so that costs are systematically recovered on a break-even basis over time.

Coupon Rate: The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.”

County Assessor: An elected official whose main duty is to set values on real property for the purpose of taxation within the county. The Assessor is responsible for the creation and maintenance of assessor parcels from final subdivisions, parcel maps, lot line adjustments, record of survey, deeds and miscellaneous documents.

County Auditor-Controller: The chief accounting officer of the county established to provide various accounting and property tax administration services to the county and other local governments within the county. The Auditor-Controller is responsible for budget control, disbursements and receipts, financial reporting, and for audits of certain agencies within the county. Auditor-Controllers are nonpartisan elected officials serving four-year terms.

County Treasurer-Tax Collector: Administers the billing, collection, and reporting of property tax revenues and conducts Tax Defaulted Property Sales for real property tax delinquencies remaining after five years. Treasurer-Tax Collectors are nonpartisan elected officials serving four-year terms.

Credit Quality: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current: A term which, applied to budgeting and accounting, designates the operation of the present fiscal period as opposed to past or future periods. It usually connotes financial resources likely to be used or converted into cash within one year.

Current Yield (Current Return): A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Dealer: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his or her own account.

Debt Financing: Issuance of bonds and other debt instruments to finance municipal improvements and services.

Debt Instrument: Written pledge to repay debt such as bills, notes and bonds.

Debt Service: Payment of principal and interest on long-term indebtedness.

Debt Limit: The maximum amount of gross or net debt that is legally permitted.

Debt Service Fund: Governmental Fund Type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deferred Revenues: Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Deficit: (1) The excess of liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period, or in the case of proprietary funds, the excess of expenses over income during an accounting period.

Defined Benefit Pension Plan: A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

Delivery Versus Payment (DVP): A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Demolition: Clearance or removal of a structure in order to carry out the Redevelopment Agency redevelopment plan.

Department: An organizational unit comprised of divisions or programs. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

Depreciation: The expiration in the service life of fixed assets, other than wasting assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. (2) The portion of the cost of a fixed asset other than a wasting asset which is charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, is charged with a portion of such cost. Through this process, the entire cost of asset is ultimately charged off as an expense.

Derivative Security: Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Development Impact Fees: Fees placed on the development of land or conditions required for the approval of a development project such as the donation (“dedication” or “exaction”) of certain lands (or money) to specific public uses. The fees are typically justified as an offset to the future impact that development will have on existing infrastructure.

Direct Costing: Term used in connection with the valuation of capital assets. Use of source data (e.g., invoices) to establish the historical cost of a capital asset.

Discount: The amount by which the par value of a security exceeds the price paid for the security.

Diversification: Dividing investment funds among a variety of securities offering independent returns.

Documentary Transfer Tax: Tax imposed on documents recorded in the transfer of ownership in real estate as distinguished from a Real Property Transfer Tax which may only be imposed by Charter Cities.

Duration: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Earmarked Funds: Funds that have been tagged or “earmarked” for a specific purpose.

Economic Resources Measurement Focus: Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity’s net assets. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It also is used by business enterprises and not-for-profit organizations in the private sector.

Education Revenue Augmentation Fund (ERAF): Accounts established by the State Legislature to receive shifts of property tax revenues from cities, counties, special districts, and redevelopment agencies. The additional ERAF property tax revenues to schools enable the State General Fund to reduce support from the State General Fund, thereby saving the state billions of dollars annually.

Effectiveness: Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful in achieving its goals and objectives.

Efficiency: Term used in connection with the evaluation of internal controls and performance measurement. The degree to which an entity, program, or procedure is successful at achieving its goals and objectives with the least use of scarce resources. Efficiency necessarily presupposes effectiveness.

Eminent Domain: Authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). Also known as condemnation.

Encumbrances: Commitments related to unperformed (executory) contracts for goods and services.

Enterprise Fund: This fund type accounts for operations that are financed and run like a private business. It enables the governing body to provide goods or services to the general public on a continuing basis through user charges.

Excise Tax: Tax placed on a person for a voluntary act, making the tax avoidable. It includes sales and use tax, business license tax, transient occupancy tax (TOT) utility users tax, etc. Phrase “excise tax” is most commonly used to refer to a parcel tax.

Exemption: The exclusion from the tax base of certain types of transactions or objects. For example, federally-owned land is exempt from property taxes.

Expenditures: Decreases in net financial resources. Expenditures include current operating expenses which require the current or future use of net current assets, debt service and capital outlays. It includes the measurement focus classified as *other financing uses*.

