

City of Glendale  
Budget Study Session #1  
May 5, 2015



# Agenda

- FY 2014-15
  - 3rd Quarter Update
  - Year-End Projection
  - Proposed Budget Adjustments
  - Organizational Profile
- FY 2015-16
  - General Fund Forecast
  - Proposed General Fund Budget
  - Budget Calendar
- Questions & Comments

# *FY 2014-15 3rd Quarter Update*

## As of March 31, 2015

# FY 2014-15 3rd Quarter Update

## General Fund Resources

- Revenues received through March 31, 2015 are \$100.3 million
  - Last year at this time revenue was \$95.3 million
    - Compared to the same period last year, the revenues are approximately 5.2% higher
  - Increases noted in sales tax, utility users' tax, occupancy tax, building permits, and charges for services
  - Revenues are expected to meet forecast by year-end, no adjustments proposed at this time

# General Fund Resources

## March 31, 2015 (In Thousands)

	Adopted Budget	Adjustments	Revised Resources	Actual Receipts	% Received
Property Taxes	\$ 46,865	\$ 750	\$ 47,615	\$ 25,539	53.6%
Sales Taxes	34,700	725	35,425	19,343	54.6%
Utility Users Taxes	27,746	-	27,746	19,312	69.6%
Occupancy & Other Taxes	9,340	260	9,600	5,182	54.0%
Licenses And Permits	6,925	1,350	8,275	7,216	87.2%
Revenue Fr Other Agencies	100	244	344	357	103.8%
Charges For Services	1,872	635	2,507	2,361	94.2%
Cost Allocation	16,523	-	16,523	12,489	75.6%
Fines & Forfeitures	950	-	950	554	58.3%
Interest/Use Of Money	3,215	-	3,215	2,480	77.1%
Intergovernmental	1,200	(1,200)	-	-	N/A
Misc & Non-Operating	1,164	101	1,265	1,632	129.0%
Transfers	23,407	-	23,407	2,288	9.8%
GSA Reimbursement	-	1,502	1,502	1,509	100.5%
<b>Subtotal:</b>	<b>\$ 174,007</b>	<b>\$ 4,367</b>	<b>\$ 178,374</b>	<b>\$ 100,262</b>	<b>56.2%</b>
Use of Fund Balance	7,495	(514)	6,981	-	0.0%
<b>Total Resources:</b>	<b>\$ 181,502</b>	<b>\$ 3,853</b>	<b>\$ 185,355</b>	<b>\$ 100,262</b>	<b>54.1%</b>

# FY 2014-15 3rd Quarter Update

## General Fund Resources- Revenue From Other Agencies

- Revenue from other agencies contains various Federal, State, and Local grants, as well as the SB90, Motor Vehicle in Lieu, Mutual Aid Reimbursement, Historic Preservation Grant, and all other revenue received from other agencies
- Total received as of March 31, 2015 is \$357K or 103.8%, mainly due to the following:
  - Mutual Aid Reimbursement, \$34k received
  - Motor Vehicle in Lieu, \$85k received



# FY 2014-15 3rd Quarter Update

## General Fund Resources- Miscellaneous & Non-Operating Revenue

- Miscellaneous & non operating revenue contains donations and contributions, advertising revenue, rebate revenue, unclaimed money and property revenue, and other miscellaneous revenues
- Total received as of March 31, 2015 is \$1.6 million, or 129.0%, mainly due to the following:
  - AB 109 Revenue, \$698k received
  - Advertising Revenue, \$100k received
  - Unclaimed Money & Property, \$69K received

# FY 2014-15 3rd Quarter Update

## General Fund Expenditures

- Department expenditures are tracking as expected
  - Reported at the first quarter and mid-year, departments are on track to meet their budget; this remains unchanged at the third quarter
  - General Fund Expenditures are \$136.1 million, 73.5% expended versus 71.9% last year
    - All Departments are forecasted to either meet or come in under budget by year-end barring any unforeseen expenditures



# General Fund Expenditures - March 31, 2015 (In Thousands)

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	Adopted Budget	Adjustments	Revised Budget	Actual Expended	% Expended
Administrative Services	\$ 4,875	\$ 23	\$ 4,898	\$ 3,305	67.5%
City Attorney	3,291	21	3,312	2,403	72.6%
City Clerk	1,143	458	1,601	867	54.2%
City Treasurer	654	4	658	471	71.6%
Community Development	10,084	565	10,649	7,309	68.6%
Comm. Services & Parks	9,691	346	10,037	7,250	72.2%
Fire	42,761	406	43,167	32,317	74.9%
Human Resources	2,481	44	2,525	1,642	65.0%
Library, Arts & Culture	8,243	38	8,281	5,618	67.8%
Management Services	4,582	224	4,806	3,323	69.1%
Police	67,178	434	67,612	51,474	76.1%
Public Works	17,704	615	18,319	12,961	70.8%
Transfers	5,917	-	5,917	4,438	75.0%
Retirement Incentive	898	-	898	673	74.9%
Non-Departmental	2,000	534	2,534	2,009	79.3%
<b>Subtotal:</b>	<b>\$ 181,502</b>	<b>\$ 3,712</b>	<b>\$ 185,214</b>	<b>\$ 136,060</b>	<b>73.5%</b>
Projected Savings:	-	(2,098)	(2,098)	-	N/A
Pending Council Approval	-	2,239	2,239	-	N/A
<b>Total Expenditures:</b>	<b>\$ 181,502</b>	<b>\$3,853</b>	<b>\$ 185,355</b>	<b>\$ 136,060</b>	<b>73.4%</b>

# Cash Balances – All Funds

March 31, 2015 (In Thousands)

