

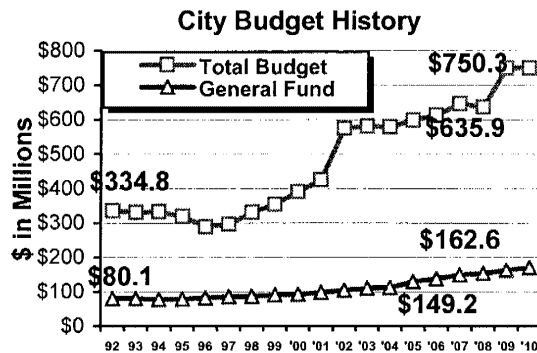
2008/09 BUDGET MESSAGE

Mayor and City Council Members,

PRELIMINARY BUDGET – 2008/09

This document represents the recommended budget for fiscal year 2008/09 and 2009/10. The total proposed budget for 2008/09 is \$750.3 million, or 10.4% higher than last year's adopted total budget. The total proposed budget for 2009/10 is \$750.0 million, a decrease of 0.1% in the second year of this proposed two-year budget. The proposed General Fund Budget for 2008/09 is \$162.6 million, or 0.4% greater than last year's originally adopted General Fund Budget. This budget message will summarize the primary financial issues being addressed with this proposed budget.

Beginning in April 2008, the City Council has held Budget Study Sessions. A public hearing on the budget will be held on June 10th and budget adoption is scheduled for June 24th.



This preliminary budget document reflects a projected General Fund surplus for next fiscal year of \$2 million. The second year currently shows a \$2.1 million shortfall. The budget for 2008/09 was balanced using a multitude of strategies: new revenues {\$1.2 million}, departmental expense reductions {\$8.6 million} and changes to transfers in and out of the General Fund {\$2.2 million}. This budget currently does not address any unfunded needs from the departments. For example, we have not increased the budget for increased costs related to: utilities, gasoline, insurance, etc.

BUDGET OVERVIEW

The prior year {2007/08} General Fund revenues are projected to be approximately 0.5% higher than originally projected and next year's revenues {2008/09} are projected to increase 1.5% {not counting the revenue strategy above}. The slowdown in economic activity, increase costs with all commodities, on-going credit crisis and the decline in the price and volume of real estate property in California has led to a flat revenue projection. The percentage increase for 2008/09 projected revenues is due to increased property taxes of 2.2%, with a 2.3% increase in sales taxes, and a 2.7% increase in utilities users tax. The City's General Fund is experiencing a decrease in building permit revenue and a zero increase from the transfers into the General Fund.

Two-Year General Fund Budget Summary

Recommended Two-Year Budget:	2008/09	2009/10
Estimated Revenues	\$164,569,000	\$168,648,000
Recommended Expenses	<u>162,557,309</u>	<u>170,787,740</u>
Projected Surplus	\$ 2,011,691	(\$ 2,139,740)

2008/09 BUDGET MESSAGE

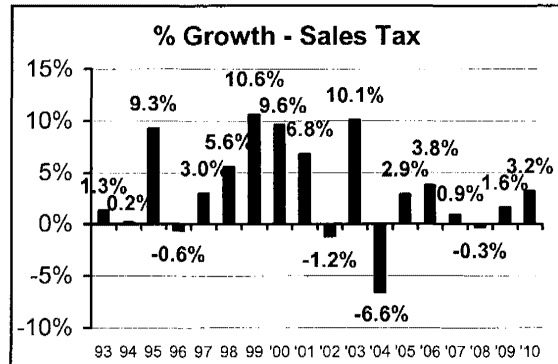
GENERAL FUND REVENUES

This budget message will highlight some of the changes projected in key General Fund revenue categories, specifically sales tax, property tax, utility user's tax, and transfers. These are major revenue sources for the City General Fund and their projections are critical in terms of overall revenue projections for the General Fund.

