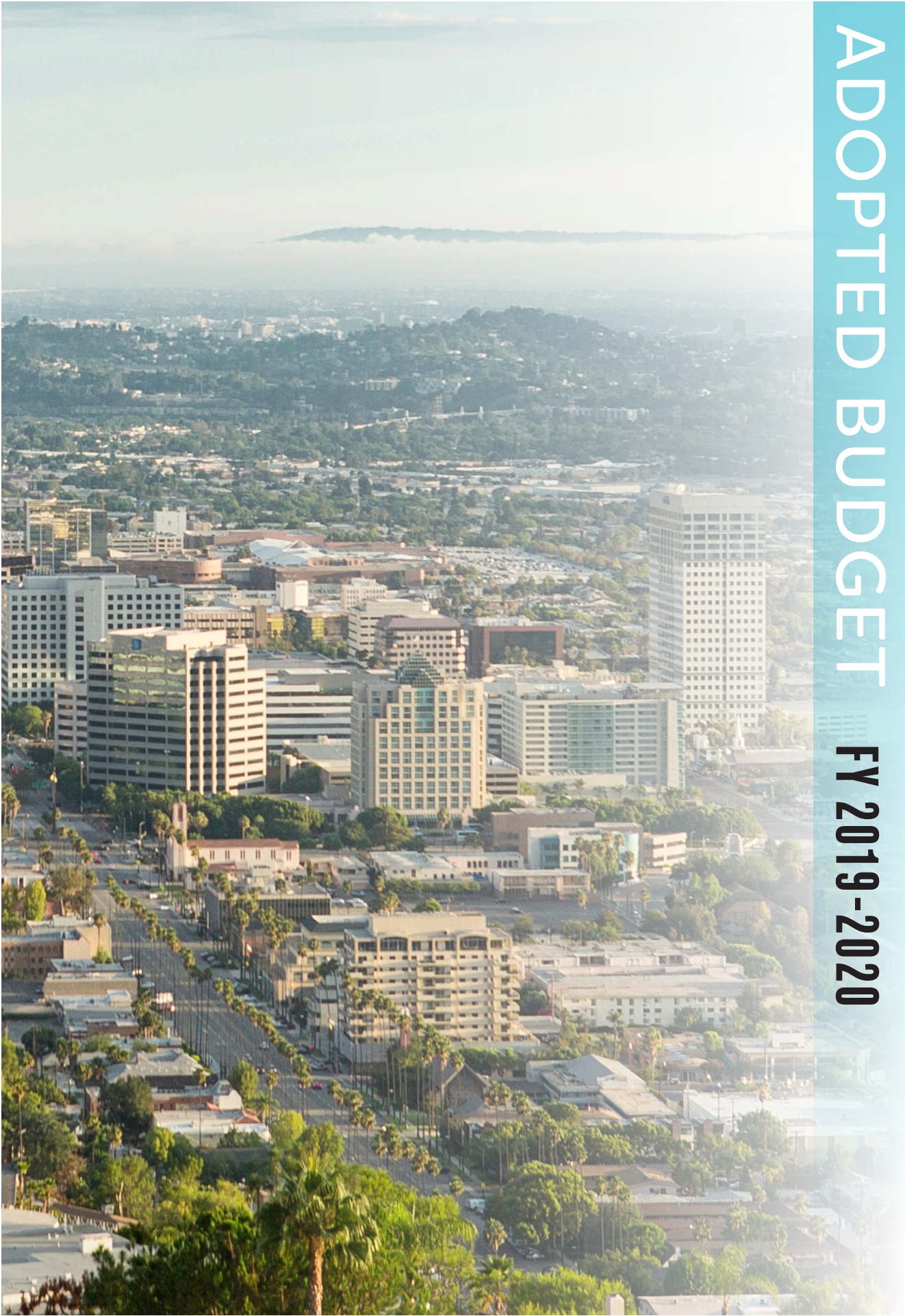


# ADOPTED BUDGET

## FY 2019-2020



# CITY OF GLENDALE BUDGET MESSAGE

*Honorable Mayor and Members of the City Council,*

As your City Manager, it is my pleasure to present the adopted budget for all operations of the City of Glendale for fiscal year (FY) 2019-20. I believe the budget for the year ahead is demonstrative of the efficiency, professionalism, and resilience we have all exhibited in the face of multiple external challenges. The FY 2019-20 adopted budget takes a long-term approach that closely monitors cost-drivers and adapts to changes to provide a structurally balanced budget.

The legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and low investment returns for CalPERS have all combined to make these past few

years some of the most difficult for City government budgeting in recent history. In spite of the difficulty involved in preparing this budget, the City Council has set the tone to allow our managers and staff to approach challenges in a professional and constructive manner. Our focus clearly remains on developing a structurally balanced financial plan that best serves the needs of our diverse community. Through the vision of the Glendale City Council, we are able to balance new growth while preserving a rich and honored heritage. The City will continue to aggressively pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high-quality City services.

In April of this year, a new measure went into effect that increased the sales tax rate in the City by 0.75%, making the new total 10.25%. The Quality of Life and Essential Services Protection Measure, otherwise known as Measure S, is projected to bring in approximately \$30 million in sales tax revenue in FY 2019-20.