## Major Funds:

General Fund		\$	51,201
Housing Assistance Fund			1,897
Capital Improvement Fund			5,585
Sewer Fund			60,985
Electric Fund			149,538
Cash from Operations	79,582		
Cash from Bond Proceeds	54,688		
Transfer Reserve	15,268		
Water Fund			2,359
Cash from Operations	(17,034)		
Cash from Bond Proceeds	19,393		
<b>Major Funds Total:</b>		<b>\$</b>	<b>271,565</b>

## Other Funds:

Capital Projects Funds	\$	38,113
Debt Service Funds		24,118
Special Revenue Funds		27,100
Nonmajor Enterprise Funds		44,913
Internal Service Funds		101,232
<b>Other Funds Total:</b>	<b>\$</b>	<b>235,476</b>

**Grand Total:** \$ 507,041

# *FY 2014-15 General Fund* Year End Projection

# FY 2014-15 General Fund

## Year End Projection (In Thousands)

Slide 12

	Adoption		Forecast	
Unassigned & Charter Reserve, 7/1/2014	\$	66,074	37.9%	\$ 66,074 37.9%
Approved One-Time Use of Fund Balance		(7,000)		(7,000)
<b>Subtotal</b>		<b>\$ 59,074</b>	<b>33.9%</b>	<b>\$ 59,074 33.9%</b>
Revenues	\$	174,007		\$ 174,007
Adjustments		-		4,367
<b>Total Revenues</b>	<b>\$</b>	<b>174,007</b>		<b>\$ 178,374</b>
Appropriation	\$	(174,502)		\$ (174,502)
Adjustments & Carryovers		-		(3,712)
<b>Estimated Savings</b>		<b>-</b>		<b>2,098</b>
<b>Total Appropriations</b>	<b>\$</b>	<b>(174,502)</b>		<b>\$ (176,116)</b>
Net Surplus / (Use) of Fund Balance		(495)		2,258
<b>3rd Quarter Pending Items</b>		<b>-</b>		<b>(2,239)</b>
<b>Estimated Unassigned &amp; Charter Reserve</b>		<b>\$ 58,579</b>	<b>33.6%</b>	<b>\$ 59,093 33.9%</b>

*FY 2014-15 3rd Quarter*  
Proposed Budget Adjustments

# FY 2014-15 3rd Quarter

## Proposed Budget Adjustments (1 of 2)

- Proposed adjustments totaling \$2.2 million to be funded from projected year-end surplus
- Building Maintenance - \$1 million
  - Funding to establish new fund for critical maintenance for City facilities, ongoing costs to be cost allocated
- Library - \$800,000
  - Funding to upgrade the checkout, security, & inventory system to RFID technology
- Community Services & Parks - \$28,000
  - Funding for Senior Services & STAR Youth Programs



# FY 2014-15 3rd Quarter

## Proposed Budget Adjustments (2 of 2)

- Police - \$461,165
  - Funding of \$354,465 for GPOA memorandum of understanding that was Council approved in August 2014
  - Funding of \$106,700 for the DNA Lab shifting to General Fund as grant funding expired March 31
  
- Reduce General Fund Funding for 2016 Rose Float – (\$50,000)
  - At mid year, \$50,000 was approved in the General Fund budget to be appropriated for the 2016 Rose Float. Since the ToR is mandating a minimum float budget of \$200,000 for the 2016 Rose Float, if Council is inclined to fund a 2016 Rose Float, staff is requesting that the entire \$200,000 be appropriated out of the Economic Development Fund and not the General Fund.

# *Organizational Profile*

## As of March 31, 2015

# FY 2014-15 3rd Quarter

## Organizational Profile

	Adopted FY 2013-14	Adopted FY 2014-15
<ul style="list-style-type: none"> <li>Total Population (Per Department of Finance)</li> </ul>	193,652	195,799
<ul style="list-style-type: none"> <li>Total City Employees (FT) Budgeted               <ul style="list-style-type: none"> <li>Total General Fund FT</li> </ul> </li> </ul>	1,588 905	1,584* 890
<ul style="list-style-type: none"> <li>Total Adopted Budget               <ul style="list-style-type: none"> <li>Total General Fund Adopted Budget</li> </ul> </li> </ul>	\$737,941,725 \$170,731,906	\$832,715,929 \$181,501,527
<ul style="list-style-type: none"> <li>Residents served per FT               <ul style="list-style-type: none"> <li>Residents served per FT (General Fund)</li> </ul> </li> </ul>	122 214	124 220
<ul style="list-style-type: none"> <li>Total Budget per capita               <ul style="list-style-type: none"> <li>General Fund Budget per capita</li> </ul> </li> </ul>	\$3,811 \$882	\$4,253 \$927

\*Shown as adopted, revised total count will be 1,520 post-Separation/Retirement Incentive as of third quarter

# FY 2014-15 3rd Quarter

## Organizational Profile

### Outstanding Debt (In Thousands)

Slide 18

	June 2013	June 2014
▪ COPs (GPD Facility)	\$ 48,900	\$ 41,195
▪ Revenue Bonds	195,905	253,405
▪ Claims Payable	43,650	44,497
▪ Landfill Closure Liability	39,635	41,810
▪ Compensated Absences	22,147	18,392
▪ Post Employment Benefits	57,997	75,922
▪ Other	17,180	14,403
Total Outstanding Debt	\$ 425,414	\$ 489,624

# FY 2014-15 3rd Quarter

## Organizational Profile

### Liquidity Ratios (In Thousands)

### Tri-City Comparison

	As of June 30, 2014		
	Burbank	Pasadena	Glendale
▪ Total Current Assets	\$ 406,303	\$ 543,172	\$ 481,722
▪ Total Current Liabilities	\$ 86,833	\$ 177,505	\$ 77,197
▪ Total Inventories	\$ 8,875	\$ 8,875	\$ 6,128
▪ Current Ratio	4.68x	3.06x	6.24x
▪ Quick Ratio	4.58x	2.94x	6.16x



