

CITY OF GLENDALE, CA

Budget Guide

2010 – 2011

Adopted Budget

CITY OF GLENDALE

BUDGET GUIDE

BUDGET DOCUMENT ORGANIZATION

The Budget Document provides comprehensive budgetary information on the City of Glendale. Hard copies of the Budget Document may be purchased from the Finance Department and are also available on the City's website at www.ci.glendale.ca.us. As noted in the Table of Contents, the Budget Document consists of the following sections:

- [Introductory Section](#) - This section includes the Community Profile which provides some facts and figures about the City of Glendale. Additionally, this section provides the overall Form of Government and Organizational Chart for the City.
- [Budget Message](#) - This section includes the City Manager's Budget Message which formally presents the budget to the City Council. It also outlines the total budgeted appropriations. The Budget Message provides the principles that were used to determine the budget priorities and outlines the City's strategic goals. Also considered are the challenges facing the City as well as the general economic outlook. Significant changes are highlighted.
- [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, the GANN Appropriations Limit, copies of the adopted budget resolutions, and a section on resources and appropriations.
- [Budget Summaries](#) - The Budget Summaries section includes various schedules and reports which provide the financial plan adopted by City Council.
- [Department Budgets](#) - The Department Budgets section provides the mission and description of each department within the City's organizational chart. This section also highlights how each department's programs and services relate and promote the City's strategic goals. The operating budget and staffing information are also included in this section for each division within that department. In addition, each department has the discretion to include a discussion of budgetary and staffing changes from the previous year along with a future outlook for the department.
- [Performance Measures](#) - The Performance Measures are provided in this section and are used as a tool by management to measure effectiveness and efficiencies of the City's operations, programs, and services in relation to the strategic goals.

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- [Appendices](#) - The Appendices section includes the *Glossary of Budget Terms* which provides the reader with the meaning of various budgetary and financial vocabulary, including acronyms, found throughout the Budget Document. The Glossary also contains a description of all fund types. The Resolutions adopting the Glendale Redevelopment Agency Budget and the Housing Authority Budget are also included in this section.

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 the 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 programs, and capital outlays for the upcoming fiscal year.

The City Charter, as adopted by the voters in 1921, requires that the City Manager submit to the Council a proposed budget for the coming year on or before the first of June. The 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:

- A detailed estimate of the expenses of each department.
- Expenditures for corresponding items for the last and for the current fiscal years, including adjustments due to transfers between appropriations 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 Council may direct. The 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 Council.

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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, which 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 timeline for preparing the FY 2010-11 budget:

February 4	Budget Kick-off Meeting
February	1 st Budget Document Deadline
March	2 nd Budget Document Deadline
March	Discussion of CIP Projects
April 1	3 rd Budget Document Deadline
March-May	Budget Study Sessions
May	Final Budget Document Deadline
May 27	Preliminary Budget Issued
June 15	Public Hearing
June 22	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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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 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.

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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 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. For FY 2009-10, City Council adopted through the budget process, approximately 4% of sales tax revenues to be allocated to the CIP. However, for FY 2010-11, the City has suspended the allocation to the Capital Improvement Fund, shifting the sales tax revenue to the General Fund.
 - B. The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.
 - C. 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.
- III. 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.
- IV. 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 is paid out.

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- V. 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%.
- VI. The City will maintain 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 continue 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 (GAAP).
- 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. 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.
- 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. Sales Tax and Transient Occupancy Tax are examples of revenues that the City will pursue.
- 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.

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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 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 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 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 a low-to-moderate income housing project.

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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.

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 2010-11 City of Glendale budget was adopted by the City Council, only the FY 2010-11 CIP budget was approved and authorized. The outlying years past FY 2010-11 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. The Fire Communication Fund was previously reported as a Special Revenue Fund, but effective June 30, 2009, it is now reported as an Enterprise Fund.

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.

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GANN APPROPRIATION LIMIT

On November 6, 1979, California voters passed Proposition 4. Statutes clarifying certain provisions of the Proposition are now codified in Article XIII-B of the California Constitution. This Article is commonly known as the “GANN Initiative”. The Initiative established constitutional spending limits for California governmental agencies based on the Consumer Price Index and population growth. Concurrent with Proposition 4, the Revenue and Taxation Code, Section 7910, requires each local governmental unit to establish its appropriations limit by the beginning of each fiscal year.

Due to the GANN’s constraint on State and local governments to respond effectively to the demands of rapid growth around California, a legislative-business-labor coalition drafted and supported Proposition 111, which was adopted June 5, 1990. The updated provision provides an agency to select the California Per Capita Personal Income or non-residential property assessed valuation growth, whichever is higher. Cities may also choose to use the percentage rate of change in population within the City or county they are located in, whichever is higher. For FY 2010-11 the percentage of change in population for Los Angeles County was used.

