

CITY OF GLENDALE

BUDGET GUIDE

budgetary process is a year-long 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 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 2012-13 Proposed Budget:

February 13	Budget Kick-off Meeting
February 24	1 st Budget Document Deadline
April 3.....	Discussion of CIP Projects & Budget
April 17.....	2 nd Budget Document Deadline
April 23.....	3 rd Budget Document Deadline
April 24 - 26	General Fund / Department Review
April 30	<i>Budget Study Session #1</i> FY 2011-12 General Fund Close Out Organizational Profile
May 1	<i>Budget Study Session #2</i> General Fund Five Year Forecast Revenue and Proposed Fee Increases Capital Improvement Program
May 14-15.....	<i>Budget Study Session #3</i> Department Budget Review
May 21	Final Budget Document Deadline
June 5.....	<i>Budget Study Session #4</i> General Fund Wrap-Up
June 12.....	Public Hearing
June 26.....	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 revisions in organization structure, to hear and discuss budget requests, and provide feedback regarding City operations.

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FY 2012-13 Budget Process

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, employee 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 the upcoming year, 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 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 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 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.

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

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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 priorities:

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

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 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 which becomes our new base year as the 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 process.

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.

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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*.

Financial Policies

The City Council has adopted the following financial policies as a primary guide for the preparation of the City's proposed 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. In FY 2010-11 and FY 2011-12, City Council adopted through the budget process, 100% of sales tax revenues to be allocated to the General Fund. This policy continues for FY 2012-13 with a 1% transfer to the Capital Improvement Fund (401).

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- B. Discontinue the transfer of \$1.5 million from the General Fund in FY 2012-13 as a result of AB1x 26. This funding source was from the loan repayment from the Redevelopment Agency to the General Fund of \$6 million. Given the uncertainty surrounding this payment, we have discontinued the transfer for FY 2012-13.
 - C. The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.
 - D. The resources for the Scholl Canyon Landfill Post-Closure fund will consist of a transfer of \$250,000 from the Capital Improvement Fund (401).
 - E. The Development Impact Fees Fund (405) will derive its resources from Parks and Library Mitigation fees (AB 1600) 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. For FY 2011-12, approximately \$296,000 was transferred from the Capital Improvement Fund (401) to the General Fund to fund the operation of the Pacific Park Pool. This transfer is discontinued for FY 2012-13.
- 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 strive to maintain a General Fund Reserve (including the Charter required reserve), equal to not less than 30% of the budget.
- VII. The City will maintain adequate cash, not less than the claims payable, in each self-insurance Internal Service Fund.
- VIII. The City will not leverage borrowed money for purposes of increased investment return nor to increase its borrowing capacity.
- IX. The City will strive to pay competitive market level compensation to its employees.
- X. The City will continue to comply with all the requirements of Generally Accepted Accounting Principles.
- XI. 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.
- XII. The City will pursue cost recovery for services funded by governmental funds incorporating defined budgets, specific goals, and measurable milestones.

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- XIII. 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.
- XIV. 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.
- XV. 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.

FUND STRUCTURE AND DESCRIPTIONS

The City of Glendale's proposed 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.

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 comprises 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 project. Due to AB1x 26 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 will no longer be included in this section.

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Capital Improvement Program (CIP)

This 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), and Development Impact Fees (Fund 405). 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 2012-13 City of Glendale budget is adopted by the City Council, only the FY 2012-13 CIP budget is approved and authorized. The years beyond FY 2012-13 are included for informational and planning purposes so that Council may also take into consideration the needs in future years.

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. Others 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 Fund (formerly Equipment Replacement Fund), Joint Helicopter Operation Fund (formerly Helicopter Depreciation Fund), ISD Infrastructure Fund, ISD Applications Fund, ISD Wireless Communication Fund and all of the City's self-insurance 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.