



ADOPTED
BUDGET
2012-2013



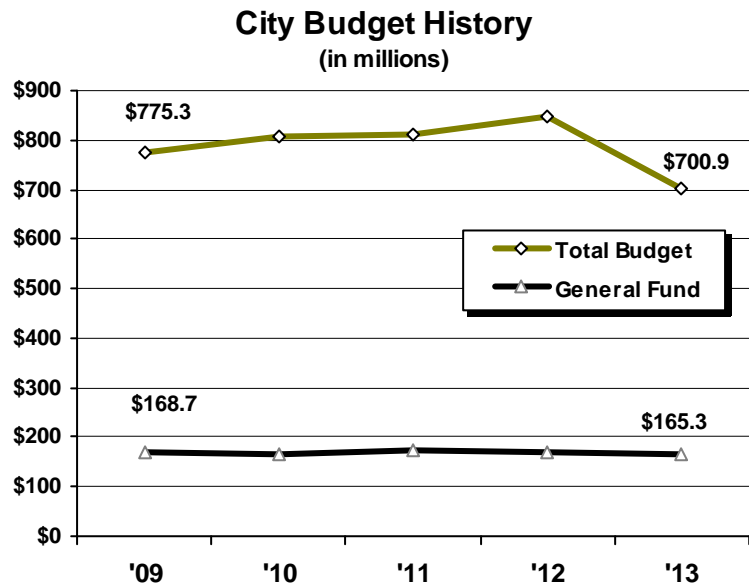
CITY OF GLENDALE BUDGET MESSAGE

Honorable Mayor and Members of the City Council,

As your City Manager, it is my pleasure to present the adopted budget for all operations of the City for Fiscal Year (FY) 2012-13. The slow economic recovery in conjunction with the State's efforts to address its budget deficit by taking resources from cities have combined to make these past few years some of the most difficult budget years in recent history. In spite of the difficulty involved in preparing this budget, however, the managers and staff from each department, as well as the City Council, have approached the challenge in a professional and constructive manner. The focus clearly remains on how to best serve our diverse community - carefully balancing the myriad of needs with limited resources.

The total adopted budget for FY 2012-13 is \$700.9 million and includes all City funds, departments and programs. The budget decrease, when compared to last year, is mainly attributable to the end of the Glendale Redevelopment Agency and a significant reduction in capital improvement projects by Glendale Water & Power.

The budget represents a total of 1,751 full-time salaried positions plus City Council for a total of 1,756 positions. This represents a net decrease of 120 full-time positions from last year and is primarily due to the elimination of vacant positions. As part of the General Fund balancing strategies for FY 2012-13, we anticipate reducing an additional 125 full-time positions post budget adoption through retirement incentives and further program reductions. This will be discussed in greater detail later in this document. By mid-year, we anticipate the full-time position count to be 1,631, which is a decrease of approximately 13% from last year.



The total budget for the General Fund is \$165.3 million. This budget incorporates the policy direction of the City Council for services and programs to address the needs of the community as identified during the four Budget Study Sessions held between April 30th and June 5th of this year. A public hearing on the budget was held on June 12, 2012 and the budget was adopted on June 26, 2012. This budget balances services and programs to address the many needs of our dynamic community within the context of diminished resources. To say that the programs and service levels proposed in this budget, particularly the General Fund, are only those that the City Council and staff would like to be able to provide, is not accurate. After years of budget cutting, the prioritization – and indeed the annual re-prioritization – of services and programs have forced the City to make difficult decisions upon other very difficult decisions. During this prolonged economic crisis, the City Council and staff have wrestled with the needs and values of the organization and community in order to maintain a balanced budget. However, this budget does give high priority to an array of services and programs across all of the City's operations with a focus on structural or long-term cost reduction.

The table on the next page provides a summary comparison by major fund type, including the General Fund. The information provided here and throughout the budget document includes the actual expenditures for FY 2010-11, the original budget for FY 2011-12, the revised budget (includes all budget amendments approved by City Council) for FY 2011-12, and the adopted budget for FY 2012-13.

