

# 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 2010/11 Budget Document may be purchased from the Finance Department and are also available on the City's website. The Preliminary Budget Document consists of the following sections:

### **Budget Guide & Summaries**

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 Budget Summaries are various schedules and reports which provide the financial plan presented to 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. This is the "municipal standard of living".

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.

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- Such information as may be required by the City Council, or as the Manager may deem advisable to submit.
- The recommendations of the 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 in any particular.
- Modifications after the City Council adopts the Budget, whether between account and category of expenditure, will require Council Resolution whenever the amount cumulatively exceeds \$25,000 in any single fiscal year.

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.

However, the budget is not a static guideline for city spending: It is a dynamic document subject to almost constant scrutiny, revision, and adjustment. The budgetary process is then a yearlong continuing process. The budget process does have certain phases, each distinct from one another, but never-the-less needing coordination.

The budget process consists of three key steps; preparation, authorization, and execution.

## **Budget Preparation**

Preparation includes determining the objectives and needs of the organization, evaluating courses of action, and determining the means of attaining these objectives. Budget preparation is concerned with the things to be done and the funds to be made available for the ensuing fiscal year. It includes determining goals, proposed major projects, and services to be provided and proposed program changes. Further it requires determining the volume of work required to render these services, the methods, facilities, and organization for performing that work, and the resources required for performing the work and the price levels of resources.

The following calendar highlights the timeframes for preparing the 2010/11 budget:

February 4	Budget Kick-off Meeting
February	1 <sup>st</sup> Budget Document Deadline
March	2 <sup>nd</sup> Budget Document Deadline
March	Discussion of CIP Projects
April 1	3 <sup>rd</sup> 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

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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.

### **Budget Authorization**

Budget Authorization consists of the legislative approval of the executive's budget. Budget authorization is concerned with legislative hearings, public hearings, and final enactment of the budget, including 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 their ultimate solution.

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 for 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 not only carrying out the plans and programs but seeing that they are carried out in an effective, efficient, and timely manner. Budget execution includes more than the traditional concept of assuring that the goals, service levels and program changes are accomplished, but fulfillment of the budget with respect to realization of the estimated revenues; accomplishment of the things planned to be done and doing so within budget limits. Budget execution 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

A comparison of actual performance with projected goals and services level 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).

### **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. We 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 the 2009-10 fiscal year, City Council adopted through the budget process, approximately 4% of sales tax revenues to be allocated to the CIP. However, for the 2010-11 fiscal year, it is being proposed that all sales tax revenues be deposited 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. We 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. We 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 incurred rather than when it is paid.
- V. Modifications after the City Council adopts the Budget, whether between account or category of expenditure, will require Council Resolution whenever the amount cumulatively exceeds \$25,000 in any single fiscal year.
- VI. We 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%.
- VII. We 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 our borrowing capacity.

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- IX. We will continue to pay competitive market level compensation to our employees.
- X. We will continue to comply with all the requirements of Generally Accepted Accounting Principles (GAAP).
- XI. We will continue to recognize the deterioration of equipment by placing money into “sinking funds/depreciation funds” for all General Fund equipment on an annual ongoing basis. In addition, the City will implement similar funding mechanisms to properly set funding aside on an annual ongoing basis for:
  - A. The replacement of deteriorating City governmental buildings
  - B. Major automation project capital expenditures.
- XII. We will pursue cost recovery for services funded by governmental funds incorporating defined budgets, specific goals, and measurable milestones.
- XIII. We 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 misallocation/verification are examples of areas that the City will prudently pursue.
- XIV. We 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. We will continue to maintain an Audit Committee primary purpose of serving in an advisory role. The Audit Committee will function under their own prescribed procedures as defined by their 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 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’s budget is broken down into 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, parks library, public safety, and general administrative support. The General Fund collects all general revenues not specifically levied or collected for other City funds or expenditures.

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## 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 two types of general obligation debt: the Glendale Redevelopment Agency's general obligation debt and the Police Facility Certificates of Participation (COPs) that was issued during July 2000. There is also one capital lease for the Municipal Services Building construction and a loan payable for a low / moderate 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.

Due to the size of the Capital Improvement Projects, they are presented on a five year plan basis so as to match future revenue with future expenditures. When the 2010/11 City of Glendale budget is adopted by the City Council, only the 2010/11 CIP budget will be approved and authorized. The remaining projects and anticipated appropriations are formally considered again by City Council in ensuing years. Their inclusion in this budget is 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 Americans with Disabilities Act (ADA) Facility Modifications to the new Adult Recreation Center and various street improvement projects.

## Enterprise Funds

These activities primary source 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 and Water Funds. Others include the Recreation, Hazardous Disposal, Parking, Sewer, Refuse Disposal, and Fire Communications operations. In previous years, the Fire Communications Fund was reported as a Special Revenue Fund but is now under the category of Enterprise Funds.

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## 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), Information Services Infrastructure Fund, Information Services Application Fund, Wireless Communications System Fund, and all of the City's self-insurance and benefit-related 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.