The Appropriation Limit for FY 2010-11 is based on the prior year Appropriation. First, the percent change in population for Los Angeles County (0.83%) and the percent change in per capita cost of living (-2.54%), are converted to a ratio. Then, the ratio for the change in per capita cost of living (0.9746) is multiplied by the ratio for the change in population (1.0083), in order to obtain a calculation of factor for FY 2010-11 (0.9827). Finally, the prior year Appropriation Limit is multiplied by the calculation of factor for FY 2010-11 in order to obtain the Appropriation Limit for the FY 2010-11. Based on this calculation, the FY 2010-11 Appropriation Limit is \$198.6 million. The City’s total appropriation subject to the GANN Initiative spending limits is \$140.9 million. The calculation on the following page reflects the gap of \$57.7 million. The City remains well below its Appropriation Limit for FY 2010-11.

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**GANN APPROPRIATION LIMIT
FY 2010-11 FINAL BUDGET**

	FY 2009-10 Limit	\$ 202,087,684
1-1-2009 Population (Revised)	206,540	
1-1-2010 Population (Estimate)	207,902	
	<hr/>	
City Population Growth	0.66 %	
County Population Growth	0.83 %	
Per Capita Growth (Per California Department of Finance)	(2.54 %)	
Calculation:		
County Population Converted to a Ratio (a)	1.0083	
Per Capita Growth Converted to a Ratio (b)	0.9746	
Calculation of Factor for FY 2010-11 (a)*(b)	0.9827	
	<hr/>	
	FY 2010- 11 Limit	\$ 198,589,380
FY 2010-11 Appropriations Subject to Limitation		\$ 140,929,898
Total Under/(Over)		\$ 57,659,482

Adopted
6-22-10
Weaver/Quintero
All Ayes

RESOLUTION NO. 10-101

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE
ADOPTING APPROPRIATIONS LIMIT FOR THE CITY OF GLENDALE

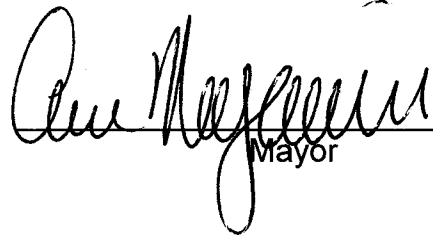
WHEREAS, California State law requires the adopting of an annual appropriations limit for the City of Glendale, and

WHEREAS, the Finance Section has calculated the appropriations limit for fiscal year 2010-11 and in doing so has elected to use the change in Per Capita income and change in the County's Population and

WHEREAS, the Finance Section will retain these working papers on file for a period of fifteen (15) days as required under the law,

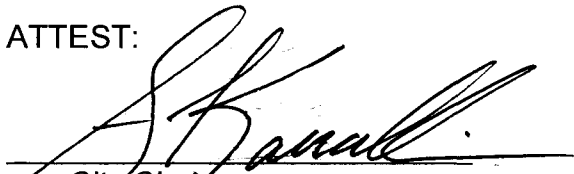
NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE THAT THE COUNCIL does hereby adopt the appropriations limit for the fiscal year 2010-11 of \$198,589,380.

Adopted this 22nd day of June, 2010.



Mayor

ATTEST:



City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, certify that the foregoing Resolution No. 10-101 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 22nd day of June, 2010, and that the same was adopted by the following vote:

Ayes: Drayman, Friedman, Quintero, Weaver, Najarian


Noes: None

Absent: None



City Clerk

APPROVED AS TO FORM



City Attorney
DATE 6-16-10

8 B 1

Adopted
6-22-10
Weaver/Quintero
All Ayes

RESOLUTION NO. 10-103

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA ADOPTING
A GENERAL BUDGET, ENTERPRISE BUDGETS, AND OTHER MISCELLANEOUS BUDGETS
FOR THE FISCAL YEAR 2010-11

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

SECTION 1: The proposed City Budget is hereby approved and adopted as the Budget of the City, for fiscal year 2010-11.

SECTION 2: The amount of \$173,103,892 shall constitute the General Fund appropriation for fiscal year beginning July 1, 2010.

SECTION 3: The amount of \$111,334,117 shall constitute the Special Revenue Funds appropriation for the fiscal year beginning July 1, 2010.

SECTION 4: The amount of \$17,106,645 shall constitute the Debt Service Funds appropriation for the fiscal year beginning July 1, 2010.

SECTION 5: The amount of \$10,805,175 shall constitute the Capital Improvement Funds appropriation for the fiscal year beginning July 1, 2010.

SECTION 6: The amount of \$419,024,145 shall constitute the Enterprise Funds appropriation for the fiscal year beginning July 1, 2010.

SECTION 7: The amount of \$78,295,507 shall constitute the Internal Service Funds appropriation for the fiscal year beginning July 1, 2010.

SECTION 8: The number of authorized classified salaried positions is 1,889.

SECTION 9: The Director of Finance is authorized to make such other revisions, individual appropriation line-items, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the changes specified in this resolution.

SECTION 10: The Director of Finance is authorized to make such revisions, as permitted by the Charter, necessary in order to implement changes in expenditures due to final negotiations of City of Glendale employee associations Memorandums of Understanding.


SECTION 11: The City Clerk shall certify to the adoption of this Resolution.