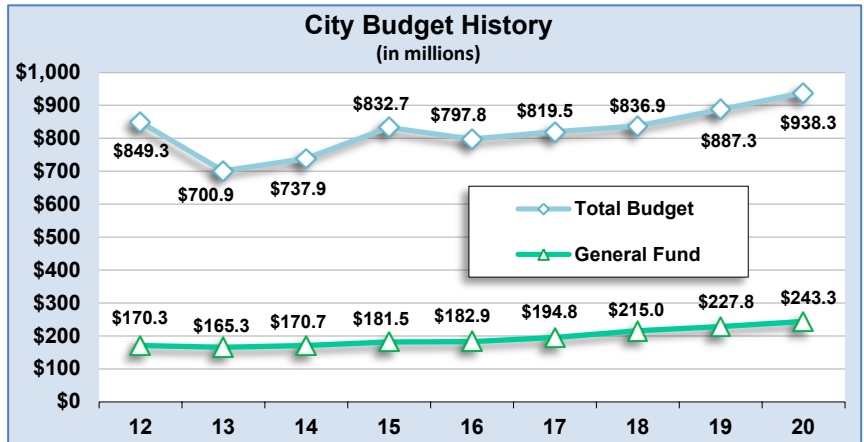
The total adopted budget for FY 2019-20, as shown in the table above, is \$938.3 million<sup>1</sup> and includes all City funds, departments, and programs. The General Fund's total budget, including Measure S funds, is \$243.3 million<sup>1</sup>, from which the City pays for services commonly associated with local government: police and fire services, libraries, parks, public works, economic development, and administration.

*“The City will continue to aggressively pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high quality City services.”*

The City has, in recent years, made drastic changes to the size of its salaried workforce while still maintaining a largely unchanged level of service. During the Great Recession, the City Council made the very tough decision to reduce the City's full-time salaried positions from 1,942 in

FY 2008-09 to 1,520 by the time the FY 2014-15 budget was adopted. A workforce can only run so hard for so long, and it was clear that those cuts were unsustainable.

From FY 2015-16 to FY 2018-19, the City Council approved a net total of 16 additional full-time positions across the organization, bringing the total authorized full-time position count to 1,591 for FY 2018-19.

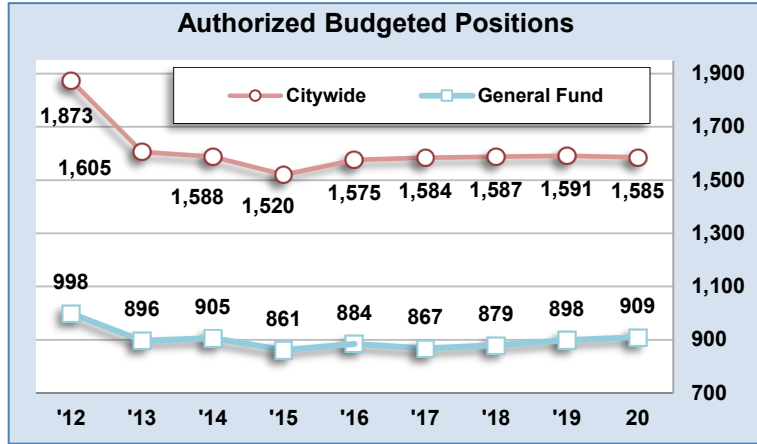


<sup>1</sup> Total adopted budget includes Measure S approved funding of \$29.8 million of which \$6.3 million is in the General Fund.

# CITY OF GLENDALE BUDGET MESSAGE

For FY 2019-20, a net total of 12 authorized full-time vacant positions were eliminated, of which 11 were from the General Fund. The eliminations were part of departmental budget reductions made to achieve a balanced budget.

However, as part of the approved funding for Measure S, a total of six positions were added, including five unclassified full-time positions for the Monthly Housing Rental Subsidy Program and one classified full-time position for the Aquatics Program Expansion, making the adopted full-time salaried position count 1,585 for FY 2019-20.



We must keep in mind that this organization is running as lean as it possibly can while continuing to provide the levels of service our community rightfully expects. The chart below compares the organizational profile of the City of Glendale with two of its neighboring cities: Burbank and Pasadena. As illustrated, although the City of Glendale’s population is much greater than that of its neighboring cities, its residents served per full-time employee (FTE) count and total budget per capita are significantly more conservative than that of the cities of Burbank and Pasadena. This further speaks to Glendale’s continued dedication to doing more with less. Glendale’s staff is professional and focused on providing exceptional customer service, while setting the standard for other local governments.

### FY 2019-20 Organizational Profile Comparison

	Glendale	Burbank	Pasadena***
<b>Total Population*</b>	206,283	105,952	146,312
<b>Total Citywide City Employees (FTE)</b>	1,585**	1,430	2,273
Total General Fund FTE	909**	914	1,003
<b>Total Citywide Adopted Budget (in thousands)</b>	\$938,337	\$667,856	\$872,496
Total General Fund Adopted Budget (in thousands)	\$243,317	\$197,422	\$274,407
<b>Residents served per FTE (Citywide)</b>	130	74	64
Residents served per FTE (General Fund)	227	116	146
<b>Total Budget per capita (Citywide)</b>	\$4,549	\$6,303	\$5,963
Total Budget per capita (General Fund)	\$1,180	\$1,863	\$1,875

\*Source: Department of Finance annual publication  
 \*\* Includes 5 unclassified positions  
 \*\*\* Includes Affiliated Agencies

# CITY OF GLENDALE

## BUDGET MESSAGE

The FY 2019-20 adopted budget, as is true with all years, reflects the City's efforts to understand and address the complex challenges ahead. It draws knowledge from the wells of community input and staff expertise, combines it with the City Council's vision, and identifies a nexus to the City's stated priorities and policies.

The City Council has directed that we continue making strategic investments in our community infrastructure. Planned improvements include:

- Developing affordable housing for the community using funds from Measure S;
- Major Glendale Water & Power projects in renewable power generation and transmission, as well as water distribution;
- Completion of Beeline Maintenance Facility;
- Sewer and storm drain repair project to reinforce Glendale's wastewater collection and conveyance infrastructure;
- Seismic infrastructure upgrades to the fire stations throughout the City using Measure S funding;
- Enhancement to the Arts & Entertainment District through public infrastructure, public art, and design elements; and
- Major upgrade and renovation of Fremont Park.