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Total Appropriation Summary

Fund Type	Actual 2010-11	Adopted 2011-12	Revised 2011-12	Adopted 2012-13
General Fund	\$ 167,864,787	\$ 170,276,318	\$ 171,429,022	\$ 165,348,883
Special Revenue	144,846,790	135,403,886	147,311,910	95,968,170
Debt Service	17,146,169	21,077,758	21,077,758	3,792,062
Capital Improvement	23,163,060	15,844,504	15,696,425	15,166,120
Enterprise	295,951,365	420,864,585	424,170,289	337,331,259
Internal Service	79,250,901	85,783,104	86,672,516	83,328,291
All Funds	\$ 728,223,071	\$ 849,250,155	\$ 866,357,920	\$ 700,934,785

IMPACT OF ASSEMBLY BILL 1X 26

In June 2011, the California Legislature passed Assembly Bills (AB) 1x 26 which effectively ended the Glendale Redevelopment Agency (Agency). Shortly after the passage of AB 1x 26, the California Redevelopment Association filed a lawsuit challenging the constitutionality of this bill. In December 2011, the California Supreme Court upheld AB 1x 26 which ended the Agency effective February 1, 2012. The devastating impact of this legislation cannot be overstated.

The Agency and the related tax increment revenue generated from the multitude of projects have been an integral part of the City's budget for the past 30 years. The General Fund loaned a significant amount of money to the Agency which was slowly being repaid using tax increment generated from new projects. This was a common practice among cities throughout the state as a way to provide enough cash to sustain their respective agencies. The agencies would then use proceeds from the property tax increment generated to repay the loans and associated interest.

For FY 2011-12, the Agency made a loan repayment of \$6 million dollars to the General Fund. This repayment was part of the balancing strategies for the General Fund and was initially included in the revenue estimates for FY 2012-13. However, due to AB 1x 26, the loan from the General Fund to the Agency was invalidated which created an immediate (and on-going) shortfall of \$6 million in the General Fund for FY 2012-13. In addition to the loan repayment, the General Fund cost allocated overhead to the Agency of approximately \$1.1 million. In addition, the Agency had staffing costs of approximately \$4.7 million dollars. To deal with the loss of the loan repayment and the related tax increment revenue, a combination of strategies were employed that included layoffs, still more cost-cutting, and the General Fund absorbing remaining staff. All told, the impact of AB 1x 26 to the General Fund for FY 2012-13 is approximately \$7.7 million. The City used a variety of strategies to balance the General Fund that will be discussed in greater detail below.

EFFECTS OF ECONOMY

California's economic recovery could best be described as "bifurcated" in that some regions and sectors are recovering quicker than others. Job growth has been more prominent in coastal communities in the knowledge, technology, and trade/export sectors of the economy. This has not been the case for inland cities, including Glendale, with slow job growth noted in the government and residential construction sectors. Home foreclosures have followed a similar pattern in that coastal cities are experiencing a much lower rate of foreclosure when compared to inland cities. Regionally the largest employment gains

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occurred in Silicon Valley and the Bay Area along with coastal cities in Orange County. Other areas of the state, including Los Angeles County, the Inland Empire, Sacramento, and other parts of the Central Valley have marked slower progress.

Glendale has been impacted by the slow economic recovery. In fact, Los Angeles County's recovery has continued to lag behind its neighboring counties but has finally picked up some momentum in 2012. Unemployment in Los Angeles County peaked at 13.2% in July 2011 but has decreased to 11.2% as of May 2012. From a statewide perspective, unemployment in California was 11.9% in July 2011 but fell to 10.8% as of May 2012. While unemployment will continue to lag behind the national average, it is slowly moving in the right direction at the state and local levels. It will take several years to return to the job levels that preceded the recession, but most industries are expected to add jobs this year and next, with the exceptions being government and manufacturing. The unemployment rate in Los Angeles County should improve to 11.5% by the end of this year and 10.9% in 2013. As the labor market heals, taxable sales will respond with modest single digit percentage gains this year and next.