Adopted this 22nd day of June, 2010

ATTEST:


City Clerk


Mayor

APPROVED AS TO FORM

CITY ATTORNEY
DATE 6-17-10 **8 D 1**

RESOLUTION NO. 10-103
Continued

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, do hereby certify that the foregoing Resolution No. 10-103 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 22nd day of June, 2010, and that the same was adopted by the following vote:

Ayes: Drayman, Friedman, Quintero, Weaver, Najarian
Noes: None
Absent: None



City Clerk



CITY OF GLENDALE
DATE 6/16/10
APPROVED AS TO FINANCIAL
PROVISION FOR \$ 809,669.481



Director of Finance

RESOLUTION NO. 10-102

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE REDUCING THE PERCENTAGE OF THE OPERATING REVENUE OF THE GLENDALE WATER AND POWER DEPARTMENT TO BE TRANSFERRED FROM THE GLENDALE WATER AND POWER SURPLUS FUND TO THE GENERAL FUND FOR FISCAL YEAR 2009-10

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

WHEREAS, Section 22, Article XI of the City Charter provides that at the end of each fiscal year an amount equal to twenty-five percent (25%) of the operating revenue of the Glendale Water and Power Department for each year, hereinafter referred to as "revenue", excluding receipts from water or power supplied to other cities or utilities at the wholesale rates, shall be transferred from the Glendale Water and Power Surplus Fund to the General Fund; provided that the Council may annually, at or before the time for adopting the General Budget for the ensuing fiscal year, reduce said amount or wholly waive such transfer, if, in its opinion, such reduction or waiver is necessary to insure the sound financial position of said Glendale Water and Power Department, and it shall so declare by resolution; and

WHEREAS, prior to the time for adopting the General Budget for the fiscal year 2009-10, the Council considered the matter of reducing the amount and decided it should be reduced to the absolute sum of \$4,160,000 of said revenue for the Water Works Enterprise and decided that it should be reduced to \$19,107,000 of said revenue for the Electric Works Enterprise and that such reduction was necessary to insure the sound financial position of the Glendale Water and Power Department.

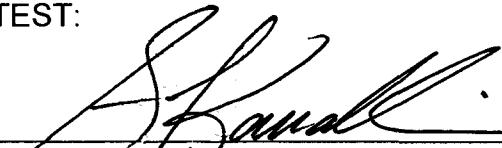
NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE that the amount to be transferred from Glendale Water and Power Surplus Fund for the fiscal year 2009-10 shall be reduced to the absolute sum of \$4,160,000 of said Water Works and the absolute sum of \$19,107,000 of said Electric Works, and that such reduction is necessary to ensure the sound financial position of the Glendale Water and Power Department.

Adopted this 22nd day of June, 2010.




Mayor

ATTEST:



City Clerk

APPROVED AS TO FORM


CITY SECRETARY
DATE 6-17-10

8 C 1

RESOLUTION NO. 10-102
CONTINUED

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, certify that the foregoing Resolution No. 10-102 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 22nd day of June, 2010, and that the same was adopted by the following vote:

Ayes: Drayman, Friedman, Quintero, Weaver, Najarian

Noes: None

Absent: None



City Clerk

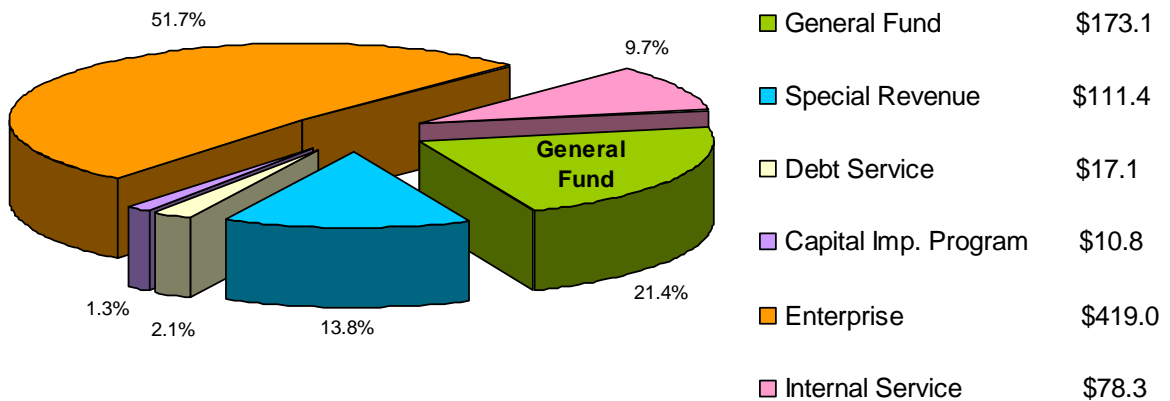
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RESOURCES

All Funds

In preparing the FY 2010-11 operating budget for the City, each revenue source has been reviewed closely and those factors affecting each one has been carefully considered. In addition, the general economic climate has been evaluated and considered. As a result, all of the revenue sources tied to general consumer spending and inflation, with the exception of Property Tax, have remained unchanged from the previous year or have been projected to decline for FY 2010-11. Total FY 2010-11 resources (including transfers from other funds and use of fund balance) are \$809.7 million. The following chart illustrates the total budgeted resources for all City funds for FY 2010-11.