These projects, in addition to regular maintenance of City-owned facilities, streets, parkway trees, sewers, parklands, and water and power equipment, are just a sample of the many City improvements planned this year and reflect the City Council's sense of responsible stewardship over community assets. In Glendale, departments work together to achieve one main goal: a community that is safe, prosperous, and rich in cultural offerings. There is no one way to do it – but in Glendale, it means collaboration between departments, a combination of people and skills, and community support.

Reflecting on the challenges that we have successfully tackled over the duration of this past year builds optimism that we will continue to move forward in the upcoming years. With strong City Council leadership, dedicated and hard-working employees, and a supportive and engaging community, we have every opportunity to thrive.

*“In Glendale, departments work together to achieve one main goal: a community that is safe, prosperous, and rich in cultural offerings.”*

### Glendale Quality of Life and Essential Services Protection Measure (Measure S)

On November 6, 2018, Glendale voters approved the Quality of Life and Essential Services Protection Measure (otherwise known as “Measure S”), which increased the sales tax rate in the City by 0.75% to a new total of 10.25%, effective April 1, 2019. The entire 0.75% increase goes directly to the City of Glendale, increasing its portion of the 10.25% rate from 1.00% to 1.75%. It is estimated that the City will receive \$30 million in sales tax revenue from Measure S in FY 2019-20.

One of the top priorities of the City Council is to provide additional affordable housing for the community of Glendale. The table on the following page displays the City Council approved allocations of the estimated FY 2019-20 \$30 million in Measure S revenues, with appropriations going towards housing (\$25.3 million), infrastructure (\$3.5 million), recreation (\$560 thousand), and holiday programming (\$458 thousand).

# CITY OF GLENDALE

## BUDGET MESSAGE

For the allocation towards affordable housing development in the amount of \$20.0 million and seismic upgrades of fire stations in the amount of \$3.5 million, both the Measure S revenues and appropriations will be directly deposited and expensed under the newly-created Measure S Capital Improvement Fund (Fund 4011). As for the remainder of the programs that will be funded with Measure S, all expenses incurred will be budgeted and accounted for separately within the General Fund. All unspent appropriations or unallocated funds will be returned to an assigned Measure S fund balance category.

### Measure S Appropriations

	<b>Approved FY 2019-20</b>
<u>Housing</u>	
Affordable Housing Development	\$ 20,000,000
Rental Rights Program	410,000
Monthly Housing Rental Subsidy Program	4,170,000
First Time Home Buyer Program	750,000
Total Housing	\$ 25,330,000
<u>Infrastructure</u>	
Seismic Upgrades – Fire Stations	\$ 3,500,000
<u>Recreation</u>	
Aquatics Program Expansion	\$ 560,000
<u>Holiday</u>	
Ice Rink	\$ 458,000
<b>Total Appropriations</b>	<b>\$ 29,848,000</b>

### FY 2019-20 Budget Overview

The FY 2019-20 adopted budget incorporates the policy directions of the City Council for services and programs that address the needs of the community, as identified during the three budget study sessions held on April 30, May 7, and May 14 of 2019. A public hearing on the budget was held on May 21, 2019, and the budget was formally adopted on June 4, 2019.

The adopted General Fund budget for FY 2019-20 anticipates that an estimated \$319 thousand of fund balance will be used to balance the budget.

The table on the following page provides a summary comparison by major fund type, including the General Fund. The information provided here and throughout this budget document includes the actual expenditures for FY 2017-18, the adopted budget for FY 2018-19, the revised budget for FY 2018-19 (including all budget amendments approved by the City Council), and the adopted budget for FY 2019-20.

# CITY OF GLENDALE BUDGET MESSAGE

## Citywide Appropriations

Fund	(a) Actual 2017-18	(b) Adopted 2018-19	(c) Revised 2018-19	(d) Adopted 2019-20	(d) – (b) Changes From Prior Year
<b>General Fund</b>					
General Fund*	\$218,790,672	\$227,786,018	\$230,414,050	\$236,968,577	\$9,182,559
Measure S**	-	-	-	6,348,000	6,348,000
<b>Total General Fund</b>	<b>\$218,790,672</b>	<b>\$227,786,018</b>	<b>\$230,414,050</b>	<b>\$243,316,577</b>	<b>\$15,530,559</b>
Special Revenue*	87,432,622	111,398,466	121,987,978	109,586,125	(1,812,341)
Debt Service	2,428,348	2,619,909	2,619,909	3,080,797	460,888
<b>Capital Improvement Funds</b>					
Capital Improvement	14,208,055	28,433,000	30,413,747	16,334,500	(12,098,500)
Measure S Capital Improvement**	-	-	-	23,500,000	23,500,000
<b>Total Capital Improvement</b>	<b>\$14,208,055</b>	<b>\$28,433,000</b>	<b>\$30,413,747</b>	<b>\$39,834,500</b>	<b>\$11,401,500</b>
Enterprise	306,279,338	399,248,497	400,303,741	430,676,203	31,427,706
Internal Service	92,974,446	117,774,674	118,415,924	111,842,922	(5,931,752)
<b>All Funds</b>	<b>\$722,113,481</b>	<b>\$887,260,564</b>	<b>\$904,155,349</b>	<b>\$938,337,124</b>	<b>\$51,076,560</b>

\*The Filming Funds and Recreation Fund are shifting into the General Fund beginning FY 2019-20

\*\*Part of the Measure S funding approved by City Council in the total amount of \$29.8 million.

## General Fund

The FY 2019-20 adopted General Fund budget, not inclusive of Measure S funding, reflects an increase of \$9.2 million when compared to FY 2018-19. When including Measure S funding, the increase is \$15.5 million compared to FY 2018-19. The table below provides a summary of the FY 2018-19 and FY 2019-20 adopted appropriations for the General Fund by category.