Fair Value: Term used in connection with the valuation of investments. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Deposit Insurance Corporation (FDIC): A Federal agency that insures bank deposits, currently up to \$250,000 per deposit.

Federal Accounting Standards Advisory Board: Authoritative standard-setting body responsible for establishing Generally Accepted Accounting Principles (GAAP) for the federal government.

Federal Funds (Fed Funds): Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate: Interest rate charged by one institution lending federal funds to the other.

Federal Reserve System: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C.; 12 regional banks and about 5,700 commercial banks are members of the system.

Fee: A charge to the consumer for the cost of providing a particular service. California government fees may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, plus overhead.

Fiduciary Funds: Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The Fiduciary Fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds.

Final Amended Budget: Term used in connection with budgetary reporting. The original budget adjusted by all reserves, transfers, allocations, supplementary appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

Financial Accountability: Term used in connection with the definition of the financial reporting entity. The level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or jointly appointed board that is financially dependent on the primary government.

Financial Accounting Standards Board (FASB): The authoritative accounting and reporting standard-setting body for business enterprises and not-for-profit organizations. The FASB is the direct successor of the Committee on Accounting Procedure and the Accounting Principles Board. The GASB and its predecessors have elected to apply a number of FASB's standards, as well as those of its predecessors, to state and local governments.

Financial Audits: Audits designed to provide independent assurance of the fair presentation of financial information.

Financial Resources: Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and pre-pays (because they obviate the need to expend current available financial resources).

Finding: Term used in conjunction with public-sector auditing. Published communication of an internal control weakness or instance of noncompliance in connection with an audit conducted in accordance with GAGAS.

Fines, Forfeitures and Penalties: Revenues received and/or bail monies forfeited upon conviction of a misdemeanor or municipal infraction.

Fiscal Accountability: The responsibility of governments to justify that the actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year). This term is used in contrast to *operational accountability*.

Fiscal Funding Clause: Term used in connection with capital leases. A clause in a lease agreement that generally provides that the lease is cancelable if the City Council or other funding authority does not appropriate the funds necessary for the government unit to fulfill its obligations under the lease agreement.

Fiscal Year: A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operation. Nearly all city fiscal years begin on July 1 and end June 30 of the following year.

Five percent Criterion: Second of two tests used to determine whether a given governmental fund or enterprise fund must be reported as a major fund in the basic financial statements. This test is applied to the combined total

assets, liabilities, revenues or expenses/expenditures of all governmental and enterprise funds for which the 10 % criterion has been met.

Fixed Assets: Assets of a long-term nature which are intended to continue to be held or used such as land, buildings, improvements other than buildings, machinery, and equipment.

Franchise Act of 1937: Like the Broughton Act, restricts franchise collections to 2% of gross annual receipts, but includes a minimum fee of 2% of gross annual receipts, and includes a minimum fee of ½% of gross annual receipts for electric franchises or 1% of gross annual receipts for gas or water franchises operating within the City limits.

Franchise Fee: A fee levied upon utilities operating within the City limits which is based upon the gross revenue of the utility.

Full Accrual: This accounting method recognizes transactions and events as revenues/gains and expenses/losses when they occur, regardless of the timing of related cash flows. Proprietary funds rely upon this accounting method. In contrast, governmental funds rely upon “modified accrual” accounting.

Full Faith and Credit: Pledge by issuer of general obligation to bondholders that issuer “guarantees all available funds” be used to pay bondholders should the project go into default.

Function: A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., *public safety*).

Functional Revenue: Revenues that can be associated with and allocated to one or more expenditure function and which meet one of the following criteria: (1) the revenue is generated from direct services, such as revenue from fees or charges; (2) the revenue associated with a specific service by external requirements, such as grant conditions, bond sale agreements, or statutory or charter requirements.

Fund: An independent fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund Balance: The difference between assets and liabilities reported in a Governmental Fund.

Fund Classifications: One of three categories (Governmental, Proprietary, and Fiduciary) used to classify fund types.

Fund Type: One of 11 classifications into which all individual funds can be categorized. Governmental Fund Types include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds. Proprietary Fund Types include Enterprise Funds and Internal Service Funds. Fiduciary Fund Types include Pension (and other employee benefit) Trust Funds, Investment Trust Funds, Private- Purpose Trust Funds, and Agency Funds.

General Fixed Assets: Fixed assets used in operations accounted for in governmental funds. General Fixed Assets include all fixed assets not accounted for in proprietary funds or in trust and agency funds.

General Fund: The General Fund is one of five Governmental Fund Types and typically serves as the chief operating fund of a government. This fund is used to account for all financial resources except those required to be accounted for in another fund.