So what does this mean for Glendale? Although the City's economic base is diversified with strong retail and financial services, the variety of issues in the economy involving the housing market, financial institutions, credit markets, consumer confidence, and the State budget issues has impacted Glendale. This has led to revenue stagnation in some of the major revenue sources in the General Fund including sales tax, property tax, and utility users' tax. While some leading indicators point to an economic recovery on a national level, it will take time for the recovery to trickle down to local levels. As such, we have forecasted modest growth (from the revised FY 2011-12 budget) in sales tax and property tax at 2.1% and 6.9% respectively and zero growth for utility user's tax. This slow revenue growth combined with the end of the Agency has put a strain on the amount of resources available to the City, particularly in the General Fund. Suffice to say, revenue growth has not kept pace with the growth in expenditures. While the City has made every effort to become more cost effective in our service delivery approaches, we simply can no longer continue to provide the same level of service to our residents.

FY 2012-13 BUDGET OVERVIEW

Over the past several years, the City of Glendale has redefined the way it serves the residents throughout the community. This has translated into trying to maintain service levels with fewer resources. A variety of strategies have been employed that were aimed at being more cost effective in our approaches. These strategies have ran the gamut and included restructuring and consolidating several Departments and related operations, negotiating employee contract concessions, revenue enhancements and fee increases, a hiring freeze, and finally program reductions that resulted in the elimination of 31 full-time positions which included eight layoffs.

The FY 2011-12 Budget was adopted with the hope that we have "bottomed out"; however the stark reality is we clearly have not. For FY 2012-13, the City of Glendale is facing significant financial pressure on a variety of fronts with the largest due to the passage of AB1x 26 by the California Legislature, which effectively eliminated redevelopment agencies throughout the State. All told, we have projected a General Fund deficit of approximately \$15.4 million, of which \$7.7 million is directly attributable to AB1x 26. The balance of the deficit is comprised of increases to Internal Service Funds, primarily Liability and Workers' Compensation, a restructuring of the paramedic service delivery that has not yet been fully implemented, and natural cost increases to employee salaries (step increases) and related benefits.

The financial pressures are not limited to the General Fund. Program cuts at the State and Federal level have reduced the amount of grant funding we will receive, most notably in the Community Development Block Grant (CDBG) Fund. The General Fund Capital Improvement program has been significantly scaled back over the last several years. Glendale Water & Power is tasked with improving and updating

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an aging infrastructure to continue to providing residents with a high quality of service. And lastly, we have significant fund balance deficits in several Internal Service Funds most notably in Liability, Workers' Compensation, and Employee Health Retirement.

To address the General Fund gap, several strategies will be implemented that will significantly alter the way we deliver service to the community. We will attempt to reduce approximately 125 to 150 full-time non-safety positions through incentive retirements. The balance of the budget gap, if any, will be sought through additional program reductions and ultimately more layoffs. Suffice to say, our preference is to achieve as much as possible through incentive retirements without having to resort to layoffs. At this time, the General Fund budget is balanced with an estimated savings of approximately \$15.4 million. The estimated savings represents the budget deficit that we believe we will reduce through retirements and program reductions. As the incentive retirements become known post budget adoption, we will reduce departmental budgets and the estimated savings by the same amount. By the fall of the 2012, we hope to have a structurally balanced budget with little or no estimated savings remaining.

Part of the General Fund strategy is to start the process of funding the Capital Improvement Fund (401). Starting in FY 2012-13, 1% of the sales tax will be transferred into the Capital Improvement Fund and we will look to increase this funding in future years. We will continue to seek new funding sources to augment existing grants and community programs. Over the next several years, we will continue to address the Internal Service Fund deficits through gradual rate increases to the General Fund and other Funds. And lastly, we will pursue new revenues when deemed appropriate.