# FY 2014-15 3rd Quarter

## Organizational Profile

### Debt Ratios (In Thousands)

### Tri-City Comparison

	As of June 30, 2014		
	Burbank	Pasadena	Glendale
▪ Total Assets	\$ 1,856,501	\$ 1,854,711	\$ 2,193,648
▪ Total Liabilities	\$ 400,367	\$ 688,193	\$ 544,033
▪ Total Net Assets	\$ 1,456,134	\$ 1,166,518	\$ 1,650,906
▪ Debt Ratio	22%	37%	25%
▪ Debt to Equity Ratio	27%	59%	33%



# FY 2014-15 3rd Quarter

## Organizational Profile

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	Adopted FY 2013-14		Adopted FY 2014-15	
Public Safety	\$ 130,131,085	18.3%	\$ 130,531,413	16.3%
Public Works, Utilities & Transit	406,345,956	57.3%	490,165,914	61.2%
Community Development	42,392,779	6.0%	43,193,442	5.4%
Quality of Life	38,039,162	5.4%	40,231,190	5.0%
Administration & Internal Service	92,701,619	13.0%	97,269,970	12.1%
<b>Total Operational Expenditures*</b>	<b>\$ 709,610,601</b>	<b>100.0%</b>	<b>\$ 801,391,929</b>	<b>100.0%</b>

\*Excludes transfers

# FY 2014-15 3rd Quarter

## Organizational Profile

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### Total Personnel Appropriation - **All Funds** Four-Year Comparison (in millions)

	Adopted FY 2011-12	Adopted FY 2012-13*	Adopted FY 2013-14	Adopted FY 2014-15	Revised FY 2014-15**	% Change from 13-14
Total City Salaries & Benefits	\$240.3	\$218.7	\$216.8	\$222.3	\$215.0	(0.8%)
Total City Operating Costs (not including transfers & capital improvement)	\$678.0	\$630.9	\$651.4	\$668.1	\$660.6	1.4%
Personnel v. Operating Costs All Funds	35.4%	34.7%	33.3%	33.3%	<b>32.5%***</b>	(2.7%)
Employee Count	1,873	1,605	1,588	1,584	1,520	(4.8%)

\*Includes General Fund & GWP Balancing Strategies

\*\*Includes Separation/Retirement Incentive

\*\*\*Meets target of 35%

# FY 2014-15 3rd Quarter

## Organizational Profile

Slide 23

### Total Personnel Appropriation - **General Fund** Four-Year Comparison (in millions)

	Adopted FY 2011-12	Adopted FY 2012-13*	Adopted FY 2013-14	Adopted FY 2014-15	Revised FY 2014-15**	% Change from 13-14
Salaries & Benefits	\$ 142.2	\$ 131.4	\$134.2	\$136.9	\$133.7	(0.4%)
Maintenance & Operation / ISF Charges	32.7	33.4	35.8	38.6	38.5	7.5%
Capital Outlay	0.1	0.2	0.3	0.1	0.1	(66.7%)
Cost Savings Target	(7.7)	(0.6)	-	-	-	-
Annual Appropriations Fund (not including transfers)	\$ 167.2	\$ 164.4	\$170.3	\$175.6	\$172.3	1.2%
Personnel v. M&O General Fund	85.0%	79.9%	78.8%	78.0%	<b>77.6%***</b>	(1.5%)
Employee Count	998	896	905	890	863	(4.7%)

\*Includes General Fund Balancing Strategies

\*\*Includes Separation/Retirement Incentive

\*\*\*Does not meet target of 75%

# FY 2014-15 3rd Quarter

## Organizational Profile

Total Personnel Appropriation - **All Funds**  
Management v. Non-Management (in millions)

	Adopted FY 2012-13	Adopted FY 2013-14	Adopted FY 2014-15	Revised FY 2014-15*
Total Salaries (w/o benefit roll-up)	\$147.8	\$134.7	\$135.3	\$130.4
Management Salaries	\$28.5	\$25.3	\$26.0	\$24.7
Non-Management Salaries	\$119.3	\$109.4	\$109.3	\$105.7
Management Salary Ratio	19.3%	18.8%	19.2%	<b>18.9%**</b>

\*Includes Separation/Retirement Incentive

\*\*Meets target of 25%

# FY 2014-15 3rd Quarter

Slide 25

## Organizational Profile

Average Benefit Load - All Employees\*

Benefit	2012-13 Safety	2012-13 Non-Safety	2013-14 Safety	2013-14 Non-Safety	2014-15 Safety	2014-15 Non-Safety
Accrued Time	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
Employee Insurances	12.27%	14.96%	12.20%	16.30%	12.58%	16.52%
Employer Costs	19.75%	11.21%	17.31%	10.76%	20.00%	11.31%
Retirement	30.38%	15.73%	31.79%	16.18%	34.97%	17.78%
Retirement Cost Share	(2.75%)	(2.20%)	(2.87%)	(2.20%)	(3.39%)	(2.50%)
Total	64.85%	44.90%	63.63%	46.24%	69.36%	48.31%

\* Data based on weighted average



# Authorized Full-Time Positions

	Fiscal Year	Authorized Positions	
	2002-03	1,835	
	2003-04	1,829	
	2004-05	1,881	
	2005-06	1,995	
	2006-07	1,974	
	2007-08	1,986	
23.8% reduction since FY 2005-06	2008-09	1,942	FY 2014-15 authorized positions reflect FY 1995-96 levels
	2009-10	1,904	
	2010-11	1,899	
	2011-12	1,873	
	2012-13	1,605	
	2013-14	1,588	
	2014-15	1,584	
	2014-15 Revised	1,520*	

\* Includes Separation/Retirement Incentive with 3 Electrical Line Mechanics, 3 Electrical Line Mechanic Supervisors, and 1 System Analyst reinstated