General Law City: A city that has not adopted a charter and is therefore bound by the State’s general laws, even with respect to municipal affairs. In contrast, charter cities have authority over “municipal affairs,” trumping state law governing the same topic.

General Revenues: All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by the type of tax---for example, sales tax, property tax, franchise tax, income tax. All other non-tax revenues (including interest, grants, and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

General Obligation (GO) Bonds: Bonds for the payment of which the full faith and credit of the issuing government are pledged.

General Revenue: Those revenues that cannot be associated with a specific expenditure, such as property taxes (other than voter approved indebtedness), sales tax, and business license tax.

General Tax: A tax imposed for general governmental purposes, the proceeds of which are deposited into the General Fund. A majority vote of the electorate is required to impose, extend or increase any general tax.

Generally Accepted Accounting Principles (GAAP): The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS NO. 69, *The Meaning of "Present in Conformity with Generally Accepted Accounting Principles" in Independent Auditor's Report*.

Generally Accepted Government Auditing Standards (GAGAS): Standards for the conduct and reporting of both financial and performance audits in the public sector. The General Accounting Office promulgates GAGAS through its publication *Government Auditing Standards*, commonly known as the *Yellow Book*. The basic GAGAS standards are classed into three broad categories: general standards, fieldwork standards, and reporting standards. The general standards of GAGAS establish separate fieldwork and reporting standards for financial audits and performance audits. The fieldwork standards and reporting standards used for financial audits build upon the standards of fieldwork and the standards of reporting of GAGAS.

Governmental Accounting Standards Board (GASB): The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. GASB was established in June 1984 to replace National Council on Government Accounting (NCGA).

Governmental Activities: Activities generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are usually reported in governmental funds and internal service funds.

Governmental Funds: Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds.

Grants: Contributions of cash or other assets from another governmental agency to be used or expended for a specific purpose, activity or facility.

Homeowner's Property Tax Relief: Revenue from the state to offset city loss of property tax for state-imposed \$7,000 per dwelling homeowner exemption.

Improvement Bond Act of 1915: State law which allows cities, counties, and "public" districts to issue assessment bonds and bond anticipation notes. The Improvement Bond Act of 1915 Act does not authorize assessments.

Infrastructure: Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, sewer lines, storm drain lines, telephone lines, etc.

Improvement: An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its capacity. The cost of the addition or change is added to the book value of the asset.

Improvements Other than Buildings: A fixed asset account which reflects acquisition value of permanent improvements other than buildings, which add value to land. Examples of such improvements are fences, retaining walls, sidewalks, pavements, gutters, tunnels, and bridges.

Independent Auditor: Auditors who are independent, both in fact and appearance, of the entities they audit. Both GAAS and GAGAS set specific criteria that must be met for an auditor to be considered to be independent.

Indirect Expenses: Expenses that cannot be specifically associated with a given service, program, or department and thus, cannot be clearly associated with a particular functional category.

Infrastructure: Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Interest Rate: See “Coupon Rate.”

Interest Rate Risk: The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Interfund Activity: Activity between funds of the City of Twentynine Palms, Twentynine Palms Redevelopment Agency and the Twentynine Palms Public Finance Authority. Interfund activities are divided into two broad categories: reciprocal and nonreciprocal. Reciprocal interfund activity comprises interfund loans and interfund services provided and used. Nonreciprocal interfund activity comprises interfund transfers and interfund reimbursements.

Interfund Loans: Amounts provided between funds and blended component units of the primary government with a requirement for repayment.

Interfund Transfers: Flows of assets (such as cash or goods) between funds and blended component units of the City of Twentynine Palms without equivalent flows of assets in return and without a requirement for repayment.

Internal Control Framework: An integrated set of policies and procedures designed to assist management to achieve its goals and objectives. To be truly comprehensive, a government’s internal control framework must (a) provide a favorable control environment, (b) provide for the continuing assessment of risk, (c) must provide for the design, implementation, and maintenance of effective control-related policies and procedures, (d) must provide for the effective communication of information, and (e) must provide for the on-going monitoring of the effectiveness of control-related policies and procedures as well as the resolution of potential problems identified by controls.

Internal Service Funds: Proprietary Fund Type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

Inventory: A detailed list showing quantities, descriptions and values of property, and, frequently, units of measure and unit prices.

Investments: Securities and real estate held for the production of revenues in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

Investment Activities: Term used in connection with cash flows reporting. Investing activities include making and collecting loans (except program loans) and acquiring and disposing of debt or equity instruments.

Investment Earnings: Revenue earned from the investment of idle public funds.