GENERAL FUND RESERVES

As of the date of the last audited financial statements (fiscal year ended June 30, 2011), the General Fund unrestricted reserve was \$84.5 million, which represents 49.6% of FY 2011-12 General Fund appropriations. The increase to the unrestricted reserve was attributable to a repayment of the Agency loan of approximately \$32.5 million. However, due to AB 1x 26, this loan repayment will be transferred to the successor agency, meaning the unrestricted reserve will drop substantially. In addition, the funding for the retirement incentive for General Fund employees will be paid from reserves, which is anticipated to be \$1.1 million. As a result of these two factors, combined with the adoption of the FY 2012-13 budget, the anticipated General Fund reserve will be approximately 30% as of June 30, 2013. It should be noted that the General Fund reserve levels have historically been maintained above 30% in accordance with the current reserve policy adopted by the City Council.

FUTURE OUTLOOK

Needless to say, uncertainty abounds throughout the organization during this budget cycle and Departments, particularly those within the General Fund, will need to be restructured. It goes to follow that service levels will be impacted but the question is by what and how much? Our challenge is to minimize the negative impact on our community and customers and ensure value to the taxpayers. Glendale's value proposition is the combination of the Council's priorities, the City's strategic goals and key performance indicators. Council ultimately sets the tone, the vision and the policy for the City. During this year's budget process, Council has reaffirmed the following strategic goals (see *Attachment A* to this message for detailed description):

- Fiscal Responsibility
- Exceptional Customer Service
- Safe & Healthy Community
- Economic Vibrancy
- Infrastructure & Mobility
- Informed & Engaged Community
- Balanced, Quality Housing
- Community Services & Facilities
- Arts & Culture
- Sustainability

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These *priorities* have given rise to Departmental strategic goals that will alter, for the better, the way we deliver service and do business. These are goals that best indicate whether Departments had a “successful year”. These goals are essentially the *outcomes* that we will strive for in the upcoming budget year. The key performance indicators provide a vehicle to measure our progress. They are the *outputs* in that they tell us what we are doing and how we are doing it.

Taken as a whole, the Council priorities provide the framework, the strategic goals give us our themes, and the key performance indicators, as listed in the *Strategic Goals* section of this document, measure the details. The management and measurement of our performance will help to bring clarity amid this period of uncertainty. However, we will not know the full detail until well into FY 2012-13. Truly, FY 2012-13 is our new base year, and this year’s budget process is really a two-year process. During FY 2012-13, we will make reductions, reorganize, and deliver services in a new way. The following year will be an opportunity to observe our new structure, evaluate it, and make adjustments as needed.

As Glendale is streamlining its costs and strategic goals, quality of service and continuity are important; our customers must sense *value*. The organization must endeavor to have collaboration and meaningful communication with the community. The departmental restructuring will result in fewer people striving to provide as much or more services to the community. With Council’s vision and a team of high-quality, ethical professionals, our value proposition to the community is established and has shaped the FY 2012-13 budget.

CONCLUSION

The FY 2012-13 budget for the City of Glendale is balanced with projected revenues and resources to support all projected expenditures. As in the past, this budget serves as the City Council’s policy for providing the Glendale community with City services. At the same time, it serves as the City’s financial plan for the year. This budget is reflective of the City Council and staff’s desire to continue to improve upon existing programs and services – even in these most difficult of economic times. The goals of the City Council, along with the dedicated City staff who provide high levels of service to the community, continue to make Glendale a premier city and a most desirable place to live, work and play.

My appreciation to all the Department Heads and Budget Officers who worked on this year’s budget, and especially to Yasmin Beers, Assistant City Manager; Robert Elliot, Director of Finance; Jason Bradford, Finance Administrator, the Finance Budget Team; and again tremendous thanks to the Mayor and City Council Members for your continued leadership throughout this year’s budget process.

The FY 2012-13 budget poses many challenges and I look forward to working with you on implementing the goals set forth in this budget.

Respectfully submitted,



SCOTT OCHOA, CITY MANAGER

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CITYWIDE STRATEGIC GOALS AND CHARACTERISTICS

Fiscal Responsibility

As financial stewards of the City of Glendale, all employees throughout the organization are tasked with operating their programs, departments, budgets, etc., in a fiscally responsible manner. We have a fiduciary responsibility to the residents of the community to ensure assets and resources are properly safeguarded and deployed in safe and efficient manner. It is a responsibility that is shared by all employees throughout the organization and we are committed to and held to a high stand of ethical behavior, especially in regards to financial matters of the City. We are committed to ensuring we are transparent in all matters relating to the finances of the City. In addition, we have implemented proper internal controls to ensure assets and resources are used in accordance with the approved budget.