FY 2010-11 Total City Resources (\$809.7 Million)



General Fund

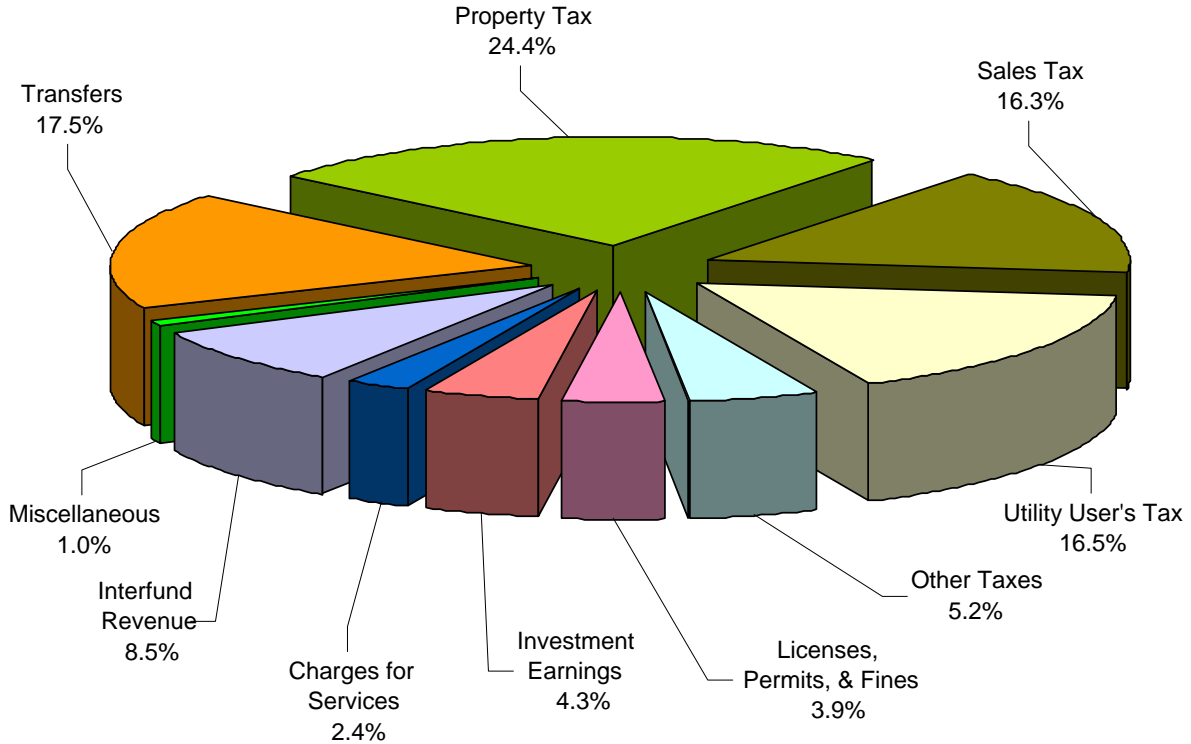
The General Fund revenue budget for FY 2010-11 is projected to be \$173.1 million. The General Fund provides City services that the general public typically associates with local government. These services include parks, libraries, police, fire, building and planning services, and general administrative support functions.

As a result of the economic conditions facing the City, the State, and entire Country, the General Fund Licenses & Permits, Uses of Money & Property and Revenue from Other Agencies revenue categories are projected to be slightly lower in FY 2010-11 when compared to last year. The decrease has been offset by an increase in Property Tax, Sales Tax, Interfund Revenue, and Transfers from Other Funds categories that resulted in an overall net increase of 5.7% in General Fund revenues.

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Below is an illustration of the various revenue sources to the General Fund.

FY 2010-11 General Fund Resources (\$173.1 Million)



The City's major revenue sources in the General Fund consist of the Property Tax, Sales Tax, and Utility User's Tax. These three sources provide 57.2% of the General Fund's revenues. Transfers and Interfund Revenues are also very significant, providing 26% of the General Fund's revenue. The following discussion provides background and forecast information for these revenue sources in the General Fund.

Property Tax

Property tax is an ad valorem tax (based on value) imposed on real property (land and permanently attached improvements such as buildings) and personal (movable) property. Proposition 13 adopted by the California voters on June 6, 1978, created a comprehensive system for the assessment and limitation of real property taxes. Property owners pay the tax based on their real property's adjusted assessed full value. Proposition 13 set the FY 1975-76 assessed values as the base year from which future annual inflationary assessed value increases would grow (not to exceed 2% for any given year). The County Assessor also re-appraises each real property parcel when there are purchases, construction, or other statutorily defined "changes in ownership". Proposition 13 limits property tax rate to 1% of each property's full value

