

2002/03 BUDGET MESSAGE

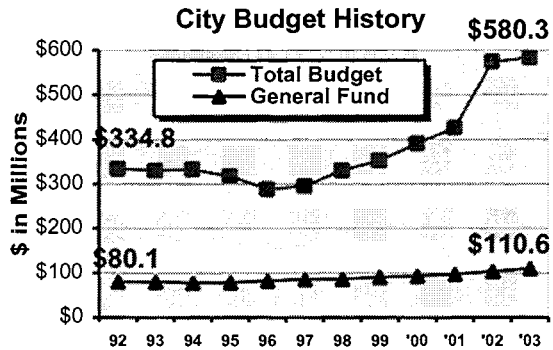
FINAL ADOPTED BUDGET – 2002/03

Mayor and City Council Members,

This document represents the adopted budget for fiscal year 2002/03. The total adopted budget is \$582.6 million, or 1.1% greater than last year's adopted total budget. The adopted General Fund Budget for 2002/03 is \$110.6 million, or 6% greater than last year's adopted General Fund Budget. This budget message will summarize the primary financial issues being addressed with this adopted budget.

Beginning in April of 2002, the City Council held numerous Budget Study Sessions. A public hearing on the budget was held on June 11th before adopting the budget on June 25th.

While this adopted budget does not attempt to address major service level issues, numerous unanticipated cost increases, as outlined in our budget study session, are addressed in this adopted budget.



BUDGET OVERVIEW

The prior year (2001/02) General Fund revenues are projected to be approximately 0.9% higher than originally projected and 2002/03 revenues are projected to increase 5.5%. This percentage increase for 2002/03 projected revenues is mainly due to increased transfers from the Electric Utility Fund and the CIP Fund as described in the "General Fund Revenues" section of this Budget Message.

2002/03 General Fund Budget Summary

2002/03 Adopted Budget:		
Estimated Revenues	\$109,527,943	
Use of Prior Year Surplus	1,028,943	
Total Resources	<u>\$110,556,886</u>	
Adopted Expenses	<u>110,556,886</u>	
Projected Surplus/(Shortfall)	\$ 0	

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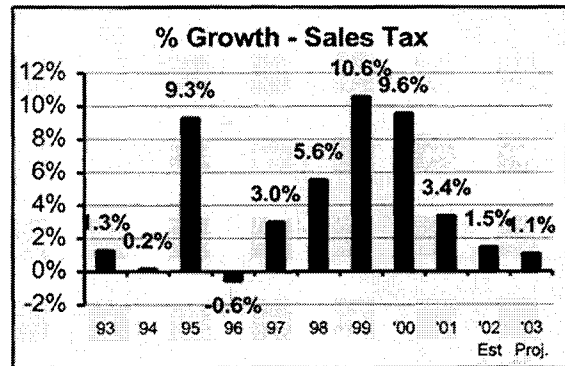
GENERAL FUND REVENUES

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, vehicle license fees 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 increased revenues by 5.5% in order to close a projected \$7.7 million budget gap in the General Fund. These increases amount to \$5.28 million.

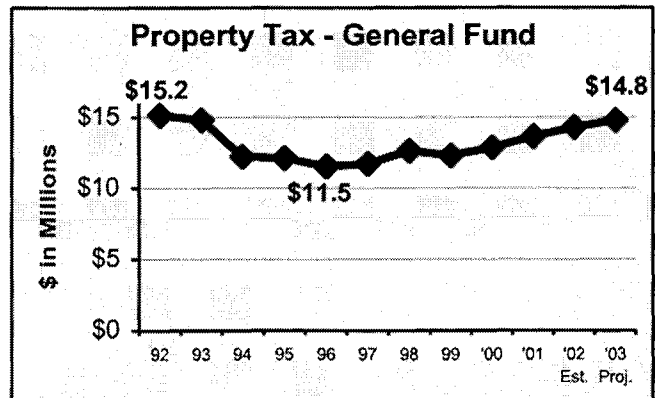
Electric Transfer	\$ 3,000,000
CIP Transfer	1,500,000
Charges for Services	380,000
Sponsorship Revenues	200,000
UUT Audit	200,000
	\$ 5,280,000

Sales Tax - Sales tax is projected to grow 1.1% in 2002/03 from the current year revised total of \$27.4 million (General Fund and CIP Fund). The revised projection for 2001/02 represents a 1.5% increase over the prior year actual revenue. We are projecting a small percentage growth in 2002/03 due to several factors. Currently, the overall sales tax growth rate has slowed dramatically. Secondly, auto sales are at a record level and they are the only category that continues to increase. revenue.



All other retail categories have declining

Property Tax - The projected growth in the assessed value in the General Fund of 4% is the slightly greater than last year's 3.4% growth. This revenue category may grow faster in 2003/04 due to the real estate market recovery and the related higher number of sales of existing homes and commercial/retail. In August of this year we will have more accurate data from L.A. County on the actual assessed value growth in Glendale.



Utility Users Tax - Growth in this revenue is related to changes in utility rates charged to customers for telephone, cable TV, electric, natural gas and water. In addition, new customers for any of these utilities will generate growth in utility tax revenue. The

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projected growth for 2002/03 is 2.2%. The total estimated Utility tax revenue for 2002/03 is \$18.6 million. Electric and natural gas related utility taxes are projected to increase. 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.