In summary, financial responsibility is something that all employees take seriously and this is evident in all that we do. We strive to maintain the public's confidence and trust that we are properly safeguarding and deploying the City's precious resources in a prudent and fiscally responsible manner.

Exceptional Customer Service

In light of our budget strategies and impending staff reductions, we must continue to be empathetic problem-solvers, exhibiting respect and a sincere desire to aid our residents and customers. We are committed to providing our diverse community with quality services. As in any successful organization, Glendale's customer service principles focus around three main elements: speed, quality, and customer satisfaction.

Economic Vibrancy

One of the City's major goals is fostering an environment that supports a diversity of vibrant businesses and job opportunities that are supported by a skilled labor force and a fiscally prudent and financially healthy government. In order to achieve this goal, the City strives to attract an appropriate mix of business and residential land use and maintains a balance between the City's workforce and housing. This is primarily achieved through a healthy collaboration between businesses and the City. The City also seeks opportunities for the creation and attraction of high wage/high growth employers and works towards the retention and expansion of local businesses. Finally, in an effort to maintain Glendale's financial viability, the City prudently maintains adequate resources and reserves for City provided services.

Informed & Engaged Community

Earning and maintaining the public's trust is by far one of the greatest priorities for the City. As such, City officials consistently strive to conduct the business of government in the best interests of the public with integrity, openness, and full inclusion of the community. This includes ensuring that the City's decision-making process includes and is respectful of public engagement, offering multiple opportunities to create an informed community, and delivering excellent customer service within each and every City operation so that residents and visitors maintain a positive perception of city government.

While the area of education is primarily within the jurisdiction of the Glendale Unified School District, the City is actively involved in the creation of comprehensive, quality educational opportunities for all segments of the community. This is achieved by providing high quality, engaging libraries that are actively used by the public along with collaboration with outstanding educational institutions that have

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high student achievement rates. Finally, the City is focused on providing enriched life-long learning opportunities through programs offered by the Community Services & Parks Department.

As one of its ongoing efforts, the City continually focuses on maintaining and developing a community that is well-planned and a public environment that is attractive and properly maintained, thereby creating a highly aesthetic appearance within the City. To achieve this goal, City staff ensures the development and maintenance of a contemporary and comprehensive General Plan. Strategically, the City is focused on undertaking a coordinated approach to properly maintaining its infrastructure, and responsibly enhancing landscapes and streetscapes consistent with environmentally friendly practices. Finally, the City is focused on recognizing its historic and cultural resources so that residents can continue to take pride in their neighborhoods and community. To ensure success, emphasis is placed upon a planning process that is transparent, dynamic, fair, predictable, and understandable.

The City of Glendale actively strives to encourage a sense of belonging for the entire community where residents take pride and responsibility for their City and neighborhoods. It is vitally important that residents feel a part of the community & participate in the governmental processes that affect their lives. As a result, City policies are designed to encourage neighbor interaction and community building through the creation and maintenance of common community spaces. To further achieve this goal, community events and activities aimed at building a “sense of community” among residents are routinely held throughout the City.

And finally, the City of Glendale is focused on developing and maintaining the required technology to support local businesses, to enhance our service delivery to the public, and to foster better access to technology and information. As part of these efforts, City staff has developed electronic applications by utilizing reliable mainstream technology, such as the Internet, in order to communicate with residents and businesses. Many of the City’s processes have been streamlined, which not only provide for more effective interaction with the public but also helped to reduce the City’s operating expenses.

Safe & Healthy Community

As one of the top ten safest cities in Los Angeles County, the City is proud to offer a community that is physically safe, free of blight, and well prepared for emergencies. Glendale’s Fire and Police Departments are dedicated to a shared public safety mission to ensure that community members and visitors are safe and secure. As a top priority, many of the City’s departments are actively involved in the community by helping to educate, prepare, and build the required capacity to respond to local and statewide disasters. Finally, City staff is committed to ensure that houses, buildings, and other infrastructure, such as sidewalks and roadways, are safe and free of blight.