Investment Policy: A concise and clear statement of the objectives and parameters by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Joint Powers Authority (JPA): The Joint Exercise of Powers Act authorizes local public agencies to exercise common powers and to form joint powers authorities (“JPA”) for the purpose of jointly receiving or providing specific services.

LAIF (Local Agency Investment Fund): A special fund in the State Treasury which local agencies may use to deposit funds for investment. State law prohibits LAIF from impounding any depositor’s funds and prohibits the fund from declaring bankruptcy. The LAIF fund is highly liquid in addition to being considered one of the most conservative of all investments. State statutes define and authorize the permissible investments of the fund.

Land: A fixed asset account which reflects the cost of land owned by the City of Twentynine Palms, the Twentynine Palms Redevelopment Agency or the Twentynine Palms Public Finance Authority.

Landscaping and Light Act of 1972: The 1972 Act lets cities, counties and special districts levy assessments for land purchase and the construction, operation, and maintenance of parks, landscaping, lighting, traffic signals and graffiti abatement.

Landscape and Lighting Assessment District: An area of the City established in accordance with State law where residents pay an annual assessment for a service which specifically benefits them. This area of the law is much broader in defining services eligible for funding than that portion of the law relating to Benefit Assessment Districts (BAD). As such, a broader range of services are funded by Landscaping and Lighting Assessment Districts including park maintenance, street lighting and graffiti removal.

Lapse Period: A specified time at the beginning of a given budget period during which encumbrances outstanding at the end of the prior budget period may be liquidated using the prior year’s budgetary authority. Many governments avoid the use of a lapse period by automatically appropriating as part of each new budget an amount sufficient to cover encumbrances outstanding at the end of the prior budget period.

Levy: (Verb) To impose taxes, special assessments or service charges for the support of governmental activities; (noun) the total amount of taxes, and/or special assessments and/or service charges imposed by a governmental agency.

Licenses and Permits: Charge designated to reimburse City for costs of regulating activities being licensed, such as licensing of animals, bicycles, etc.

Lien: A claim on assets, especially property, for the payment of taxes or utility service charges.

Limited Obligation Bonds: Similar to general obligation bonds except that security for the issuance is limited exactly to the revenues pledged in the bond statement and not to the full faith and credit of the City.

Liquidity: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

Local Government Investment Pool: An investment by local governments in which their money is pooled as a method for managing local funds.

Machinery and Equipment: Tangible property of a more or less permanent nature, other than land or buildings, and improvements thereon. Examples are machinery, tools, trucks, automobiles, furniture, and furnishings.

Maintenance of Effort (MOE): A requirement, often as a condition of an intergovernmental subvention or supplemental tax, to maintain a level of spending at a certain level. Maintenance of Effort (MOE) requirements are intended to prevent or limit the use of the additional revenues to supplant existing revenues such that the new revenues result in an increase in the level of program spending and services.

Major Fund: A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 % of corresponding totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other government or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

Major Program: Term used in the context of Single Audits. As part of the Single Audit, the independent auditor must gain an understanding of internal controls over compliance for each major federal award program and then test those controls. In addition, the independent auditor must render an opinion on whether the government complied with laws, regulations, and provisions of controls or grant agreements that could have a direct and material effect on each federal award program

Mark-to-Mark: The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market-Based Pricing: Recent trend in pricing public services which uses the marketplace to regulate individual consumer behaviors consistent with overall societal goals by including the true cost of the service on society.

Market Risk: The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: (1) What a willing seller could reasonably expect to receive if he or she were to sell the property on the open market to a willing seller; (2) current market price of a security.

Marks-Roos Bonds: Bonds authorized by the Marks-Roos Local Bond Pooling Act of 1985 which provide local agencies with flexible financing powers through participation in joint powers authorities.

Matching Requirement: A requirement that a grant recipient contribute resources to a program that equals or exceed a predetermined percentage of amounts provided by the grantor.

Material Weakness: A reportable condition (internal control weakness) of such magnitude that it could potentially result in material misstatement of financial statements.

Materiality: The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position, but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Measurement Focus: The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources, but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, Proprietary Fund financial statements, and Fiduciary Fund financial statements is economic resources. The measurement focus of Governmental Fund financial statements is current financial resources.

Mello-Roos Bonds: Bonds allowing cities, counties, school districts and special districts to finance certain public capital facilities and services, especially in developing areas and areas undergoing rehabilitation. Property owners in the Mello-Roos district pay an annual special tax which is included on the property tax bill.

Mello-Roos Community Facilities Tax: Special non ad valorem tax imposed to finance public capital facilities and services in connection with new development.

