

# 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 Preliminary FY 2011-12 Budget Document are available from the Finance Department and on the City's website at [www.ci.glendale.ca.us](http://www.ci.glendale.ca.us). The Preliminary 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 schedules and reports which provide the financial plan adopted by City Council.
- **Department Budgets** - The Department Budget Section provides a budget summary for each section of the 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, proposed program and capital outlays for the 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 appropriations plus an estimate of expenditures to complete the current fiscal year.

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- 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 continuing process. The budget process 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 2011-12 Proposed Budget:

January 20.....	Budget Kick-off Meeting
February 7 .....	1 <sup>st</sup> Budget Document Deadline
February 28 .....	2 <sup>nd</sup> Budget Document Deadline
March 15 - 31 .....	Departmental General Fund Programs Review
April 1 - 18 .....	General Fund Programs Review w/ Executives
April 21 .....	Discussion of CIP Projects & Budget
April 25 .....	Final Budget Document Deadline
April 25 - June 20 .....	Budget Study Sessions
June 21.....	Public Hearing
June 28.....	Budget Adoption

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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.

For the FY 2011-12 budget process, General Fund departments were asked to organize their budgets on a program or functional basis. This was done to prioritize City services in lieu of doing across the board cuts in light of a projected \$18 million gap in the General Fund. The intent was to focus on those programs or function of lower priority that could be reduced without impacting the core services of the City. Each General Fund Department organized their budget into one of three categories:

- **Essential** - Considered core programs or functions that departments as well as the community “have” to have. An example of such service would be Fire and Police response to calls for services.
- **Priority** - These programs and functions that are directly related to the core mission or essential programs for each Department. In other words, these are programs that if the City is not doing a particular program or function today, the City would be compelled to start them tomorrow.
- **Discretionary** - These are programs that are indirectly related to each Department’s core mission. These programs and functions are open for evaluation and possible reassignment to preserved core functions.

The result of this prioritization identified approximately \$4.8 million in discretionary and priority programs that could be reduced without impacting the cores services provided by the City. The goal of the City’s program based budget process was to rank programs so that the core services – those that are vital to the residents of the community – can be preserved. It is more difficult to achieve this goal when using straight percentage or across the board departmental cuts.

### ***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.

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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 organization 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 continuing 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 revenues 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, City Council adopted through the budget process, 100% of sales tax revenues to be allocated to the General Fund. For FY 2011-12, it is being proposed that this policy continues.
  - B. A transfer of \$1.5 million from the General Fund. This funding source comes from the increase in the loan repayment from the Glendale Redevelopment Agency to the General Fund of approximately \$3 million. It is proposed for FY 2011-12 that \$1.5 million of this increase is transferred from the General Fund to the Capital Improvement Fund (401).
  - C. The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.
- 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 will be transferred from the Capital Improvement Fund (401) to the General Fund to fund the operation of the Pacific Community Pool.
- 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 like vacation, sick leave value, etc. on a "pay-as-you-go" or cash basis as the expense paid out.
- VI. The City will maintain a General Fund Reserve (including the Charter required reserve), equal to not less than 30% of the operating budget, with a goal of returning to 35%.

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- VII. The City will maintain 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 continue 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 (GAAP).
- 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. In addition, effective July 1, 2010, the City restructured the Information Services Department 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.
- 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. Sales Tax and Transient Occupancy Tax are examples of revenues that the City will pursue.
- 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 in general, 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

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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 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***

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 a low-to-moderate income housing project.

#### ***Capital Improvement Program (CIP)***

The Capital Improvement Program (CIP) consists of several funds including the General Fund CIP (Fund 401) and the Gas Tax CIP (Fund 402). These two funds provide the resources for the governmental Capital Improvement Projects. Capital Improvement is generally defined as a major project whose duration does not necessarily correlate to a fiscal year and that provides major new public facilities or improvements to existing public facilities and services.



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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 2011-12 City of Glendale budget is adopted by the City Council, only the FY 2011-12 CIP budget is approved and authorized. The outlying years past FY 2011-12 are included for informational and planning purposes so that Council may also take into consideration the needs in future years.

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.

### ***Enterprise Funds***

Enterprise funds' primary source of revenues is charges for services, and reflects 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 and Water Funds. Others include the Recreation, Hazardous Disposal, Parking, Sewer, Refuse Disposal, and Fire Communication. In previous years, the Fire Communication Fund was reported as a Special Revenue Fund but is now under the category of Enterprise Funds.

### ***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.