Vehicle License Fees (VLF) – Although vehicle owners have received a 67.5% reduction in VLF fees {starting January 1, 1999}, the reduction did not impact City revenues because the State has agreed to replace, or “backfill” the reduction with State revenues. Our projections assume that the State will continue the “backfill” since there are no proposals to change this status. This revenue is projected to grow to \$11.4 million, a 3.6% increase in 2002/03.

Transfers – The City transfers funds from the Electric Utility (\$13.845 million), Water Utility (\$2.9 million), Redevelopment (\$0.985 million), and the Capital Improvement Fund (\$4.745 million). The CIP Fund transfer has been increased \$1 million, while the Electric fund will transfer an additional \$3 million next year. Transfers are the General Fund’s largest revenue source.

Other Revenues – Overall General Fund revenues are projected to grow 5.5% mainly due to the increased transfers listed above.

General Fund Revenue Estimates

	Revised 2001-02	Projected 2002-03	% Change
Property Taxes	\$ 14,310,000	\$ 14,800,000	3.4 %
Sales Taxes	13,700,000	13,850,000	1.1 %
Utility Users Taxes	18,200,000	18,600,000	2.2 %
Other Taxes	5,800,000	6,080,000	4.8 %
Licenses & Permits	2,800,000	3,380,000	20.7 %
Fines & Forfeitures	1,500,000	1,600,000	6.7 %
Use of Money & Property	5,437,000	5,257,000	(3.3 %)
Revenue from Other Agencies	11,856,000	11,828,746	(0.2 %)
Charges for Services	3,520,040	3,445,197	(2.1 %)
Misc. & Non-Operating	538,000	385,000	(28.4 %)
Interfund Revenue	5,718,373	6,027,000	5.4 %
Transfers From Other Funds	20,336,600	24,275,000	19.4 %
Total Revenue	\$ 103,716,013	\$ 109,527,943	5.6 %

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GENERAL FUND EXPENDITURES

Increased costs for salary adjustments for employees covered by multi-year labor agreements (estimated increased cost = \$4 million) are included in the adopted budget. New expenses along with expenditure reductions outlined below are also included in the 2002/03 budget.

Approved Reductions – In order to close the estimated \$7.7 million budget gap, a variety of strategies were approved for 2002/03, including increasing revenues, increasing transfers, reducing expenses and transferring costs out of the General Fund. The following lists the reduction in expenses for the General Fund. These reductions affected every division within the General Fund.

Departmental Savings/Reductions	\$ 1,045,000
Hourly Costs Reduction	300,000
Public Works Reductions	90,000
General Travel Reductions	74,000
	<u>\$ 1,509,000</u>

We have transferred certain costs out of the General Fund and to other funds to properly account for these expenses.

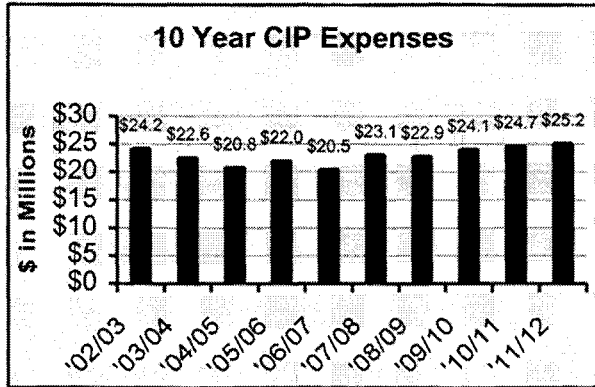
Development Services Staff Costs	\$ 54,000
Program Costs Funded By One-time Savings	890,940
	<u>\$ 944,940</u>

Unanticipated New Expenses – There are some increases in expenses for this coming fiscal year, that were not anticipated in our multi-year budget plan. These costs were reviewed in detail during budget study sessions.

New Police Building O & M	\$ 505,208	{ Total new cost = \$ 1,141,000 }
Pacific / Edison O & M	58,000	{ Total net new cost = \$ 858,000 }
Salary / Benefit Costs	1,600,000	
Increased Insurance Costs (post 9-11)	286,000	
Increased Animal Control costs	108,700	
PERS Rate increase	492,183	
Other "urgent needs"	294,600	
	<u>\$ 3,344,691</u>	

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CAPITAL IMPROVEMENT PROGRAM



For fiscal year 2002/03 the adopted appropriation for projects totals \$23.2 million plus a \$1 million contingency.

The projects approved for funding in 2002/03 are detailed in the CIP budget. The transfer from the CIP Fund to the General Fund has been increased by a \$1 million in 2002/03 to \$4,745,000.

OTHER FUNDS

The adopted budget for the Enterprise Funds totals \$346 million. The primary funds are the Electric, Water, Sewer and Refuse Disposal funds, which total \$328 million of the \$346 million. Several rate increases have been approved this fiscal year, including refuse disposal fees, building permit fees, and water rates.

INTERNAL SERVICE FUNDS

The Internal Service Fund budgets can be found in the Finance & Administrative Services part 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 adopted budget for 2002/03 is balanced. Several “urgent needs” are funded within the General Fund Budget and the Capital Improvement Program addresses some of the City’s priority infrastructure, park and capital replacement needs.

Respectfully Submitted

James E. Starbird
City Manager