## General Fund Appropriations

Category	Adopted FY 2018-19	Adopted FY 2019-20	Increase/ (Decrease)	% Change
Salaries	\$ 95,445,174	\$ 98,972,309	\$ 3,527,135	3.7%
Overtime	9,020,309	10,180,776	1,160,467	12.9%
Hourly Wages	6,378,557	7,342,435	963,878	15.1%
Benefits (Net salary charges out)	28,359,950	28,487,065	127,115	0.4%
PERS (Net of cost-share)	36,844,519	43,028,898	6,184,379	16.8%
Maintenance & Operation	47,811,257	45,717,959	(2,093,298)	(4.4%)
Transfers Out	3,926,252	3,239,135	(687,117)	(17.5%)
General Fund	\$ 227,786,018	\$ 236,968,577	\$ 9,182,559	4.0%
Measure S	-	6,348,000	6,348,000	N/A
<b>Total General Fund Budget</b>	<b>\$ 227,786,018</b>	<b>\$ 243,316,577</b>	<b>\$ 15,530,559</b>	<b>6.8%</b>

Notes: Total General Fund includes use of Assigned Economic Development fund balance of \$628 thousand for FY 2019-20.

## CITY OF GLENDALE BUDGET MESSAGE

From the increase of \$15.5 million, \$6.3 million is Council approved appropriations for various Measure S programs that include, \$4.2 million for the Monthly Housing Rental Subsidy Program, \$750 thousand for the First Time Home Buyer Program, \$560 thousand for the Aquatics Program Expansion, \$458 thousand for the Holiday Ice Rink and \$410 thousand for the Rental Rights Program. The remaining \$9.2 million increase is explained below.

The increase in the Salaries and Benefits category includes approximately \$3.0 million due to the Recreation Fund moving from Special Revenue category to the General Fund, \$1.1 million due to the Filming Funds moving from Special Revenue category to the General Fund, \$6.2 million increase in PERS costs (net of employee cost sharing), and various cost of living adjustments, step progressions, and reallocations of employees. CalPERS sustained significant investment losses during the Great Recession, the impacts of which continue to reverberate through just about every government agency in the State. Hence, Glendale is not alone in seeing higher employer costs from CalPERS due to the City's obligation to pick up the partial tab for those investment losses and CalPERS's subsequent decrease in their estimated rate of returns on their investments. Due to the recent adoption of more conservative actuarial and investment policies by the CalPERS Board, the City has been advised by its outside actuary to continue expecting increases in annual costs going forward. These risk mitigation policies will eventually rebuild the CalPERS fund and lower the burden on local governments that have committed to provide reasonable retirements for their employees.

With rising PERS costs, the City Council took a proactive step to address the matter by voting to establish a Section 115 Pension Rate Stabilization Trust at the time of the FY 2017-18 budget adoption, and approved a funding deposit in July 2017. Glendale joined a group of more than 80 public agencies across the State to have adopted this rate-stabilization strategy. Since the establishment of the Trust, the City Council has authorized the deposit of \$26.5 million of one-time surplus revenues. This decision demonstrates the City Council's commitment to keep rising PERS costs at a containable level. City staff is actively assessing other strategies to address the trend in rising PERS costs and will work to implement more solutions in the coming years.

In the Maintenance & Operation category, there is a total net decrease of \$2.1 million compared to FY 2018-19. This is mainly due to the decreases of \$3.0 million in the Fleet/Equipment Rental Charge, \$1.0 million in departmental budget reductions, and \$390 thousand in charges supporting the Information Services Department (ISD) via the ISD rate plan. It should be noted that these Maintenance & Operation decreases were offset by the increases of approximately \$1.1 million due to the Recreation Fund shifting into the General Fund, \$1.0 million due to a higher Liability Insurance Rate, and \$174 thousand due to the Filming Funds shifting into the General Fund.

The decrease of \$687 thousand in the Transfers category is attributable to a decrease of approximately \$1.3 million in transfers to the Low and Moderate Housing Fund resulting from less Glendale Successor Agency Loan Repayment budgeted than in FY 2018-19, offset by increases of \$500 thousand in the transfer to the Debt Service Fund, and \$74 thousand in the Sales Tax transfer to the Capital Improvement Fund.

# CITY OF GLENDALE

## BUDGET MESSAGE

### Other Funds

**Special Revenue Funds** – For FY 2019-20, the adopted budget for the Special Revenue Funds reflects a decrease of \$1.8 million when compared to the FY 2018-19 adopted budget. The most notable of the decreases is due to three Special Revenue Funds that were recategorized into the General Fund: Filming Fund (Fund 2170), Recreation Fund (Fund 2180), and Special Events Fund (Fund 2670). The total net decrease of these three funds is approximately \$6.0 million. There is also a decrease of \$4.5 million in the Measure R Regional Fund (Fund 2550) due to less project appropriations relative to last fiscal year. However, the decrease is offset by increases in various funds, such as an increase of \$4.2 million in the Parking Fund (Fund 2210) due to an increase in contractual services and capital projects, a \$1.3 million increase in the Housing Assistance Fund (Fund 2020) due to an increase in anticipated revenue to be received, and an appropriation of \$1.2 million for the new Measure W Fund (Fund 2260) that was established to account for the storm water maintenance and management program.