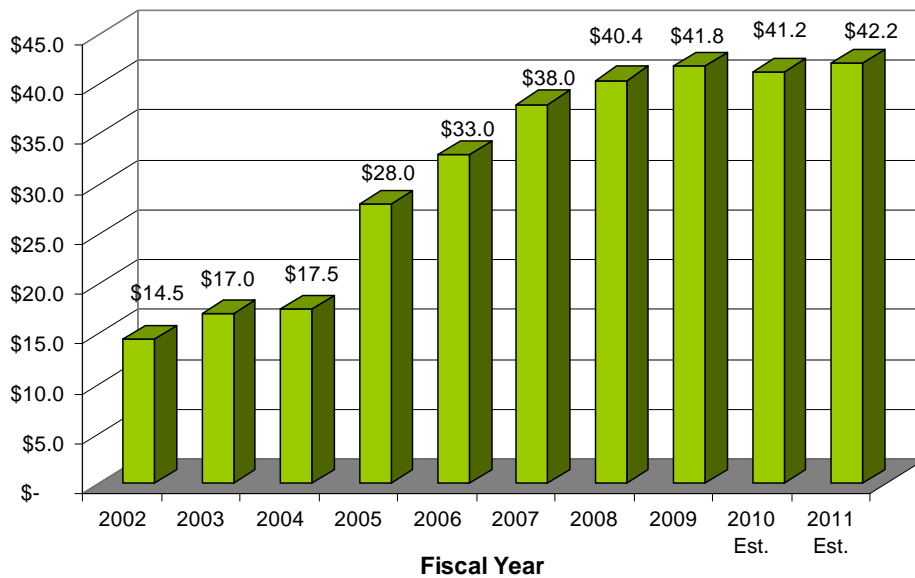
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plus overriding rates to pay voters' specifically approved indebtedness. The City of Glendale receives 13.5% of the 1% levy on assessed value.

Property taxes are the largest revenue source for the General Fund, comprising approximately 24.4% of the total FY 2010-11 projected revenues. The Current Property Tax category revenue is projected to be slightly lower in FY 2010-11 when compared to last year. However, this decrease has been offset by an increase in other Property Tax categories, such as Delinquent Property Tax and Supplemental Property Tax revenues. The net result of the Current Property Tax decreasing and the Other Property Tax categories increasing, is a projected increase of 2.4% for Property Tax Revenue to the General Fund. The graph below illustrates historical and forecasted revenue for property tax followed by a listing of the top 10 property taxpayers for the City's General Fund.

Property Tax History and Forecast

(in millions)



Top 10 Property Taxpayers (In Alphabetical Order)

<p>East Broadway Venture LLC Glendale Adventist Medical Center Glendale Fashion Association LLC Glendale Memorial Hospital & Health Center Grand Villa Glendale LLC</p>	<p>Joseph A. Perry PR Glendale Plaza Office California LLC Property Reserve Inc. Ralph's Grocery Company Tishman Speyer Archstone-Smith</p>
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Source: HDL Coren & Cone

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Utility User's Tax

The City of Glendale levies a Utility User's Tax (UUT) on the following utility services:

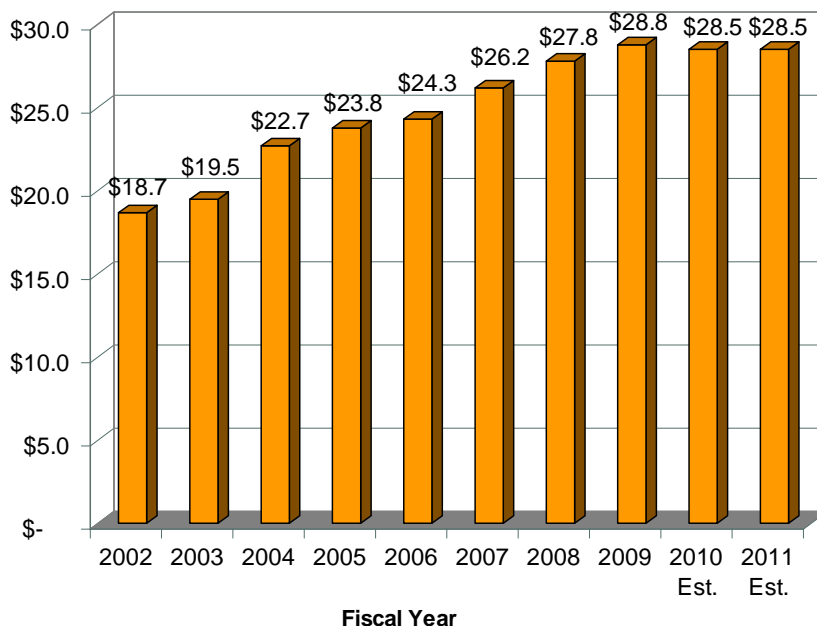
Telecommunications	6.5%
Video	6.5%
Electricity	7.0%
Gas	7.0%
Water	7.0%

In April 2009, the residents of the City of Glendale voted in favor of updating the existing UUT ordinance and lowering the rate for telecommunications and video from 7.0% to 6.5%. The telecommunications services category now includes wired and wireless telecommunications, intrastate, interstate, and international services; ancillary services; voice-over internet protocol; paging; and private communication services. The video category includes cable and internet television.

UUT is the second largest source of revenue for the General Fund, comprising approximately 16.5% of its total FY 2010-11 projected revenues. For FY 2010-11, revenue estimates for UUT were held constant with the previous year. It was determined that the lowering of the telecommunications and video services rates while expanding the services that are taxed, would provide a revenue neutral scenario. The graph below illustrates historical and forecasted revenue for UUT.

