

Budget Guide

CITY OF GLENDALE

BUDGET GUIDE

BUDGET DOCUMENT ORGANIZATION

The Budget Document provides preliminary budgetary information on the City of Glendale. Hard copies of the FY2013-14 Preliminary Budget Document are available from the Administrative Services – Finance Department and an electronic version is also available on the City’s website at www.ci.glendale.ca.us. The Budget Document consists of the following sections:

- *Budget Guide* - The organization of the budget document is explained in this section along with the budget and financial policies for the City. There is a brief discussion of the fund structures and their descriptions.
- *Budget Summaries* - The Budget Summaries section includes various reports which provide a summary of the proposed budget that was presented to the City Council during the public study sessions.
- *Department Budgets* - The Department Budgets section provides a budget summary for each department.

BUDGET POLICIES & PROCEDURES

As the financial plan of action for the City government, the annual budget is an important document, and the process of preparing that plan of action is one of the most significant jobs performed by City personnel during the year. The budget is more than just the financial plan for raising and spending money to operate the city government. It determines the quality and quantity of governmental services, and the method of distributing costs to the various segments of the community through collection of taxes and fees. It defines the services to be rendered by the departments, the level of these services and capital outlays and projects for the upcoming fiscal year.

The proposed budget is compiled from detailed information furnished by the various departments and includes estimates of revenues and expenditures for the ensuing year. These estimates are required to be as nearly uniform as possible and shall include the following:

- An estimate of the expenses for each department.
- Expenditures of corresponding items for the prior and the current fiscal years, including adjustments due to transfers between funds plus an estimate of expenditures to complete the current fiscal year.
- Such information as may be required by the City Council or as the City Manager may deem advisable to submit.
- The recommendations of the City Manager as to the amounts to be appropriated, with reasons therefore, in such detail as the City Council may direct. The City Council shall have power to revise, correct or modify said proposed budgets.

The Charter also provides that the City Council hold a public hearing to solicit public input and adopt the budget on or before June 30. Once adopted, the budget may only be amended or supplemented by 3/5 vote of the City Council. The budget is not a static guideline for city spending but rather a dynamic document subject to constant scrutiny, revision, and adjustment. The budgetary process is a year-long

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continuing process and consists of three distinct phases: *Budget Preparation*, *Budget Authorization*, and *Budget Execution*.

Budget Preparation

Budget Preparation includes determining the objectives and needs of the organization, evaluating courses of action, and determining the means of attaining these objectives. It identifies the key work activities and projects to be done in the ensuing year and the funds to be made available for the said year. It includes determining goals, major projects, services provided, and proposed program changes. It then requires estimating the resources required to achieve the various activities identified for the upcoming year.

The following calendar highlights the significant milestones for preparing the FY 2013-14 Adopted Budget:

January 31.....	Budget Kick-off Meeting
February 4.....	1 st Budget Document Deadline
March 4.....	2 nd Budget Document Deadline
March 7.....	Discussion of CIP Projects & Budget
April 3.....	3 rd Budget Document Deadline
April 11, 18.....	General Fund / Department Review
May 7.....	<i>Budget Study Session #1</i> FY 2012-13 Update & Year-End Projection FY 2013-14 Budget Preview Organizational Profile Council Priorities Department Dashboards & Key Performance Indicators
May 14.....	<i>Budget Study Session #2</i> FY 2013-14 General Fund Proposed Budget General Fund Five Year Forecast Revenue Estimates & Proposed Fee Increases
May 21.....	<i>Budget Study Session #3</i> Capital Improvement Program
May 28.....	<i>Budget Study Session #4</i> Budget Overview Department Budget Presentations Budget Wrap-Up
May 29.....	Final Budget Document Deadline
June 11.....	Public Hearing
June 25.....	Budget Adoption

The process of developing the budget furnishes Department Heads and the City Manager with an opportunity to review departmental work programs, to propose changes in services, to recommend

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revisions in organization structure, to hear and discuss budget requests, and provide feedback regarding City operations.

Budget Authorization

Budget authorization is concerned with legislative hearings, public hearings, and final enactment of the budget, which includes the authorization of funds, possible establishment of tax rates, and the adoption of necessary resolutions to effectuate the budget's plan. Presentation of the budget to the City Council provides the City Manager an opportunity to explain proposed municipal programs to the Council and to focus attention on problems, services and programs that require legislative action or support for implementation. In reviewing the budget, the City Council has an opportunity to evaluate the adequacy of proposed operating programs, to establish the level of municipal services to be rendered, to determine basic organizational and personnel staffing patterns, and to review the efficiency of work methods. The needs of one service can be compared with needs of others, and the desirability of proposed services and programs can be weighed against the taxes or charges required to finance them.