**Capital Improvement Program Funds** – As for the City's Capital Improvement Program Funds, there is an increase of \$11.4 million compared to FY 2018-19 primarily due to the \$23.5 million in appropriations for the newly established Measure S Capital Improvement Fund (Fund 4011) in FY 2019-20. The majority of the appropriation (\$20.0 million) was approved by Council for new Affordable Housing developments, and the remainder (\$3.5 million) was approved for infrastructure needs for seismic upgrades. The increase is offset by a decrease of \$11.7 million in the General Fund Capital Improvement Fund (Fund 4010) due to fewer appropriations for projects relative to last fiscal year. Some of the major and necessary projects that are in store for the City of Glendale include an electrical upgrade for the Montrose Parking Lot, resurfacing the Dunsmore Parking Lot, placing artificial turf at the Sports Complex Field 3, the pavement rehabilitation project for La Crescenta Avenue, and the Street Tree Maintenance Program.

**Enterprise Funds** – The Enterprise Funds reflect a net increase of \$31.4 million compared to FY 2018-19. The major attributable factors are increases in purchased power, natural gas fuel, regulatory expenses, and project appropriations relative to FY 2018-19. The Fiber Optic Fund (Fund 5400), with a budget of \$220 thousand, was also established to provide improved commercial network infrastructure in order to expand the City's operation as a provider.

**Internal Service Funds** – For the Internal Service Funds, there is a net decrease of \$5.9 million compared to FY 2018-19. This is mainly attributable to a \$2.3 million decrease in the ISD Infrastructure Fund (Fund 6030) and a \$2.4 million decrease in the ISD Applications Fund (Fund 6040), due to a decrease in capital outlay, contractual services, and hourly wages. There is also a decrease of \$1.7 million in the Fleet Management Fund (Fund 6010) due to a decrease in capital outlay. The decrease is offset by an increase in the Joint Air Support Fund (Fund 6020) due to the purchase of a helicopter. The cost reflects half of the helicopter purchase, as the remaining cost will be paid for by the City of Burbank. There was also an increase of \$634 thousand in excess insurance premium and cost allocation charges in the Compensation Insurance Fund (Fund 6140).

### General Fund Reserves

As of the date of the last audited financial statements (fiscal year ending June 30, 2018), the General Fund unassigned reserve was \$75.5 million, which represented 33.2% of the FY 2018-19 General Fund operating budget. For FY 2019-20, the General Fund unassigned reserve beginning balance (as of July 1, 2019) is estimated to be \$75.3 million, or 31.9% of the FY 2019-20 General Fund operating budget. With the adoption of the FY 2019-20 Budget, the anticipated ending General Fund reserve will approximately be \$75.0 million, or 31.7%, as of June 30, 2020, which is in accordance with the current reserve policy (a floor of 25% with a target of 35%).



# CITY OF GLENDALE

## BUDGET MESSAGE

### Effects of Economy<sup>2</sup>

Even with the economy being more cautious this year than previous years, the outlook for the upcoming years is promising. Within this past year we experienced the longest government shutdown in U.S. history. The result of the shutdown created a significant loss, upwards of approximately \$11.0 billion nationwide. However, even with these events, the U.S. economy is expected to remain on a fairly steady growth with continued job advancement and low unemployment rates. Consumer spending is expected to stay on an upward trail for FY 2019-20.

Even with the challenges that are raised by the uncertainty of federal policy, the proliferation of debt, and political gridlock, economists project that personal consumption will increase to 2.7% and that the Gross Domestic Product (GDP) will grow by 2.2% this year, which is considerably lower than the 2.8% increase in GDP in 2018. With this, economists predict an increase of almost 3 million additional jobs by the next couple of years, thus decreasing the unemployment rate from 3.9% in 2018 to 3.5% in 2019.

California remains the largest economy when compared to any other state in the U.S. and it is forecasted to grow an additional 3.0% during 2019, which is faster than the nation's projected growth of 2.2%. However, even with the stable growth in GDP, California's economy has slowed down from 2014 and 2015, when the growth rate was close to 4.0%. Over the duration of 2018, almost all major industry sectors in California have increased in number of jobs. Industries at the forefront of private sector job growth are utilities, education, healthcare, hospitality, and construction. In consideration to these assumptions, California's unemployment rate is expected to continue its gradual decline from 3.7% in 2018 to 3.4% in 2019. With continued improvements in the labor market, personal income should increase by 2.9% with persistent growth forecasted for 2020.

More locally, Los Angeles County is expected to experience further improvements to its unemployment rate, dropping from 4.6% in 2018 to 4.4% in 2019. It is forecasted that all industry sectors will be adding jobs over the upcoming two years. A likely shift will occur in the private sector from the manufacturing and logistic industries being the strongest to the healthcare, administrative, and retail trade being the forerunners. With this, total personal income across the County is expected to increase by 2.6% in 2019, a large increase from 1.4% in 2018. As for the housing market, the median home price in Los Angeles County has experienced an increase of 4.3% in 2018 and is forecasted to see an additional increase of 2.8% in 2019.

Given all that, the demand for affordable housing remains a top priority in California. There has been a large increase in the number of renters compared to homeowners, which can be attributed to the continued escalation of housing costs. This is making way for the continued demand of new construction to accommodate the need for affordable housing units. What is important to remember is that there is no simple solution to this issue and that it is more complicated than a single solution capable of satisfying everyone. In other words, there is more to consider than just rent. A variety of forces have played a role in this statewide crisis, and it will take a variety of forces to alleviate it. In Glendale, this growth can be witnessed first-hand. The state budget has allocated approximately \$1.3 billion for grants and loans to help with funding new housing developments.