# *General Fund Forecast*

## FY 2015-16 to FY 2021-22



# General Fund Forecast

## Future Challenges

- Operating Costs
  - On-going Salaries & Benefits + Maintenance & Operating Costs
- Pension Costs
  - Continued increases expected within the next five years
- General Fund Capital Improvement
  - Current funding is 1.25% of Sales Tax Revenue; will increase .25% annually for next three years
- Internal Service Funds
  - Workers' Compensation, Information Technology, Fleet Replacement
- Other Post Employment Benefits
  - Implied subsidy for retirees has created an unfunded liability of \$214 million. Strategies are being formulated to eliminate the entire liability over time

# General Fund Forecast

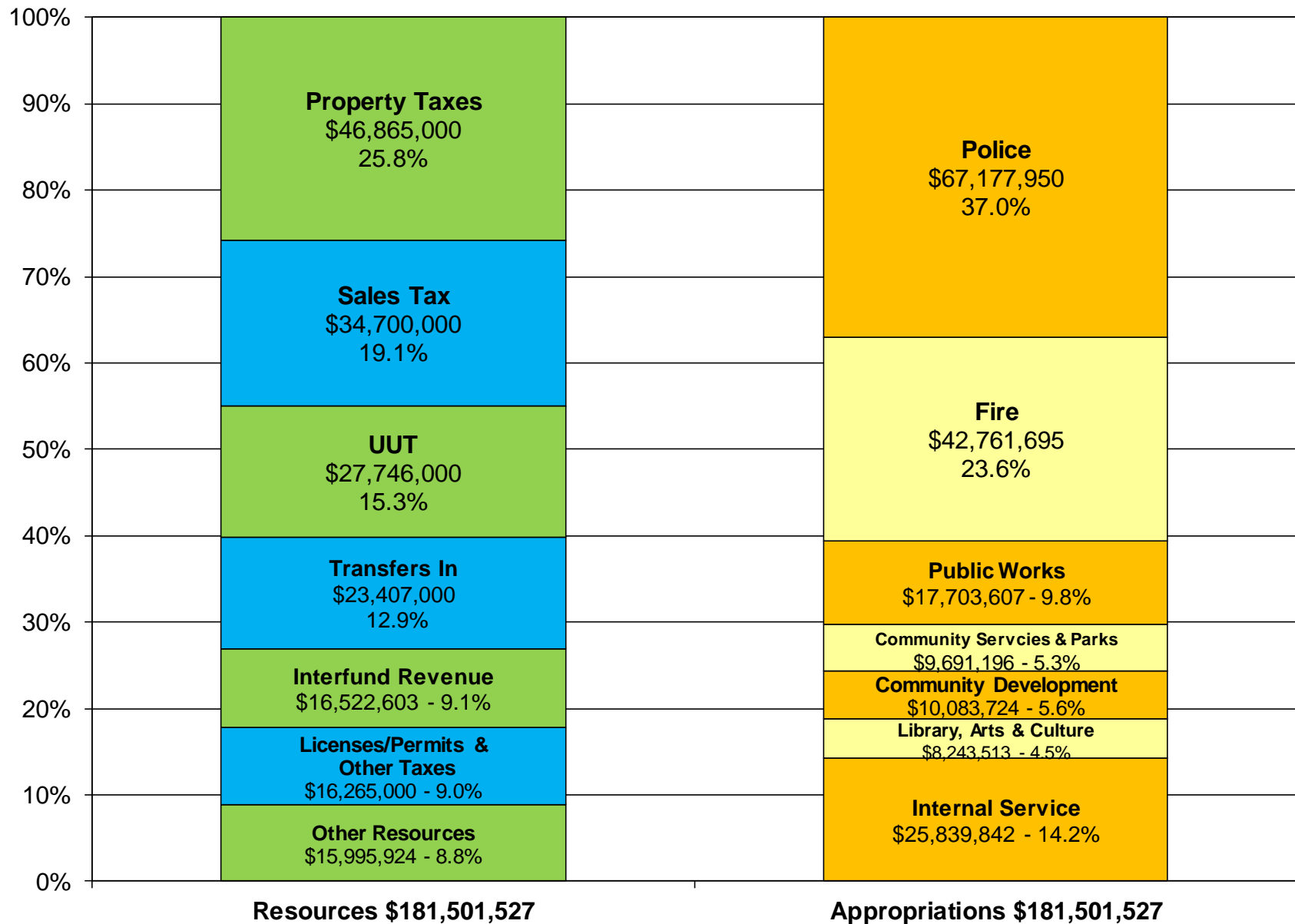
## Revenue Assumptions

- Council approved projects included in revenue estimates
  - Includes all future “pipeline” projects
- One voter approved revenue measure in April 2015 – “Measure O”
- Does not include potential new tax revenue from new business relocating to Glendale (i.e. new Auto Dealerships, Retail, Restaurants, etc)
- Total General Fund Revenues expected to increase annually by an **average of 2.8%** through FY 2021-22 (assumes full agency loan repayment)
- Average annual growth for **major revenue** categories:
  - Property Tax – 3.3%
  - Sales Tax – 5.2%
  - Utility Users’ Tax – 1.8%
  - Building Permits – 1.7%
  - Other Licenses & Permits – 2.8%
  - Continued reduction of Electric transfer of \$250k annually to a floor of 10%

# FY 2014-15 General Fund

Slide 30

## Resources vs Appropriations



# General Fund Forecast

## Appropriation Assumptions

Slide 31

### ■ Salaries

- Includes annual step increases estimated at approximately \$800k fully loaded
- COLA for GFFA (3.5%), GMA (1%), GCEA (1%) in FY 2015-16
- 3% COLA for GMA and GCEA in FY 2016-17 offset with 1% additional PERS Cost Share

### ■ Medical Benefits

- 10% annual increase for the next five years based on estimate received from insurance broker
- Assumes 50% cost share with employee groups

### ■ PERS is a major cost driver

### ■ Focus on “total compensation” cost

# General Fund Forecast

## Appropriation Assumptions

### ■ PERS Safety

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Rate	35.0%	38.3%	41.5%	43.6%	45.8%	47.9%	47.9%	47.9%
Amount (Millions)	\$14.6	\$16.5	\$18.1	\$19.3	\$20.5	\$21.6	\$21.8	\$21.9