Modified Accrual Basis: The accrual basis of accounting adapted to the Governmental Fund Type-Spending Measurement Focus. Under it, revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Expenditures are recognized when the related fund liability is incurred except for the following: (1) inventories of materials and supplies which may be considered expenditures either when purchased or when used; (2) prepaid insurance and similar items which need not be reported; (3) accumulated unpaid vacation, sick pay and other employee benefit amounts which need to be recognized in the current period, but for which larger-than-normal accumulations must be disclosed in the notes to the financial statements; (4) interest on special assessment indebtedness which may be recorded when due rather than accrued, if approximately offset by interest earnings on special assessment levies; and (5) principal and interest on long-term debts which are generally recognized when due. All government funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Money Market Investment: A short-term, highly liquid debt instrument, including commercial paper, bankers acceptances, and U.S. Treasury and agency obligations. Asset-backed securities, derivatives, and structured notes are not included in this term.

Motor Vehicle License Fee (VLF): The motor vehicle license fee (VLF) is a fee for the privilege of operating a vehicle on public streets. The VLF is levied annually at 2% of the market value of motor vehicles and is imposed by the state "in lieu" of local property taxes. VLF is also called Motor Vehicle In-Lieu Tax.

Municipal Facilities Development Impact Fee: A development impact fee levied upon new development to offset the impact that new development has upon specific City facilities and services.

National Association of Securities Dealers (NASD): A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

National Council on Governmental Accounting (NCGA): The immediate predecessor of the GASB as the authoritative accounting and financial reporting standard-setting body for state and local governments. The NCGA issued seven statements and 11 interpretations prior to its dissolution in June 1984. These statements and interpretations remain in effect unless superseded by a subsequent GASB pronouncement.

Negotiated Sale: What the price to be paid for land and improvements is mutually agreed upon by buyer and seller.

Net Asset Value: The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which include securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.

Net Income: Proprietary fund excess of operating revenues, non-operating revenues, operating transfers-in over operating expenses, non-operating expenses, and operating transfers-out.

Nexus: In general, a minimum threshold of connection necessary within a taxing jurisdiction to allow taxing authority over out-of-state individuals or businesses. Requirement of Government Code Sections 66000 et seq. that there be a reasonable connection (“nexus”) between required development impact fees and the development project in question.

Nominal Yield: The stated rate of interest that a bond pays its current owner, based on per value of the security. It is also known as the “coupon”, “coupon rate”, or “interest rate.”

Non-Operating Revenues: Proprietary Fund revenues which are directly related to the funds primary service activities. They consist primarily of user charges for services.

Number of Funds Principle: The principle that only the minimum number of funds consistent with legal and operating requirements should be established, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.

Offer: An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask Price.”

Operating Activities: Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, non-capital financing, or investing activities.

Operating Income: The excess of proprietary fund operating revenues over operating expenses.

Operational Accountability: Governments’ responsibility to report the extent to which they have met their operating objectives efficiently and effectively, using all resources available for this purpose, and whether they can continue to meet their objectives for the foreseeable future.

Original Budget: The first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes before the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law. For example, a legal provision may require the automatic rolling forward of appropriations to cover prior-year encumbrances.

Ordinance: A formal legislative enactment by the governing board of a municipality. If it is not in conflict with any higher form of law, such as a statute or a constitutional provision, it has the full force and effect of law within the boundaries of the municipality to which it applies. The difference between an ordinance and a resolution is the latter requires less legal formality and has a lower legal status. Ordinarily, the statutes or charter will specify or imply those legislative actions which must be by ordinance and those which may be by resolution. Revenue raising measures such as the imposition of taxes, special assessments, and service charges universally require ordinances.

Other Financing Source: An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

Other Financing Use: A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the other financing uses category is limited to items so classified by GAAP.

Outcome Measures: Term used in connection with service efforts and accomplishments reporting. Indicators that measure accomplishments or results that occur (at least partially) because of services provided. Results also include measure of public perceptions of outcomes.

Output Measures: Term used in connection with service efforts and accomplishments reporting. Indicators that measure the quantity of services provided. Output measures include both measures of the quantity of service provided and measures of the quantity of a service provided that meets a certain quality requirement.

Overlapping Debt: Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the City of Twentynine Palms. Except for special assessment debt, the amount of debt of each unit applicable to the City of Twentynine Palms is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Par: Face value or principal value of a bond, typically \$1,000 per bond.

Parcel Tax: Special non ad valorem tax on parcels of property generally based on either a flat per-parcel rate or a variable rate depending on the size, use and/or number of units on the parcel.