*“... there is more to consider than just rent. A variety of forces have played a role in this statewide crisis, and it will take a variety of forces to alleviate it.”*

These positive national, regional, and local indicators – such as increased spending and income, steady improvements in the housing market, and reduced rates of unemployment – align with the City's

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<sup>2</sup> Data obtained in this section is from the Los Angeles County Economic Development Corporation's 2019-2020 Economic Forecast & Industry Outlook

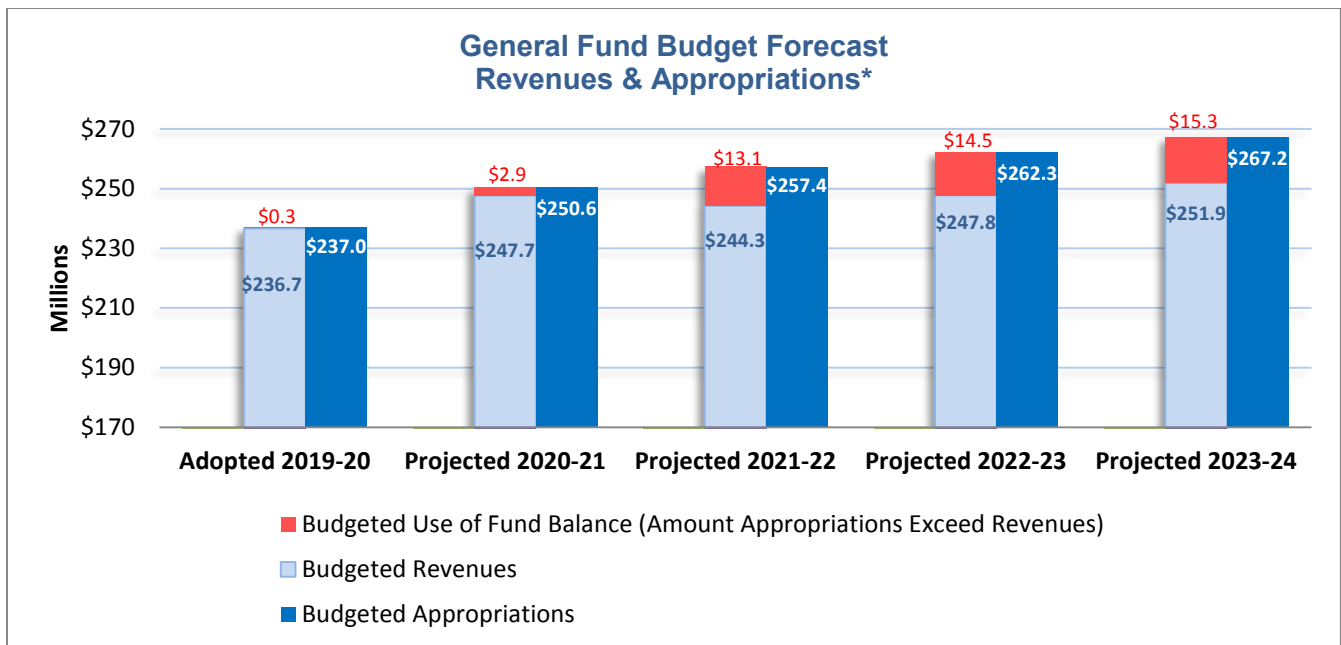
# CITY OF GLENDALE BUDGET MESSAGE

forecasted revenue growth, which averages to 3.3% for FY 2019-20 across all General Fund revenues (excluding Measure S). Long-term growth rates for General Fund revenues are projected to grow by an average of 1.9% annually over the next five years. Although Glendale continues to face challenges such as increased pension costs, a deficit in the Workers' Compensation Fund, and aging infrastructure, I am confident that our team will embrace these challenges and move our community forward with a focus on our purpose and goals.

## Five-Year Financial Forecast

In recent years, forecasting has taken a vital role in Glendale's budget planning, prompting us to make appropriate budget adjustments during the year to successfully meet upcoming challenges. During the first budget study session for FY 2019-20, we provided a General Fund Forecast to the City Council. Many variables were taken into consideration, as we do not exactly know what the future holds or what our actual revenues will be. It is, of course, difficult to predict economic booms or busts that will impact the forecast. Hence, revenue estimates are conservative and assume no voter-approved revenue increases or potential new tax revenue from new businesses relocating to Glendale, while expenditure estimates are equally conservative, factoring in increases for major cost drivers such as PERS and medical benefits.

Based on these conservative assumptions, our five-year General Fund forecast is a useful tool for achieving structural balance. The forecast is updated on a quarterly basis, taking into account actual expenditures and revenues as they are received. The City Council and staff are then able to analyze, on a regular basis, whether expenditure reductions or revenue enhancing strategies should be considered to meet potential fiscal challenges on the horizon, or whether fund balance (i.e. savings) should be utilized to cover a budget gap. Below is the City's most recent five-year forecast.



\*Revenues and appropriations do not include estimates for Measure S.

We are projecting an estimated use of fund balance in the amount of \$319 thousand to balance the budget for FY 2019-20, with anticipated deficits for the following four years. For FY 2019-20, the initial projected budget gap was \$11.0 million; however with the cooperation of various departments, we were able to efficiently reduce both departmental budgets and internal service costs by eliminating some vacant positions and reducing various Maintenance & Operation projections. Looking into the horizon,

# CITY OF GLENDALE

## BUDGET MESSAGE

the City faces several ongoing challenges, the most significant of which will be the continuous increase in PERS rates. Other challenges include shoring up the internal service rates, such as workers' compensation insurance, liability and medical insurance, and managing employee compensation. Total General Fund revenues are expected to grow by a steady average rate of 1.9% for the next five years, and without any significant new revenue sources, the City will have to be creative to meet the funding challenges presented. The good news is that the City does have some level of control on how and when to meet these funding challenges, and will continuously commit to delivering quality services while maintaining fiscal responsibility.