Utility User's Tax History and Forecast

(in millions)



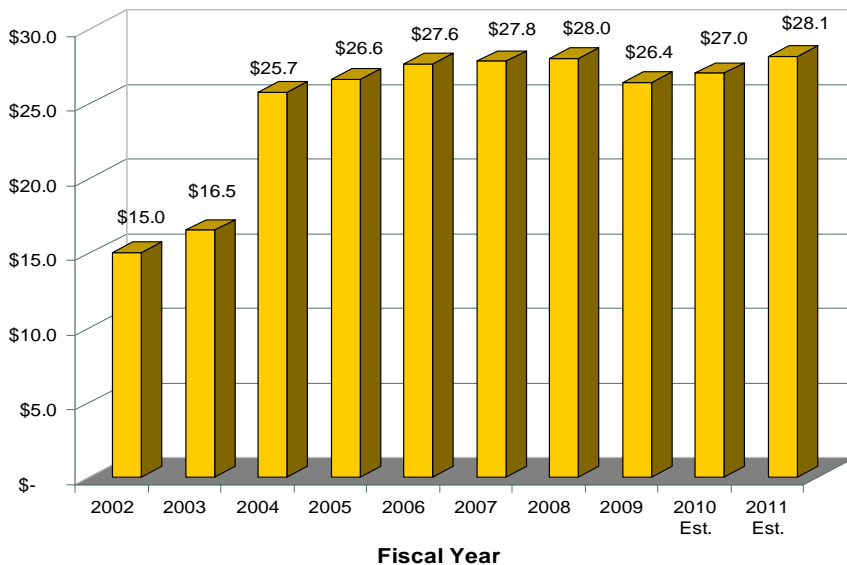
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Sales Tax

Sales Tax is a familiar tax for the general public. A portion of the tax is a State tax and a portion is locally imposed. The current sales tax rate in the City of Glendale is 9.75%. In March 2004, California voters passed Proposition 57, approving the sale of State economic Recovery Bonds. The bond proceeds were used to fund the State's cash flow deficit and avert an operational financial crisis. To issue the bonds, the State needed a steady revenue source, such as sales tax, it could pledge to secure its payments. To solve its problem, the State implemented the "triple flip." Under the "triple flip," the State's bonds are secured by a quarter-cent increase in the State's share of sales tax with a corresponding decrease in the local government's share of sales tax (there was no sales tax rate change). To compensate for the loss, local governments receive additional real property taxes that would otherwise go to the schools (which will receive State General Fund payments), until the State's Economic Recovery Bonds are repaid. The additional property taxes are to replace the lost sales taxes on a dollar for dollar basis. Since July 1, 2004, for every dollar of sales tax collected in the City of Glendale, the General Fund receives \$.75 in the form of sales tax revenue.

Sales Tax is the third largest source of revenue for the General Fund, comprising approximately 16.3% of its total FY 2010-11 projected revenues. In FY 2009-10, 4% of all sales tax revenue was being allocated to the Capital Improvement Fund. For FY 2010-11, the City has suspended the allocation to the Capital Improvement Fund, shifting the sales tax revenue to the General Fund. This shift in the sales tax revenue between funds has resulted in a projected increase of 4.1% in sales tax revenue to the General Fund. The graph below illustrates historical and forecasted revenue for sales tax followed by a listing of the top 25 Sales Tax Producers for the City.

Sales Tax History and Forecast
(in millions)



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Top 25 Sales Tax Producers (In Alphabetical Order)

Allen Gwynn Chevrolet	Macys
Apple Computer	Nordstrom
Bob Smith Toyota	Pacific BMW
Calstar Mercedes	Ralphs
CVS Pharmacy	Sears
Financial Services Vehicle Trust	Star Ford Lincoln Mercury
Forever 21	Star Mazda
Glendale Mitsubishi	Target
Glendale Nissan Infiniti	Toyota Motor Credit
Home Depot	Toyota of Glendale
JC Penney	Vons
Kwik/AI Sal Oil	Walt Disney Imagineering
Lexus of Glendale	

Source: HdL Coren & Cone

Transfers

Transfers or contributions from other funds are made to the General Fund for a variety of purposes. The largest of the transfers comes from Glendale Water and Power. The City Charter requires the transfer of 25% of the Electric and Water utility annual operating revenues to the General Fund unless a lower percentage transfer is approved by the City Council. The City has, historically, transferred an amount less than 25% by adopting a resolution setting a lower amount. The budgeted transfer for the FY 2010-11 from utility operations is equal to \$23.3 million or approximately 9.1% of total operating revenues for electric and water services combined. The budgeted transfers for the General Fund for FY 2010-11 are as follows (in millions):

Electric.....	\$19.1
Water	\$4.2
Special Revenue	\$3.0
Parking	\$1.9
Internal Service	\$1.0
Refuse	<u>\$1.0</u>
Total.....	\$30.2

Interfund Revenues

Interfund revenues are indirect charges to other Funds within the City. Starting in FY 2009-10, the City of Glendale implemented a formal Cost Allocation Plan whereby the costs of the General Fund support functions are allocated to non-General Fund sections. The allocation of those costs result in revenue back to the General Fund.

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For FY 2010-11, the cost allocation plan recovered \$14.4 million in revenue back to the General Fund, which is an increase of \$2.6 million from FY 2009-10.

APPROPRIATIONS

All Funds

The chart below depicts the total City Appropriations by Fund type as adopted for FY 2009-10 and FY 2010-11.