Pass Through Agreements: Agreements entered into by the redevelopment agency (RDA) whereby some or all of the tax increment originating from a particular taxing agency is refunded.

Pension Plan: An arrangement for the provision of pension benefits in which all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined in the terms of the plan.

Pension Trend Data: Actuarially based data over time concerning the funding progress of a defined benefit pension plan and employer's actual and annual required contributions to the plan.

Performance Audit: Auditing designed to evaluate the effectiveness or efficiency of an organization, program, or activity.

Performance Measurement: Commonly used term for service efforts and accomplishments reporting.

Portfolio: Collection of investment securities held by the City of Twentynine Palms, the Twentynine Palms Redevelopment Agency or the Twentynine Palms Public Finance Authority.

Positive Yield Curve: A chart formation that illustrates short-term securities having lower yields than long-term securities.

Possessory Interest: Taxable private ownership of interest in tax-exempt public property.

Primary Government: Term used in connection with defining the financial reporting entity. A state government or general purpose local government such as the City of Twentynine Palms is a primary government.

Prime Rate: A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal: The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Private-Purpose Trust Funds: A Fiduciary Trust Fund Type used to report all trust arrangements, other than those properly reported in Pension Trust Funds or Investment Trust Funds, under which principal and income benefit individuals, private organizations, or other governments.

Program: Group activities, operations or organizational units directed to attaining specific purposes or objectives.

Project Area: The area which is designated in the redevelopment plan for redevelopment and revitalization.

Property Related Fee: A levy imposed on a parcel or upon a person as an incident of property ownership for property-related service.

Property Tax: An ad valorem tax imposed on real property (land and permanently attached improvements) and tangible personal property (movable property).

Property Tax In Lieu of Vehicle License Fee (VLF): Property tax shares and revenues allocated to cities and counties beginning in FY2004-2005 as compensation for Vehicle License Fee (VLF) revenues previously allocated to cities and counties by the state.

Proposition 1A (2004): Voter approved state constitutional amendment protecting most major city, county and special district revenues from reduction or shifting by the State Legislature.

Proposition 1A (2006): Voter approved Constitutional amendment protecting the local allocation of state transportation sales tax revenues under Proposition 42 from reduction or shifting by the State Legislature.

Proposition 4 (1979): Also called the Gann Initiative. This initiative is now Article XIII B of the State Constitution, was drafted to be a companion measure to Proposition 13, Article XIII A of the Constitution. Article XIII B limits growth in government spending to changes in population and inflation.

Proposition 8 (1978): An amendment to Proposition 13, passed in November 1978 to allow County Assessors to recognize declines in value for property tax purposes. Revenue and Taxation Code Section 51 requires the Assessor to annually enroll either a property's Proposition 13 base year value factored for inflation, or its market value as of January 1st, whichever is less.

Proposition 13 (1978): Article XIII A of the California Constitution, commonly known as Proposition 13, which limits the maximum annual increase of any ad valorem tax on real property to 1% of the full cash value of such property.

Proposition 42 (2002): Voter approved measure that directs the State Legislature to allocate revenues derived from the taxable sales of gasoline to certain transportation programs including cities and counties.

Proposition 98 (1990): This measure establishes a minimum level of funding for public schools and community colleges and provides that any state revenues in excess of the appropriations limit be spent on schools.

Proposition 111 (1994): Voter approved measure that increased the state Motor Vehicle Tax by \$0.09 per gallon and made certain adjustments to the spending limits under Proposition 4 (1979).

Proposition 172 (1993): A 1993 measure which places a one-half cent sales tax for local public safety in the Constitution effective January 1, 1994. The tax is imposed by the state and distributed to cities and counties.

Proposition 218 (1996): A voter approved state Constitutional amendment, self-titled "Right to Vote on Taxes Act" expanded restrictions on local government revenue-raising, allowing voters to repeal or reduce taxes, assessments, fees, and charges through the initiative process; reiterating the requirement for voter approval for

both “special taxes” and “general taxes,” and imposing procedural and substantive limitations on assessments of real property and on certain types of fees.

Proprietary Funds: Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of Proprietary Funds: Enterprise Funds and Internal Service Funds.

Prudent Person Rule: An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called—“legal list”. In other states, the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

Principal: “Face or “par value” of an instrument. It does not include accrued interest.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity; on a bond, the current income return.

Real Property: Land and permanently attached improvements.

Redevelopment: Planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation of all or part of a project area.

Redevelopment Agency: The legislative body of the City of Twentynine Palms designated to act on behalf of the City to direct the redevelopment of designated areas of the City of Twentynine Palms in order to remove urban blight and enhance economic development.