Future projections in the forecast assume compensation increases for employees as agreed upon in the current Memorandum of Understanding with each collective bargaining unit, as well as salary step progressions for eligible employees. These economic assumptions are necessary to develop a comparative baseline, as revenue and appropriation estimates provided today will always change over time, making it difficult to assign a value to future increases. Likewise, it is not realistic to presume that salaries and benefits will remain flat for an extended period of time while we endeavor to deliver the same, or higher, levels of service. In this manner, the five-year financial forecast gives us a reference point from which to draw. We are a service-oriented business, after all. Our employees have already participated in the compensation restructuring efforts that pushed Glendale to the forefront of municipalities. System-wide cost increases need to be matched with ongoing revenue increases. If we cannot realize these new revenues and/or savings, then it will be difficult to increase the pressure upon the City budget from our single largest cost-driver: employee compensation, which includes base salaries, PERS, health care, and employment costs. Thus, the City of Glendale must continue to be diligent and disciplined. In order to obtain our value proposition, we need to continue to focus on our priorities, invest strategically into the organization, and continue to do more with less.

### Future Outlook

Despite the fact that the economy has been improving and our economic indicators are all trending positive, we still face notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobiles sales. Revenues from auto sales have steadily risen over the past decade since the Great Recession, however, an economic downturn could place that revenue stream in jeopardy. In order to diversify our potential revenue stream opportunities, staff and City Council have been and continue to be working diligently to attract new hotels that would generate considerable occupancy tax revenue for the City.

*“Glendale’s vision is accomplished through a combination of the City Council’s priorities, the City’s strategic goals, and key performance indicators.”*

The possible loss of the voter-approved General Fund Transfer (GFT) from Glendale Water & Power’s electrical operations still looms. Currently at about \$20.0 million per year, the transfer has been a feature of the City’s General Fund revenue stream since the 1940s. At the time it was established, the water and power utility was meant to help the City grow, as well as

to bring revenue into the City’s General Fund. This inflow of funding helped City Councils through the years keep Glendale a low-tax city. Additionally, although the City Charter allows for a maximum transfer of up to 25% of gross operating revenues from the electrical operations, the GFT has never risen to that level; in fact, the current transfer is at approximately 10% of electrical retail operating revenues.

What does the potential loss of the GFT mean to our organization? For the time being, we will continue to move forward with the status quo. After having experienced deep cuts across all departments in recent years, this organization is currently running as lean as it ever has. The loss of the transfer would, without a doubt, mean cuts directly to the essential programs and services our community depends on daily. Hence, there would be no alternative but to make cuts that would drastically impact the quality of life for

# CITY OF GLENDALE

## BUDGET MESSAGE

our community. Specifically, the City Council would be asked to consider cuts to Libraries, Parks, Fire, and Police Departments. The effects of these cuts would be experienced in the form of reduced hours at libraries and parks, the closing of libraries and parks, or the contracting out of Police and Fire services with the County of Los Angeles.

Moving forward, our continuing challenge is to minimize the negative impact on our community and customers from past restructuring efforts and ensure the City adds ongoing value to the taxpayers. Glendale's vision is accomplished through a combination of the City Council's priorities, the City's strategic goals, and key performance indicators. With this year's budget process, the City Council has reaffirmed the following priorities (see *Attachment A* to this message for detailed descriptions):

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- Balanced, Quality Housing
- Community Services & Facilities
- Infrastructure & Mobility
- Arts & Culture
- Sustainability

To that end, the City Council's top priority of fiscal responsibility continues to pay dividends to the community, taking form through restored programming, enhanced services, and capital improvement projects that will further increase the quality of life experienced by residents, businesses, and visitors. These priorities have given rise to departmental strategic goals that lead to continuous improvement in the way we deliver service and do business. These goals best indicate whether departments had a "successful year," and they are essentially the outcomes that we will strive for in the upcoming budget year. The key performance indicators provide a vehicle to measure our progress. They are the outputs and act as measures for what we are doing and how efficiently we are doing it (see the Strategic Goals section for additional information).

In other words, the City Council priorities provide the framework, the strategic goals give us our themes, and the key performance indicators, as listed in the *Strategic Goals* section of this document, measure the details. This systematic management and measurement of our performance will help to bring clarity amid any period of uncertainty.

We are currently in the process of finalizing our new Strategic Plan, based on input from City Council and City staff. As Glendale continues to streamline its operations, quality of service, and endurance, our stakeholders must sense value. The organization must maintain structural balance by looking at long-term sustainability, closely monitoring cost-drivers, and adapting to changes. Our goal is to restore, build, and maintain our programs, infrastructure, and services, and not to revert to traditional patterns and processes. With the City Council's vision and a team of high-quality, ethical professionals, we will continue to provide exceptional customer service and uphold the quality of life that is unique to Glendale.

# CITY OF GLENDALE

## BUDGET MESSAGE

### Conclusion

The FY 2019-20 budget for the City of Glendale is structurally balanced with projected resources available to support all projected expenditures. As in the past, this budget serves as the City Council's financial policy and planning document for providing the Glendale community with City services. At the same time, it serves as the City's financial plan for the year. This budget is, therefore, reflective of the City Council and staff's desire to continue to improve upon existing programs and services. Our community will only continue to get better and progress as we all work towards our overarching goal: to continue to provide our residents, businesses, and visitors with a full scope of high-quality municipal services, programs, safety, facilities, infrastructure, and other amenities that make our premier community so desirable.

We have a number of achievements to be proud of, and together we have created a sought-after community in which people wish to live, work, and play. The strength that Glendale leadership embodies, and the dedication and talent of our staff, continues to yield accomplishments that will be carried through as Glendale moves toward its goals.

My appreciation to all the Department Heads and Budget Officers who worked on this year's budget, and especially to Roubik Golanian, Assistant City Manager; Michele Flynn, Director of Finance; Adrine Isayan, Deputy Director of Finance; and the Finance Department's Budget & Revenue Team. Again, tremendous thanks to the Mayor and City Council Members for your continued leadership throughout this year's budget process.