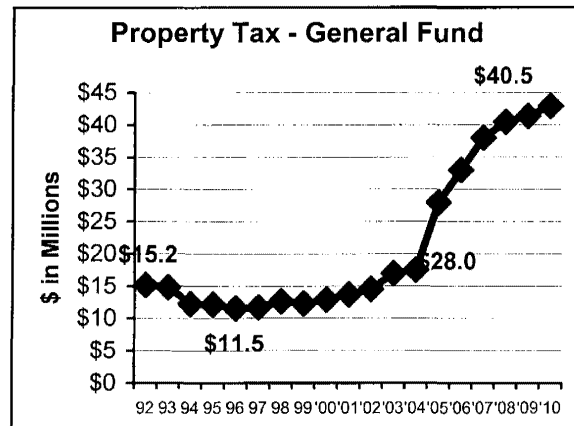
We have estimated increased revenues of \$2.5 million or 1.5% in Fiscal Year 2008/09.

<u>Revenue</u>	<u>Projected Increase</u>
Property Taxes	\$ 882,000
Sales Taxes	397,000
Utility Users Taxes	750,000
Transfers from Other Funds	20,000
Other revenues	421,000
TOTAL	\$ 2,470,000

Sales Tax - Sales tax is projected to grow 1.6% in 2008/09 from the current year revised total of \$30.4 million (General Fund and CIP Fund). This projection reflects the downturn in economic activity coupled with an offset of the opening of the Americana @ Brand.



Property Tax - The projected growth in the assessed value in the General Fund of 2.2% is lower than last year's 6.6% growth. The decrease in both the price and volume of real estate in California has not yet impacted property taxes. Generally, there is a two-year lag between current real estate activity and property tax revenue. The City of Glendale did not experience huge increases in property tax revenue for the past five years as the rest of Southern California did, therefore, we should not experience the decrease as well.



2008/09 BUDGET MESSAGE

Utility Users Tax (UUT) - Growth in this revenue is related to changes in utility rates charged to customers for telephone, cell phone, cable TV, electric, natural gas and water. In addition, new customers for any of these utilities will generate growth in utility tax revenue. The projected growth for 2008/09 is 2.7%. The total estimated Utility tax revenue for 2008/09 is \$28.25 million. Electric and natural gas related utility tax increases are difficult to project due to the volatility of natural gas prices. We have projected a conservative increase of about 3%. Telephone and cable utility taxes continue to grow at a rate equal or greater than inflation. Both of these utilities are projected to continue their growth patterns of recent years. An estimated \$5 million of UUT revenue is potentially “at risk” due to litigation, State/Federal legislation, and Telecommunication industries changes.

Transfers – In 2008/09, the City transfers funds from the Electric Utility (\$18.375 million), Water Utility (\$4.0 million), Sewer Utility (\$1 million), and the Capital Improvement Fund (\$2.8 million).

General Fund Revenue Estimates

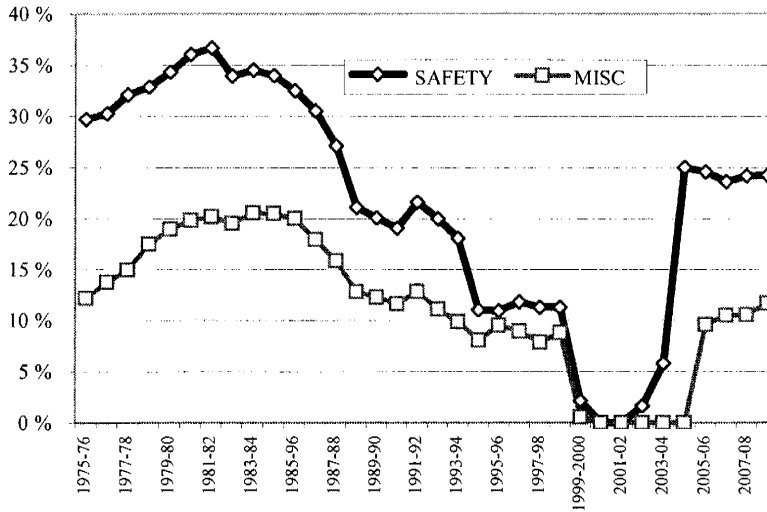
	Forecast 2007/08	Budget 2008/09	% Change
Property Taxes	\$ 40,502,000	\$ 41,384,000	2.2 %
Sales Tax	26,189,000	26,586,000	1.5 %
Utility Users Taxes	27,500,000	28,250,000	2.7 %
Other Taxes	7,950,000	8,163,000	2.7 %
Licenses & Permits	7,345,000	7,245,000	(1.4 %)
Fines & Forfeitures	1,300,000	1,400,000	7.7 %
Use of Money & Property	7,650,000	7,890,000	3.1 %
Revenue from Other Agencies	2,367,000	1,540,000	(34.9 %)
Charges for Services	4,504,000	4,760,000	5.7 %
Misc. & Non-Operating	807,000	655,000	(18.8 %)
Interfund Revenue	7,870,000	8,561,000	8.8 %
Transfers From Other Funds	28,115,000	28,135,000	0.1 %
Total Revenue	\$ 162,099,000	\$ 164,569,000	1.5 %