Redevelopment Plan: Plan adopted by the Redevelopment Agency for revitalization and redevelopment of land within the project area in order to eliminate blight and remedy conditions which caused it.

Rehabilitation: To improve, alter, modernize or modify an existing structure to make it safe, sanitary, and decent and/or bring it up to building code standards.

Reimbursement Grant: A grant for which a potential recipient must first incur qualifying expenditures to be eligible. Reimbursement grants are also referred to as “expenditure-driven grants.”

Reimbursement for State Mandated Costs: Article XIII B, Section 6 of the California Constitution which requires the state to reimburse local agencies for the cost of state-imposed programs. Process is commonly called “SB 90” after its original 1972 legislation.

Regulatory Fee: A charge imposed on a regulated action to pay for the cost of public programs or facilities necessary to regulate a business or other activity or mitigate the impacts of the fee payer on the community. A regulatory fee does not include a charge on a property or a property owner solely due to property ownership.

Reliability: The principle that financial information should be verifiable, free from bias, and faithfully represent what it purports to represent.

Relocation: The effort to assist and facilitate re-housing of families and single persons, businesses or organizations who are displaced due to redevelopment activities.

Relocation Assistance: Relocation payments to help families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain other costs.

Rents: Revenues received through the rental of public properties to private parties such as convention space and library facilities.

Repurchase Agreement (repo or RP): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reserved Fund Balance: The portion of a Governmental Fund's net assets that is not available for appropriation.

Resolution: A special or temporary order of the legislative body requiring less formality than an ordinance.

Restricted Assets: Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restricted Net Assets: A component of net assets calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

Retained Earnings: Equity resulting from provision of goods and services. Proprietary fund equity is divided into "contributed capital" and "retained earnings."

Revenue Bonds: Bonds whereby the principal and interest are payable exclusively from the earnings of an Enterprise Fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the Enterprise Fund's property.

Revenues: Increases in governmental fund type net current assets from other than expenditures refunds and residual equity transfers. Under NCGA Statement 1, general long-term debt proceeds and operating transfers-in are classified as "other financing sources" rather than revenues. Increases in proprietary fund type net total assets from other than expense refunds, capital contributions, and residual equity transfers. Under NCGA 1, operating transfers-in are classified separately from revenues.

Reverse Repurchase Agreement (Reverse Repo): An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Safekeeping: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

Sales Tax: A tax imposed on the total retail price of any tangible personal property.

Secured Property: As the property tax is guaranteed by placing a lien on the real property, secured property is that real property in which the value of the lien on the real property and personal property located thereon is sufficient to assure payment of the tax.

Secured Roll: That property tax list containing all assessed property secured by land subject to local taxation.

Securities: Investment instruments such as bonds, stocks and other instruments of indebtedness or equity.

Serial Bond: A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Service Charges: Charges imposed to support services to individuals or to cover the cost of providing such services. The fees charged are limited to the cost of providing the service or regulation required (plus overhead).

Short-Term Financing Methods: Techniques used for many purposes, such as meeting anticipated cash flow deficits, interim financing of a project, and project implementation. Using these techniques involves issuance of short-term notes. Voter approval is not required.

Sinking Fund: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Single Audit: An audit performed in accordance with the Single Audit Act of 1984 (as amended) and the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The Single Audit Act allows or requires governments (depending on the amount of federal assistance received) to have one audit performed to meet the needs of all federal grantor agencies. The Single Audit Act was amended in 1996.

Special Assessment: A compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

Special Assessment District (SAD): A geographic area established by notice of the City Council and with public approval for the purpose of making capital improvements such as the construction of streets or sidewalks, or to accomplish some other public good through the financial participation and assessment of property owners within the area.

Special Revenue Fund: A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditures for specified purposes. Under NCGA Statement 1, the use of Special Revenue Funds is required only when legally mandated.

Special Tax: A tax that is collected and earmarked for a special purpose and deposited into a separate account. A two-thirds vote of the electorate is required to impose, extend or increase any special tax.

Standby Charge: A compulsory charge levied upon real property to defray in whole or in part the expense of providing operating or maintaining public improvements. The charge is “exactd for the benefit which accrues to property by virtue of having water [or other public improvements] available to it, even though the water might not be used at the present time.” Proposition 218 classifies standby charges as “assessments” which must be imposed in compliance with Section 4.25 of Article XIII B of the State Constitution.

Street Lighting Act of 1919: Act authorizing cities to fund the maintenance and operation of street lights.