As one of its goals, the City of Glendale takes pride in offering a physically and mentally healthy community where residents have access to quality health care services through the support of our local hospitals and fire paramedic services. The City also promotes health and well-being by offering educational and therapeutic services through the Community Services and Parks Department as well as the administration of Community Development Block Grants that are provided to local service providers.

Balanced, Quality Housing

As one of the fundamental elements of a healthy and stable community, the City is committed to providing a balanced mix of housing opportunities for current and future residents. We strive to provide affordable housing to all segments of the population including growing families, the elderly, single individuals, the disabled, and the homeless. While part of the City’s strategy includes the development of new housing, the City remains committed to the preservation of existing housing as well. Much of the

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City's success in achieving this goal is attributable to effective land use and zoning regulations that promote housing development, as well as the development and maintenance of adequate infrastructure to support current and future housing needs.

Community Services & Facilities

The City of Glendale is committed to providing parks, community centers, open space and a well-maintained trail system that enhances the character of the community and offers personal enrichment and recreational opportunities for members of the public. As part of our ongoing efforts, the City is focused on providing sufficient parkland, playing fields, recreation facilities, and open space which is equitably distributed throughout the City. Other areas of regular attention include ensuring that parks, parkways, and community centers are well-maintained, visually appealing, and safe for public use. The City of Glendale consistently strives to maximize services and programs available to residents by ensuring that all community facilities and parks are accessible to all.

Another of the City's primary strategic goals is a focus on community services and facilities that address the diverse needs of the community. This includes the delivery of quality services and the preservation, development, or expansion of community centers (i.e. parks, libraries, senior centers, etc.) that are geographically located in places of greatest need and accessible by all residents. In addition, emphasis is placed upon providing excellent customer service and the ability to be adaptable and responsive to the changing needs in the community.

Infrastructure & Mobility

A significant goal for the City is the existence of a well-planned and comprehensive transportation system that enhances mobility through the development of infrastructure, technology, and public transit. This includes a safe, efficient and well coordinated multi-modal circulation system within the City that is appealing, affordable, accessible, and provides effective regional connectivity. Through the implementation of effective land use strategies, the City is focused on the reduction of congestion, air pollution, and noise resulting from its public transportation system. City officials are consistently focused on enhancing roadway safety through effective engineering, enforcement, and education to the public. Lastly, the City will continue to plan and maintain its infrastructure in a responsible and cost effective manner.

Arts & Culture

The City strives to establish a rich variety of arts and cultural experiences throughout the community. This includes the creation and support of diverse art and entertainment venues including theatres, galleries, museums, literary events, community festivals, and public art. The City attempts to support and promote local artists and arts organizations through the initiation of local arts and cultural events aimed at promoting the diverse cultures present within the community. As a long term goal, the City aims to promote education and participation in the arts by providing access to quality art experiences for the entire community. As a result of strong leadership and support, the City strives to implement ongoing programs to recognize the City's cultural heritage while planning for its future.

The City is proud to be a community that values, celebrates, and engages the City's rich diversity. Much of our success is attributable to the following:

- Diverse and representative workforce within the City
- Businesses and services that serve the needs of our diverse community

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- Diverse representation on City Boards, Commissions and Committees
- Special events that recognize and celebrate the City's diversity
- Availability of multi-lingual City materials for public use
- Compliance with ADA and related accessibility requirements

Sustainability

One of Glendale's primary goals is the development of sustainable City principles either as a separate document or integrated into various elements within the City's General Plan in an effort to protect the quality of air, water, land and other natural resources located within the City's boundaries. Emphasis is placed upon conserving native vegetation, wildlife habitats, and preserving other ecosystems by minimizing human impacts. Additionally, the City continually complies with environmental laws and regulations and actively monitors its waste management, water, and electrical operations on an ongoing basis.