GENERAL FUND EXPENDITURES

Increased costs for salary adjustments for employees covered by multi-year labor agreements and CalPERS retirement costs are included in the recommended budget.

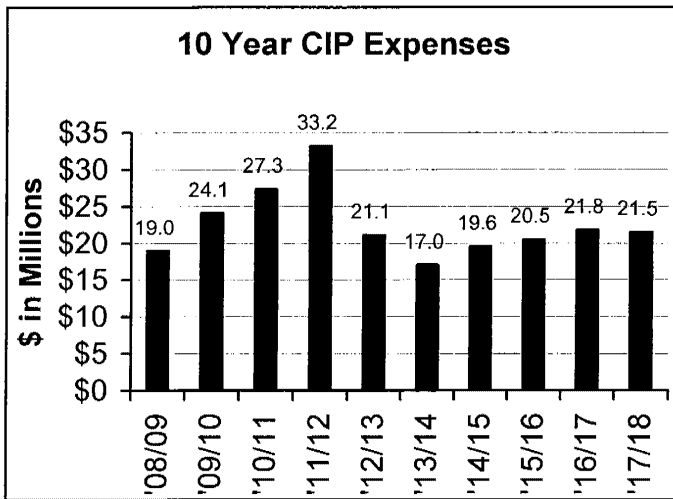
2008/09 BUDGET MESSAGE

CalPERS Contribution Rates – During the late 1990’s, with the stock market returning over 20% annually, CalPERS reduced our rates for both Safety and Non-Safety employees to a zero contribution rate for the City. Beginning March 2000, the stock market lost a tremendous amount of value for CalPERS. CalPERS invests approximately 60% in U.S. equities. Consequently, the safety employee rates for the City have increased from 1.665% of payroll {2002/03} to 24.172% {2007/08} and for 2008/09 and 2009/10 it is projected to grow to 24.252% and 23.5%, respectively. The Non-Safety employee rates are projected to be 11.681% for 2008/09 and 11.3% for 2009/10. Included in the non-safety rate is the new retirement benefit formula implemented in December 2005, representing over 3% of the 11.681% total rate.



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CAPITAL IMPROVEMENT PROGRAM



For fiscal year 2008/09 the approved appropriation for projects totals \$19 million with a \$400,000 contingency. This year, the projects planned for the next 10 years total \$225.1 million, including \$3.7 million in contingencies. The projects approved for funding in 2008/09 are detailed in the CIP budget.

2008/09 BUDGET MESSAGE

OTHER FUNDS

The 2008/09 recommended budget for the Enterprise Funds totals \$408.1 million. The primary funds are the Electric, Water, Sewer and Refuse Disposal funds, which total \$394.0 million, or 96.5%, of the \$408.1 million. The 2009/10 recommended budget for the Enterprise Funds is \$406.8 million, a 0.3% decrease over 2008/09.

INTERNAL SERVICE FUNDS

The Internal Service Fund budgets can be found in the Administrative Services portion of the budget. The Internal Service Funds, by definition, receive their funds “internally” from other funds of the City. For instance, each division within the General Fund pays its Workers Compensation costs by a line item budget in the General Fund and that payment is made to an Internal Service Fund for Workers Compensation programs. The Workers Compensation Fund then takes the “revenue” from the General Fund payments and Other Fund payments and expends those funds to pay the claims for Workers Compensation benefits. Similarly other Internal Service Funds for equipment replacement, liability insurance, and employee medical, dental, and vision benefits are included in the miscellaneous or Internal Service Fund categories.

CONCLUSION

The recommended budget for 2008/09 reflects a balanced General Fund budget. The Capital Improvement Program addresses some of the City’s priority infrastructure, park and capital replacement needs.

RESPECTFULLY SUBMITTED,



JAMES E. STARBIRD
CITY MANAGER