Subventions: Subsidy or financial support received from county, state or federal government. The state and county currently levy certain taxes that are “subvened” to cities, including motor vehicle license fees, state mandated costs and motor vehicle fuel tax, and Supplemental Law Enforcement Services Fund (SLESF).

Supplemental Property Tax: In the event a property changes ownership, the county collects a supplemental property tax assessment in the current tax year by determining a supplemental value. In future tax periods, the property carries the full cash value.

Swap: Trading one asset for another.

Tangible Personal Property: Movable property.

Tax Allocation Bond: A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increment flowing to the agency as a result of the agency’s revitalization of the project area.

Taxes: Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. This term does not include specific charges made against a particular person or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered on to those paying such charges as, for example, sewer service charges.

Tax-Anticipation Notes: Short-term, interest-bearing note issued by a government in anticipation of tax revenues to be received at a later date. The note is retired from the tax revenues to which it is related.

Tax Base: The objects or transactions to which a tax is applied (e.g., parcels of property, retail sales, etc.). State law or local ordinances define the tax base and the objects or transactions exempted from taxation.

Tax Increment: The increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value.

Tax-Increment Financing: Financing secured by the anticipated incremental increase in tax revenues, resulting from the redevelopment of an area.

Tax Rate: The amount of tax applied to the tax base. The rate may be flat, incremental or a percentage of the tax base, or any other reasonable method.

Teeter Plan: Enacted in 1949, an alternative method for allocating delinquent property tax revenues, authorized by Revenue and Taxation Code Section 4701, in which the County Auditor allocates property tax revenues based on the total amount of property taxes billed, but not yet collected. The county government then collects and keeps the delinquency, penalty and interest payments.

Timeliness: The principle that financial statements must be issued soon enough after the reported events to affect decisions.

Total Return: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. $(\text{Price Appreciation}) + (\text{Dividends Paid}) + (\text{Capital Gains}) = \text{Total Return}$.

Transactions and Use Tax: Also known as an “add-on local sales tax,” a tax imposed on the total retail price of any tangible personal property and the use or storage of such property when sales tax is not paid.

Transient Occupancy Tax (TOT): Tax levied by cities on persons staying 30 days or less in a room(s) in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility. Also called “Transient Lodging Tax” or “Hotel Tax.”

Treasury Bills (T-Bills): A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

Treasury Bond: Long-term U.S. Treasury securities having initial maturities of more than ten years.

Treasury Notes: Intermediate-term coupon bearing U.S. Treasury securities having initial maturities from one year to ten years.

Triple Flip: A mechanism used to repay state fiscal recovery bonds pursuant to Proposition 57 of 2004. Under the triple flip, the local sales and use tax rate is reduced from 1% to 0.75% with the 0.25% diverted to repay state fiscal recovery bonds. Cities and counties are reimbursed for the lost revenue from a shift of property tax revenue.

Understandability: The principle that information in financial reports should be expressed as simply as possible.

Undesignated Unreserved Fund Balance: Available expendable financial resources in a Governmental Fund that are not the object of tentative management plans (i.e., designations).

Unearned Revenue: A type of deferred revenue account used in connection with resources that have not yet been earned.

Unfunded Actuarial Accrued Liability: The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a *negative unfunded actuarial accrued liability*, the *excess of actuarial value of assets over the actuarial accrued liability*, or the *funding excess*.

Unqualified Opinion: An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

Unrealized Revenues: Term used in connection with budgeting. The difference between estimated revenues and actual revenues.

Unrestricted Net Assets: That portion of net assets that is neither restricted nor invested in capital assets (net of related debt).

Unsecured Property: As the property tax is guaranteed by placing a lien on the real property, unsecured property is that real property in which the value of the lien is not sufficient to assure payment of the property tax.

Use Tax: A tax imposed on the use or storage of tangible personal property when sales tax is not paid.

User Fee: Fees charged for the use of a public service or program such as for recreation programs or public document retrieval. User fees for property-related services are referred to as property-related fees.

Utility Connection Fee: Utility connection fees or capacity fees are imposed on the basis of a voluntary decision to connect to a utility system or to acquire the right to use additional capacity.

Vehicle License Fee—Property Tax Swap: The trade of most city and county vehicle license fee (VLF) revenue for additional property tax share and revenue.

Volatility: A degree of fluctuation in the price and valuation of securities.

Voter Approved Property Tax for Indebtedness: Includes ad valorem property taxes levied in addition to the 1% rate for voter approved debt, approved prior to July 1, 1978 or after July 1, 1986.

Yield: The total amount of revenue a government expects to receive from a tax, determined by multiplying the tax rate by the tax base. Also, the annual rate of return on an investment, expressed as a percentage of the investment.