### ■ PERS Miscellaneous

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Rate	17.5%	20.9%	22.8%	24.5%	26.1%	27.8%	27.7%	27.7%
Amount (Millions)	\$5.2	\$6.6	\$7.3	\$8.0	\$8.7	\$9.4	\$9.4	\$9.5

- In FY 2014-15 the General Fund PERS cost, net of employee cost sharing, is \$19.8 million
  - Forecasted to increase by \$11.6 million to a total net cost of \$31.4 million by FY 2021-22
  - Without employee cost sharing, the City's PERS cost would be \$34.7 million in FY 2021-22 – **a \$3.3 million savings**



# General Fund Forecast

Slide 33

## Appropriation Assumptions PERS Projection

	PERS Cost	Cost Sharing	Net PERS Cost	Appropriation	% of Budget
FY 2013-14	\$20,138,294	\$2,342,585	\$17,795,709	\$170,363,917	10.4%
FY 2014-15	\$21,921,680	\$2,037,280	\$19,884,400	\$178,213,402	11.2%
FY 2015-16	\$25,878,821	\$2,767,074	\$23,111,747	\$182,866,551	12.6%
FY 2016-17	\$28,550,417	\$3,158,729	\$25,391,688	\$191,524,258	13.3%
FY 2017-18	\$30,432,867	\$3,180,839	\$27,252,028	\$196,151,175	13.9%
FY 2018-19	\$32,348,765	\$3,203,106	\$29,145,659	\$201,899,392	14.4%
FY 2019-20	\$34,281,441	\$3,225,528	\$31,055,913	\$205,652,010	15.1%
FY 2020-21	\$34,480,955	\$3,248,105	\$31,232,850	\$207,222,976	15.1%
FY 2021-22	\$34,722,322	\$3,270,841	\$31,451,481	\$208,855,539	15.1%

### Notes:

1. FY 2013-14 are actuals; All other years are projected
2. Ten year average % of PERS cost to General Fund (FY 2005- FY 2014) actual expenditures: 9.0 %
3. Glendale's adopted best management practice is to contain total PERS cost at no more than 17% of General Fund

# General Fund Forecast

## Appropriation Assumptions

### CalPERS Historical Rates

Slide 34

	Safety %	Non-Safety %
1976	29.70	12.21
1981	36.07	19.81
1986	32.49	20.01
1991	19.07	11.62
1996	10.95	9.54
2001	0.00	0.00
2011	25.06	11.67
2012	30.31	15.66
2013	30.38	15.73
2014	31.79	16.18
2015	34.97	17.46
2016	38.29	20.89
41 year average	22.70	11.89
2017*	41.50	22.80
2018*	43.60	24.50
2019*	45.80	26.10
2020*	47.90	27.80
2021*	47.90	27.70
2022*	47.90	27.70

\*Projected Rates

# General Fund Forecast

## Appropriation Assumptions

Slide 35

- Comprehensive Compensation Strategy
- Total Compensation Equation
  - Salary + Benefits + Retirement
  - 59% + 24% + 17% = 100%
  - Reflects cost share with employee associations
- How do we sustain our value proposition?
  - Focus on priorities
    - Citizen Satisfaction Survey
  - Invest strategically in the organization
    - Long-term versus short-term outcomes
    - Maintain perspective and avoid distractions
  - Do more with less
    - Role of technology, outsourcing and network collaboration
    - Attract the best talent – Five Tool Players

# General Fund Forecast

## Appropriation Assumptions

### Principles of Compensation Management

- I. The City shall seek to **balance the Council priorities of Fiscal Responsibility and Exceptional Customer Service** by attracting and employing **quality city personnel** within a sustainable financial structure.
- II. All elements of employee **compensation must be funded and secured**, and based on the City's ability to pay.
- III. The City shall periodically endeavor to **calibrate compensation for classifications at the average of comparable cities** in the defined market. However, the City may establish select compensation classifications more competitively within the market, based on department mission, program priority, and market forces.
  - The City shall pay average market salary and expect exceptional execution and performance
- IV. In addition to consideration of market comparisons, the City shall also endeavor to **analyze internal organizational equity within comparable job classifications** and amongst the respective bargaining units.



# General Fund Forecast

## Appropriation Assumptions

### Principles of Compensation Management (Con't)

- V. Merit compensation increases and/or bonus consideration shall be based solely on **employee performance and on the City's ability to pay in a non-discriminatory fashion.**
- VI. In order to sustain the defined-benefit model, **employees shall participate in funding retirement costs** to the maximum extent possible.
- VII. The City's PERS program participation will reflect **sustainable actuarial horizons.**
- VIII. The City's total General Fund **workforce costs should not exceed 75% of net operating expenses** on an annual basis.
- IX. The City's total **management costs should not exceed 25% of its total personnel costs**, ensuring a trim and efficient organizational structure.
- X. Employee time accruals will be monitored and utilized to ensure that **separating employees' payouts are minimized.**



# General Fund Forecast

## Additional Considerations

Slide 38

### ■ Base Line Expenditures

- Includes all other Salaries & Benefits, M&O
- Expected to grow by .75% annually based on historical expenditure patterns

### ■ General Fund Capital Improvement

- Current funding is 1% of sales tax
- Increase by .25% annually starting in FY 2015-16 with a cap of 2.0%

### ■ Internal Service Funds

- Workers' Compensation Fund balance deficit is \$15.8 million as of June 30, 2014; Forecast includes funding to eliminate deficit by FY 2020-210
- Funding for equipment replacement is increased by \$700k with 13% annual increases through FY 2018-19
- Information Technology Funding is increased in future years that will replace an aging infrastructure (i.e. servers, routers, switches, computers, etc.)