Total City Budget Appropriations

Fund Type	Original Adopted 2009-10	Adopted FY 2010-11	Dollar Change	Percentage Change
General Fund Base Line Budget	\$ 164,828,471	\$ 164,365,471	\$ (463,000)	-0.3%
Structural Fund Changes:				
Restructure of ISD		1,573,733		
Collapse of Police Staff Augmentation Fund		3,945,000		
Cost Allocation Changes		3,219,688		
Subtotal of Structural Changes		<u>\$ 8,738,421</u>	8,738,421	
Total General Fund Budget for FY 2010-11		\$ 173,103,892		
Special Revenue	91,776,607	111,334,117	19,557,510	21.3%
Debt Service	16,525,176	17,106,645	581,469	3.5%
Capital Improvement	31,338,952	10,805,175	(20,533,777)	-65.5%
Enterprise	446,951,677	419,024,145	(27,927,532)	-6.2%
Internal Service	56,703,879	78,295,507	21,591,628	38.1%
Totals	\$ 808,124,762	\$ 809,669,481	\$ 1,544,719	0.2%

The following sections discuss some of the major changes in appropriation depicted in the chart above for each Fund type.

General Fund

The total FY 2010-11 adopted budget for the General Fund is \$173.1 million, out of this amount, \$164.4 million is the “Base Line Budget” which reflects the General Fund budget prior to the structural changes noted below.

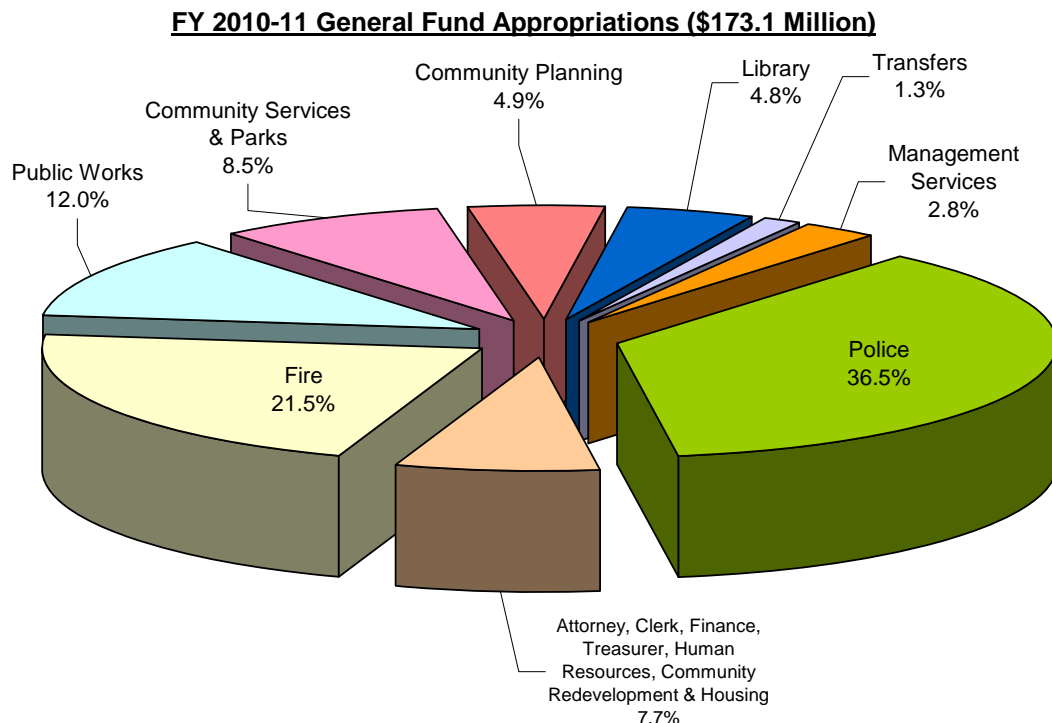
- [Restructuring of ISD](#) - Effective July 1, 2010, Information Services Department (ISD) is restructured into three Internal Service Funds and is cost allocating its expenses to user departments through a Rate Study. This restructuring of ISD has increased costs to the General Fund because a large amount of the City’s infrastructure and large applications (PeopleSoft and CSI) are primarily utilized by General Fund departments. The previous structure for ISD did not provide sufficient funding and consisted of deferred maintenance, upgrades, etc. ISD

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sections outside of the General Fund previously relied on a variety of transfers from the General Fund, CIP, and some Enterprise operations. The implementation of the ISD Rate Study provides an appropriate methodology to allocate the ISD costs, resulting in proper funding for the City's technology needs. For FY 2010-11, there is an estimated \$1.6 million increase to the General Fund for implementing the ISD Rate Study. This increase is directly offset with the Citywide Cost Allocation revenue and a transfer from the ISD Application Fund.