Budget Execution

Budget execution includes more than the traditional concept of assuring that the goals, service levels, and program changes are accomplished. It also ensures that plans and programs are accomplished within budgetary limits and are carried out in an effective, efficient, and timely manner. It also includes:

- Cost Control - The reduction of costs and increase in efficiency and economy through placing the responsibility for cost containment on the individual manager.
- Cost Accounting - The maintaining of records of labor distribution and expenditures to provide full costs in connection with services and programs. These costs are a recurring factor for decision-making.
- Post Audit - The performance of a verification of the propriety of the manner in which funds are expended.
- Management Review - Management review entails a comparison of actual performance to projected goals, service levels, and program changes.

THE ACCOUNTING SYSTEM, FINANCIAL POLICIES, INVESTMENT PORTFOLIO

Accounting System

The City of Glendale's accounting records are maintained in full accordance with all the requirements of Generally Accepted Accounting Principles (GAAP) as established by the Government Accounting Standards Board (GASB). The governmental fund financial statements and the budget are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. However, the proprietary fund financial statements and the budget are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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Financial Policies

The City Council has adopted the following financial policies as a primary guide for the preparation of the City's annual budget:

- I. The City will maintain a balanced operating budget for all governmental funds with ongoing resources equal to or greater than ongoing expenditures.
- II. Resources for the Capital Improvement Program shall be:
 - A. All of the Scholl Canyon Royalty Fees. For FY 2013-14, 100% of the sales tax revenue will be deposited to the General Fund with a 1% transfer of these revenues to the Capital Improvement Fund (401).
 - B. The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.
 - C. The resources for the Scholl Canyon Landfill Post-Closure fund will consist of a transfer of \$1,500,000 from the Capital Improvement Fund (401).
 - D. The Parks Mitigation Fee Fund (405), Library Mitigation Fee Fund (407), and Parks Quimby Fee Fund (408) will derive its resources from Parks and Library Mitigation fees (AB 1600), Parks Quimby fee, as well as fund balance from prior years.
- III. Any transfers from the Capital Improvement Fund to the General Fund will be determined each year during the Budget process, but the goal will be to eliminate the transfers. There is no transfer for FY 2013-14.
- IV. The City will continue to fund all City governmental capital improvements on a "pay-as-you-go" or cash basis, but recognize that there may be times when an alternate financing strategy may be appropriate. Each strategy (General Obligation Bonds, Certificates of Participation, and Lease-Back arrangements, etc.) needs to be considered in light of the specific project and the consequences of each financing strategy.
- V. The City will continue to fund post-employment liabilities on a "pay-as-you-go" or cash basis as the expense is paid out.
- VI. The City will maintain adequate cash, not less than the claims payable, in each self-insurance Internal Service Fund.
- VII. The City will not leverage borrowed money for purposes of increased investment return nor to increase its borrowing capacity.
- VIII. The City will strive to pay competitive market level compensation to its employees.
- IX. The City will continue to comply with all the requirements of Generally Accepted Accounting Principles (GASB). GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, recommends an adoption of a formal comprehensive fund balance policy to serve as the framework upon which consistent operations may be built and sustained.

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- A. Non-spendable Fund Balance – At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on the financial statements.
 - B. Restricted Fund Balance – The restricted fund balances are restricted for specific purposes by third parties or legislative action.
 - C. Committed Fund Balance – The committed fund balances include amounts that can be used only for specific purposes determined by formal action of the City Council. These committed amounts cannot be used for any other purpose unless the City removes or changes the specified use through the same type of formal action taken to establish the commitment.
 - D. Assigned Fund Balances – Comprised of amounts intended to be used by the City of specific purposes but are not restricted or committed. The City reports unspent Capital Improvement Funds' appropriations at the end of the year as Assigned Fund Balances.
 - E. Unassigned General Fund, Fund Balance – The City will strive to maintain a General Fund Reserve (including the Charter required reserve) of 35% and not less than 30% of the budget.
- X. The City will continue to recognize equipment replacement needs and will set aside money into Internal Service Funds for all General Fund equipment on an annual basis. The Fleet/Equipment Management Fund will continue to fund for the replacement of governmental mobile equipment. Effective July 1, 2010, the City restructured the Information Services Department (ISD) and established the ISD Infrastructure Fund to fund and facilitate the replacement of all technology equipment supported by the ISD Department.
 - XI. The City will pursue cost recovery for services funded by governmental funds incorporating defined budgets, specific goals, and measurable milestones.
 - XII. The City will pursue collection activities that will yield the highest amount of revenue that is due to the City while minimizing the costs incurred to do so.
 - XIII. The City will continue to maintain an Investment Committee with the primary purpose of serving in an advisory role. The Investment Committee will function under their own prescribed procedures as defined by their adopted charter.
 - XIV. The City will continue to maintain an Audit Committee whose primary purpose is to serve in an advisory role. The Audit Committee will function under its own prescribed procedures as defined by its adopted charter.