# General Fund Forecast

Slide 39

	FY 14-15 Forecast	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Resources	\$ 178.4	\$ 185.7	\$ 188.6	\$ 196.1	\$ 201.4	\$ 206.5	\$ 210.6	\$ 215.4
Appropriations								
Base Line	176.1	174.7	177.3	177.9	179.3	180.1	181.0	181.9
PERS	-	4.0	6.6	8.5	10.4	12.4	12.6	12.8
CIP	-	0.1	0.3	0.4	0.5	0.6	0.6	0.7
ISF's	-	3.3	5.9	7.8	9.6	10.5	11.0	11.5
COP's	-	-	0.3	0.3	0.5	0.5	0.5	0.5
OPEB	-	0.8	1.1	1.3	1.5	1.5	1.6	1.6
Total Appropriations	\$ 176.1	\$ 182.9	\$ 191.5	\$ 196.2	\$ 201.8	\$ 205.6	\$ 207.3	\$ 209.0
<b>Net Surplus/(Deficit)</b>	<b>\$ 2.3</b>	<b>\$ 2.8</b>	<b>\$ (2.9)</b>	<b>\$ (0.1)</b>	<b>\$ (0.4)</b>	<b>\$ 0.9</b>	<b>\$ 3.3</b>	<b>\$ 6.4</b>
Pending 3rd Qtr Items	(2.2)	-	-	-	-	-	-	-
Loss of GRA Payment	-	\$ (3.1)	\$ (2.4)	\$ (3.4)	\$ (3.5)	\$ (3.5)	\$ (3.5)	\$ (3.5)
Net Surplus/(Deficit)	\$ 0.1	\$ (0.3)	\$ (5.3)	\$ (3.5)	\$ (3.9)	\$ (2.6)	\$ (0.2)	\$ 2.9

## “The Good, the Bad and the Ugly”

### ■ The Goodish

- Glendale is stable, progressive and approaching structural balance
- Fiscal discipline continues to yield benefits

### ■ The Badish

- At current staffing levels, “stress fractures” are becoming apparent in some departments
- At current levels, the city is only able to provide limited program restoration
- At current budget levels, competition for specialized personnel is becoming increasingly difficult and fierce
- At current arc of “rate smoothing,” PERS costs may challenge our ability to meet General Fund reserve targets

### ■ The (Still) Ugly

- State of California continues to burden cities
- Potential loss of GRA loan repayment is a tremendous – though not unprecedented – challenge (ERAF cost \$124 million)

# General Fund Forecast

## Conclusion

Slide 41

- Time for continued diligence and discipline
  - Surplus forecasted for FY 2015-16 but...
    - Minor deficits forecasted starting in FY 2016-17
    - PERS increases remain significant
    - Maintain balance between exceptional customer service, balanced budget, and proper oversight and controls
    - Leveraging technology to allow for streamline staffing
- As a result, limited programming restoration proposed in FY 2015-16

# *FY 2015-16 General Fund* Proposed Budget





# FY 2015-16 General Fund

Slide 43

## Proposed Budget (1 of 4)

- Property & Sales Tax forecasted to increase 4.5% and 6.4% respectively from the revised estimate at 3<sup>rd</sup> quarter
- Occupancy Tax will increase approximately \$1.1 million due to the passage of Measure “O” and the continued economic recovery
- Increase of approximately \$2.4 million for the GRA loan repayment
- Overall General Fund revenues expected to grow at 4.1% from the revised estimate at 3<sup>rd</sup> quarter
  - Other increases included Utility Users’ Tax (1.8%), Franchise Tax (7.1%), Charges for Services (10.9%)
  - Some of the increases will be offset by the continued reduction of the Electric Transfer of \$250k, decreases in Cost Allocation revenue and a small downturn in Building Permits

# FY 2015-16 General Fund

Slide 44

## Proposed Budget (2 of 4)

- Salaries & Benefits total increase of \$5.2 million
  - Cost of Living Adjustments for GFFA (3.5%), GMA (1%) and GCEA (1%)
  - Net PERS increase of \$3.0 million
  - Workers' Comp increase of \$1.0 million
    - Fund Balance deficit is \$15.8 million as of June 30, 2014
    - Will be amortized over next 6 years
  - Limited programming restored
  - Funds budgeted for OPEB liability

# FY 2015-16 General Fund

Slide 45

## Proposed Budget (3 of 4)

- Maintenance & Operation remained flat in total, however, there were several adjustments:
  - Increases reflected in contractual services and utilities
  - Increase for fleet maintenance and equipment replacement of \$715k
  - Reduction in ISD Service Charge is for one-time funding
    - Expected to increase in future years to fund critical infrastructure needs
- Transfer of \$500k to fund the repayment of the Certificates of Participation (COP's) is continued
- General Fund Capital Improvement increased from 1% to 1.25% of Sales Tax; transfer is \$471k

# FY 2015-16 General Fund

Slide 46

## Proposed Budget (4 of 4)

- Transfer of \$300k to Economic Development for support of the Alex Theatre
- Transfer of 20% of GRA Loan repayment (\$784k) to Low & Moderate Income Housing Fund