- [Police Staff Augmentation Fund \(Fund 263\)](#) - The collapse of the Police Staffing Augmentation Fund into the General Fund resulted in a transfer of approximately \$3.1 million in net costs to the General Fund. The gross impact is approximately \$3.9 million, but \$870,000 is an anticipated budgeted underexpenditure.
- [Cost Allocation Changes](#) - In FY 2010-11, the budget for General Fund central support staff (e.g. Finance, Legal, and HR) charging to other funds, was shifted back to the home departments in order to include them in the Citywide Cost Allocation Plan. Hence, the salaries and benefits expense for these staff, were brought back to the general fund and then cost allocated to the appropriate departments through the Citywide Cost Allocation Plan. This change is cost neutral since additional revenues for the same amount come back to the General Fund through the Cost Allocation Plan (expense increases by \$3.2 million and interfund revenue category increases by \$3.2 million).

The FY 2010-11 General Fund appropriations are illustrated in the following chart.



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Special Revenue Funds

The FY 2010-11 adopted budget for Special Revenue Funds is \$111.3 million, which represents a \$19.6 million increase from the prior year adopted budget. This increase is primarily due to the following:

- [Housing Assistance Fund \(Fund 202\)](#) - There is an approximate \$12 million increase in the Housing Assistance Fund due to the required accounting change determined by HUD on how the City accounts for the portable housing vouchers.
- [Fire Grant Fund \(Fund 265\)](#) - There is an approximate \$3.3 million increase in the Fire Grant Fund as a result of an increase in grant appropriations due to accounting for grants that are anticipated to be received.
- [2010 Tax Allocation Bonds \(Fund 247\)](#) - This fund was created in FY 2009-10 in order to properly record and account for the Capital Projects that will be spending the 2010 Tax Allocation Bonds issued by the Redevelopment Agency. The adopted FY 2010-11 budget in this fund is \$1.6 million which represents anticipated expenditures for the Central Library Project.

Debt Service Funds

The FY 2010-11 adopted budget for Debt Service Funds is \$17.1 million, which represents an approximate \$581,000 increase from the prior year adopted budget. This increase is primarily due to the following:

- [Police Building Project COPs \(Fund 303\)](#) - There is approximately a \$1.2 million decrease anticipated in the Police Building Project Fund primarily due to the recently negotiated decrease in the interest rate on the COPs.
- [2010 GRA Tax Allocation Bonds \(Fund 308\)](#) - As a result of the 2010 GRA bond issue, Fund 308 was created to account for the debt service payments on these bonds. This Fund has an adopted FY 2010-11 budget of \$1.8 million in order to cover the yearly obligation.

Capital Improvement Funds

The FY 2010-11 adopted budget for the Capital Improvement Fund is \$10.8 million, which represents a \$20.5 million decrease from the prior year adopted budget. This decrease is primarily due to the GRA bond issue that took place in 2009. In FY 2009-10, appropriations were approved during budget adoption for projects earmarked to use funding from the bond issue proceeds.

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Enterprise Funds

The FY 2010-11 adopted budget for Enterprise Funds is \$419 million, which represents a \$27.9 million decrease from the prior year adopted budget. This decrease is primarily due to:

- *Electric Funds (Funds 552 and 554)* - There is an approximate \$21 million decrease in the operational and capital project expenditures for Electric Funds.
- *Water Funds (Funds 572 and 573)* - There is an approximate \$13 million decrease in the operational and capital project expenditures for the Water Funds.
- *Sewer Fund (Fund 525)* - There is an approximate \$2.2 million increase in the expenditures for the Sewer Fund primarily due to the increase in depreciation of the LAGWRP Hyperion facility. The useful life was changed from 100 years to 40 years, thus increasing the depreciation expense.
- *Refuse Fund (Fund 530)* - There is an approximate \$2.2 million increase in the expenditures for the Refuse Fund due to scheduled capital projects and the Commercial Bin fund transfer to the General Fund, each of which is \$1.0 million.

Internal Service Funds

The FY 2010-11 adopted budget for Internal Service Funds is \$78.3 million, which represents a \$21.6 million increase from the prior year adopted budget. This increase is primarily due to:

- *Fleet/Equipment Management Fund (Fund 601)* - As a result of creating the Fleet/Equipment Management Fund and consolidating all fleet operations, appropriations for vehicle replacements was put on hold during the FY 2009-10 budget process in order to provide sufficient time and analysis of the City's needs. In FY 2010-11, there is an approximately a \$5.0 million increase in the expenditures for the Fleet/Equipment Management Fund due to appropriation requests for necessary vehicle and equipment replacements.
- *Restructuring of the Information Services Department (ISD)* - The restructuring of ISD into three Internal Services funds has resulted in a total net increase of \$7.4 million to the existing Infrastructure Fund (Fund 603), Application Fund (Fund 604), and Wireless Communication Fund (Fund 660). All ISD costs are now contained within these three funds and are no longer in the General Fund, other Internal Service Funds (Citywide Document Mgmt (Fund 606),

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Financial System Operations (Fund 670), and Police CAD RMS Replacement (Fund 605)), or spread directly to operating departments.

- *Procedural Changes* - During FY 2009-10, there was a change made to the accounting procedure for recording and accounting for HMO premiums. As a result, HMO premiums are now recorded as expenditures in the Medical Insurance Fund with the corresponding offset to revenue in that same fund. The result is a cost neutral accounting approach, but the appropriation to pay the HMO premium must now be included in the expenditure budget. The overall increase to the Medical Insurance Fund is approximately \$9 million.