Investment Portfolio

The City follows the "Prudent-Man Rule" of investing. This rule provides that the Treasurer, who is responsible for investing the City's money, must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and avoid speculative investments. Specifically, the City's portfolio is invested with the following objectives: (1) Safety; protect, preserve, and maintain cash and investments; (2) Liquidity; maintain short-term securities which can be converted to cash if necessary and invest all securities with active secondary or resale markets; (3) Yield; yield should become a consideration only after the basic requirements of safety and liquidity have been met.

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FUND STRUCTURE AND DESCRIPTIONS

The City of Glendale's adopted budget consists of the following Fund types:

General Fund

The General Fund is the primary fund of the City. The General Fund provides City services that the general public typically associates with local government, such as parks, libraries, public safety, and general administrative support. The General Fund collects all general revenues not specifically levied or collected for other City funds or expenditures.

Special Revenue Funds

The Special Revenue Funds consist of those "restricted receipts" which may not be used for general municipal purposes. They are restricted by Local Ordinance, State or Federal Statute, to be used for specific purposes. These groups of funds represent services funded primarily by other levels of government and not "traditionally" provided by local government. Should the funding for most of these programs be eliminated, it is likely that the services would also be eliminated. As a result of AB 1x26, the Glendale Redevelopment Agency was dissolved effective February 1, 2012. All of the Redevelopment related Special Revenue Funds became obligations of the Successor Agency and their budgets will no longer be included in the City's budget document. However, these funds will temporary remain in the summary section of the book to show prior years data for reporting purposes only.

Debt Service Funds

These funds are intended to account for the resources allocated toward debt service. The City of Glendale has no general obligation debt. Its long-term debt in the Debt Service Funds is comprised of governmental activities such as the Glendale Redevelopment Agency's tax allocation bonds, the Police Facility Certificates of Participation (COPs), the capital lease for the Municipal Services Building construction and a loan payable for low-to-moderate income housing projects. Due to the passage of AB 1x26, which resulted in the dissolution of the Glendale Redevelopment Agency in February 2012, the Redevelopment Agency's tax allocation bonds and the loans payable for low-to-moderate income housing projects became obligations of the Successor Agency and their budgets will no longer be included in the City's budget book. However, these funds will temporary remain in the summary section of the book to show prior years data for reporting purposes only.

Capital Improvement Program (CIP)

The Capital Improvement Program in the General Fund includes funding for a variety of city projects from parks development to library renovation, facility modification, and other various street and infrastructure improvement projects. The Capital Improvement Program (CIP) consists of several funds including the General Fund CIP (Fund 401), Gas Tax CIP (Fund 402), Scholl Canyon Landfill Post-Closure (Fund 403), Parks Mitigation Fee (Fund 405), San Fernando Road Corridor Tax Share (Fund 406), Library Mitigation Fee (Fund 407), and Parks Quimby Fee (Fund 408). These funds provide the resources for the governmental Capital Improvement Projects.

Due to the size of the Capital Improvement Projects, they are presented on a ten year plan basis, with the "Future Years" column representing a cumulative of five years projections. When the FY 2013-14 City of Glendale budget is adopted by the City Council, only the FY 2013-14 CIP budget is approved and authorized. The years beyond FY 2013-14 are included for informational and planning purposes so that Council may also take into consideration the needs in future years.

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Enterprise Funds

Enterprise Fund's primary sources of revenues are charges for services, and reflect characteristics that are more commonly associated with businesses. Enterprise Funds are considered self-supporting and rely on their income sources to fund their operation. The City's largest Enterprise Funds are the Electric, Water and Sewer funds. Other Enterprise funds include Recreation, Hazardous Disposal, Parking, Refuse Disposal, and Fire Communication.

Internal Service Funds

The Internal Service Funds are proprietary funds, serving only the City of Glendale. These funds consist of the Fleet / Equipment Management, Joint Helicopter Operation, ISD Infrastructure, ISD Applications, ISD Wireless and all of the City's self-insurance and benefits funds. All of these funds derive their resources from expensing the Governmental and Enterprise budgets and are already included within the City budget. They are presented for informational and memorandum control purposes.