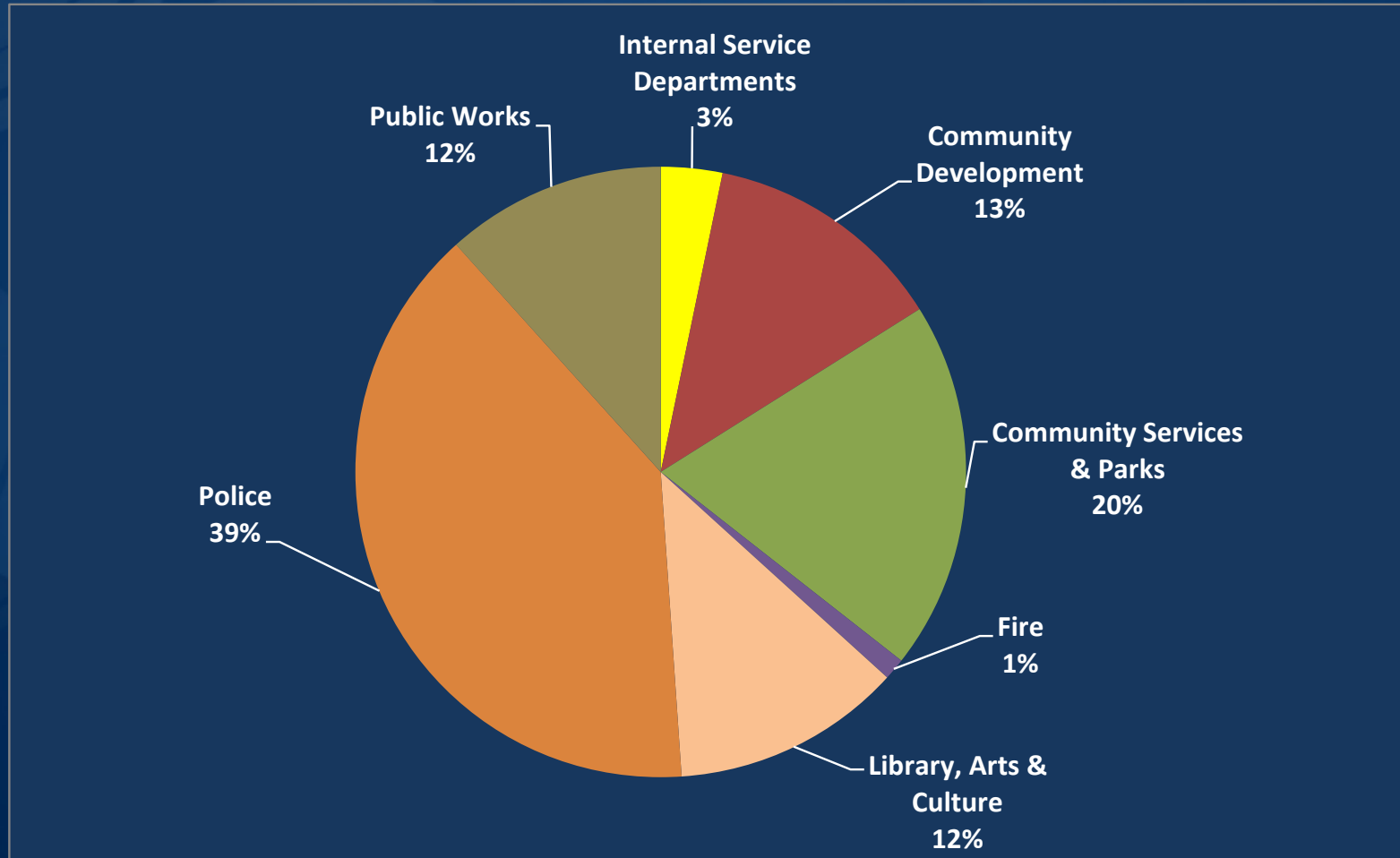
# FY 2015-16 General Fund Programming Restoration

- **Total Proposed Additions \$2,144,183**
  - **Personnel \$1,252,775**
    - Additions \$1,708,847 (19.8 positions)
    - Reallocations \$271,046 (22 positions)
    - Hourly Wages Reduction (\$610,021)
    - Other Shifts (\$117,097) (.80 decrease in count)
  - **Maintenance & Operation \$856,408**
  - **Capital Outlay \$35,000**
- **Revenue Increase \$364,000**
  - Open Space Maintenance \$5,000
  - Youth After School Sports & Rec Program \$45,000
  - DNA Lab \$314,000
- **Net Impact \$1,780,183**



# FY 2015-16 General Fund Programming Restoration

Slide 48



# Programming Restorations

## Police

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Type	Description	Count	Amount
Additions	Police Lieutenant	1.00	\$ 294,904
	Police Sergeant	1.00	244,849
Shifts	2 Senior DNA Lab Specialists	2.00	233,944
	Technical Staff Associate to Information Services	(1.00)	(88,417)
	50% Community Service Officer to Filming Fund	(.50)	(43,090)
Reallocations	3 Non-Safety Positions	-	20,419
M&O	DNA Lab Maintenance & Operating Costs	-	182,640
Total Budget Increase		2.50	\$ 845,249
Less DNA Lab Revenue		-	(314,000)
Net Impact		2.50	\$ 531,249

# Programming Restorations

Slide 50

## Community Services & Parks

Type	Description	Count	Amount
Shifts	Parks Services Administrator to Recreation Fund	(.10)	\$ (18,135)
Reallocations	2 Management Positions	-	23,634
	2 Non-Management Positions	-	13,202
M&O	Utilities	-	150,000
	Youth After School & Recreation Programs	-	100,000
	Parks Security Patrol	-	80,000
	Tree Maintenance	-	50,000
	Open Space Maintenance	-	25,000
	Downtown Community Benefits District	-	7,784
Total Budget Increase / (Decrease)		(.10)	\$ 431,485
Revenue from Youth After School & Open Space		-	(50,000)
Net Impact		(.10)	\$ 381,485

# FY 2015-16 General Fund

## Proposed Resources

Starting Revenue Estimate: \$ 178,372,729

### Adjustments:

Cost Allocation	\$ (1,432,026)	
Decrease in Transfer from Electric Fund	(250,000)	
Property Tax/VLF Backfill	2,125,000	
Sales Tax	2,275,000	
GRA Loan Repayment	2,419,190	
Utility Users Tax	504,000	
Occupancy/Franchise/Property Transfer Tax	1,100,000	
Building Permits & Licenses	(170,000)	
All Other Revenues (net)	722,667	7,293,831

Proposed Revenue Estimate: \$ 185,666,560

# FY 2015-16 General Fund

## Proposed Appropriations

Starting Budget \$ 174,501,527

### Salaries & Benefits Increase / (Decrease):

Salaries	\$ 1,384,502	
PERS, Net of Cost Share	3,018,990	
Other Post Employment Benefits	802,004	
All Other Salaries & Benefits	(1,038,084)	4,167,412

### ISF Rates Increase / (Decrease):

Workers' Compensation Insurance	\$ 1,060,517	
Liability Insurance	(344,094)	
Fleet/Equipment Rental Charge	715,206	
ISD Service Charge	704,397	2,136,026

### M&O / Capital Outlay / Transfers

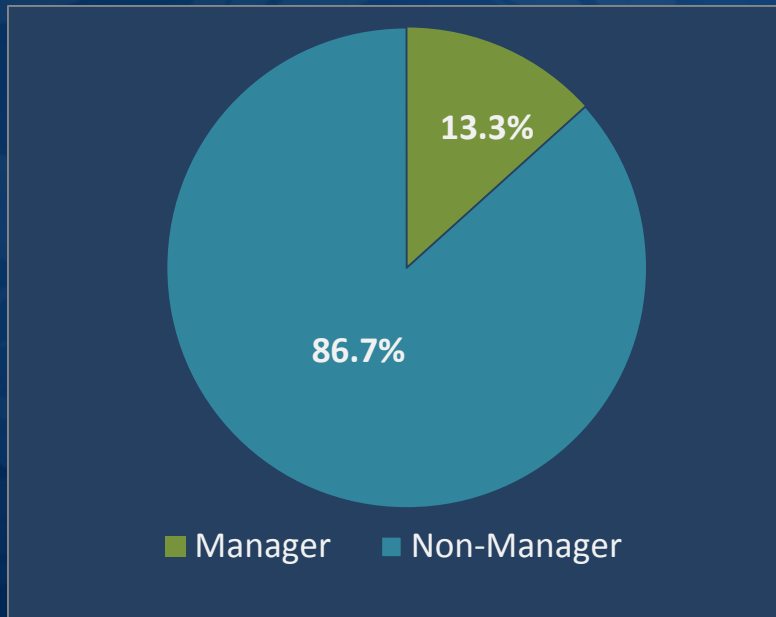
2,061,586

Proposed FY 2015-16 General Fund Budget \$ 182,866,551

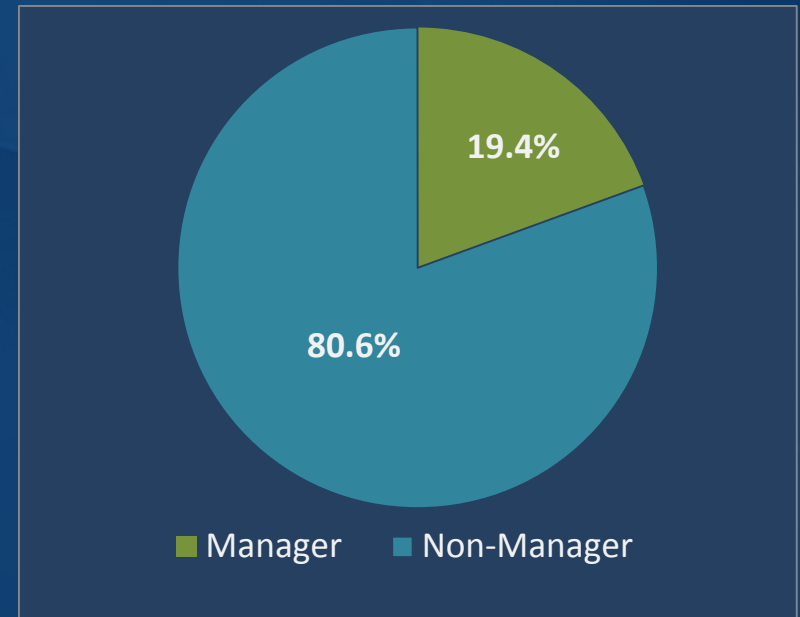
# FY 2015-16

## Management vs. Non-Management Ratios

### Headcount Ratio



### Salaries Ratio





# FY 2015-16 General Fund

## Proposed Budget

Revenues	\$ 185,666,560
Appropriations	<u>182,866,551</u>
Net Surplus	\$ 2,800,009

# FY 2015-16 General Fund

## Fund Balance Projection

	Unassigned & Charter Reserve
Projected Beginning Balance, 7/1/2015	\$ 59,093,000
Projected Net Surplus	2,800,009
Projected Ending Fund Balance, 6/30/2016	\$ 61,893,009
Projected Reserve Percentage*	33.9%

\* Based on proposed recurring appropriation of \$182.9 million.  
Current policy is floor of 30% with a target of 35%.

# Conclusion

## FY 2014-15 & FY 2015-16 Budget Themes

- **Structural Balance & “True-Up”**
  - Continue assessing liabilities and accounting for costs
- **Cost Containment & Revenue Development**
  - Intense focus on cost and personnel, productivity and controls
  - Seek revenue and cost recapture where Council allows
  - Maximize assets to limit costs and/or develop revenue
- **Values-Based Management Meets Value-Added Management**
  - Organization’s Core Values must coexist alongside robust tests in recommending new obligations and programming
  - See, think, know

## ■ May 5, Budget Study Session #1

- FY 2014-15 Update, Year End Projection & Adjustments
- Organizational Profile
- General Fund Forecast
- FY 2015-16 Proposed General Fund Budget
- Budget Calendar

# Budget Calendar

- May 12, Budget Study Session #2
  - Council Priorities
  - Summary of Appropriations
  - Review of Departmental Budgets
  - Capital Improvement Program
  - Proposed New Fees & Increases
  - Budget Wrap Up
- May 19, Budget Hearing, 6pm
- June 2, Budget Adoption, 6pm



# *Questions & Comments*