As a result of the efforts of many individuals, the FY 2019-20 adopted budget may have a slight budget gap, but it addresses the many needs of our dynamic community within the context of the challenges that face us in the year ahead. I look forward to working with you on implementing the goals set forth in this plan.

Respectfully submitted,



YASMIN K. BEERS, CITY MANAGER

# CITY OF GLENDALE BUDGET MESSAGE - ATTACHMENT A

## CITY COUNCIL PRIORITIES

### *Fiscal Responsibility*

As financial stewards of the City of Glendale, all employees throughout the organization are tasked with operating their programs, projects and departments in a fiscally responsible manner. We have a fiduciary responsibility to the residents of the community to ensure assets and resources are properly safeguarded and deployed in a safe and efficient manner. It is a responsibility that is shared by all employees throughout the organization. As public servants, we are all committed to, and held, to a high standard of ethical behavior, especially in financial matters of the City. We are, therefore, committed to ensuring we are transparent in matters relating to City finances. In addition, we have implemented proper internal controls to ensure assets and resources are used in accordance with the approved budget.

In summary, fiscal responsibility is something that all employees take seriously and this is evident in all that we do. We continually strive to maintain the trust and confidence of the public that we are properly safeguarding and deploying the City's valuable resources in a prudent and fiscally responsible manner.

### *Exceptional Customer Service*

In light of our budget strategies and staff reductions, we must continue to be empathetic problem-solvers, exhibiting respect and a sincere desire to aid our residents and customers. We are committed to providing our diverse community with quality services. As in any successful organization, Glendale's customer service principles focus around three main elements: promptness, quality, and customer satisfaction.

### *Economic Vibrancy*

One of the City's major goals is fostering an environment that supports diverse, vibrant businesses and job opportunities supported by both a skilled, local labor force and a fiscally prudent and financially healthy city government. In order to achieve its goal the City strives to attract an appropriate mix of business and maintains a balance between the City's commercial and residential zones. This is primarily achieved through vigorous collaboration between developers, businesses and the City. The City also seeks opportunities for the creation and attraction of high wage/high growth employers and works towards the retention and expansion of local businesses. Finally, in an effort to sustain Glendale's first rate services for businesses and residents, the City maintains adequate financial reserves.

### *Informed & Engaged Community*

Earning and maintaining the public's trust is by far one of the greatest priorities for the City. As such, City officials consistently strive to conduct the business of government in the best interests of the public with integrity, openness, and full inclusion of the community. This includes ensuring that the City's decision-making processes respect and encourage open public engagement, offer multiple opportunities to create an informed community, and deliver excellent customer service within each and every City operation so that residents and visitors maintain a positive perception of city government.

While the area of education is primarily within the jurisdiction of the Glendale Unified School District, the City is actively involved in the creation of comprehensive, quality educational opportunities for all segments of the community. This is achieved by providing high quality, engaging libraries that are actively used by the public along with collaboration with outstanding educational institutions that have high student achievement rates. Finally, the City is focused on providing enriched life-long learning opportunities through programs offered by the Community Services & Parks Department.

# CITY OF GLENDALE

## BUDGET MESSAGE - ATTACHMENT A

As one of its ongoing efforts, the City continually focuses on maintaining and developing a community that is well-planned and a public environment that is attractive and properly maintained, thereby creating a highly aesthetic appearance within the City. To achieve this goal, City staff ensures the development and maintenance of a contemporary and comprehensive General Plan. Strategically, the City is focused on undertaking a coordinated approach to properly maintaining its infrastructure, and responsibly enhancing landscapes and streetscapes consistent with environmentally friendly practices. Finally, the City is focused on recognizing its historic and cultural resources so that residents can continue to take pride in their neighborhoods and community. To ensure success, emphasis is placed upon a planning process that is transparent, dynamic, fair, predictable, and understandable.

The City of Glendale actively strives to encourage a sense of belonging for the entire community where residents take pride and responsibility for their City and neighborhoods. It is vitally important that residents feel a part of the community and participate in the governmental processes that affect their lives. As a result, City policies are designed to encourage neighbor interaction and community building through the creation and maintenance of common community spaces. To further achieve this goal, community events and activities aimed at building a sense of community among residents are routinely held throughout the City.

And finally, the City of Glendale is focused on developing and maintaining the required technology to support local businesses, to enhance our service delivery to the public, and to foster better access to technology and information. As part of these efforts, City staff has developed electronic applications by utilizing reliable mainstream technology, such as the Internet, in order to communicate with residents and businesses. Many of the City's processes have been streamlined, which not only provide for more effective interaction with the public but also help reduce the City's operating expenses.

### ***Safe & Healthy Community***

As one of the top ten safest cities in the State of California, Glendale is proud to offer a community that is physically safe, free of blight, and well prepared for emergencies. Glendale's Fire and Police Departments are dedicated to a shared public safety mission to ensure that community members and visitors are safe and secure. As a top priority, many of the City's departments are actively involved in the community by helping to educate, prepare, and build the required capacity to respond to local and statewide disasters. Finally, City staff is committed to ensuring that houses, buildings, and other infrastructure, such as sidewalks and roadways, are safe and free of blight.

As one of its goals, the City of Glendale takes pride in offering a physically and mentally healthy community where residents have access to quality health care services through the support of our local hospitals and fire paramedic services. The City also promotes health and well-being by offering educational and therapeutic services through the Community Services and Parks Department as well as the administration of Community Development Block Grants that are provided to local service providers.

### ***Balanced, Quality Housing***

As one of the fundamental elements of a healthy and stable community, the City is committed to providing a balanced mix of housing opportunities for current and future residents. We strive to provide affordable housing to all segments of the population including growing families, the elderly, single individuals, the disabled, and those without a place to call home. While part of the City's strategy includes the development of new housing, the City remains committed to the preservation of existing housing as well. Much of the City's success in achieving this goal is attributable to effective land use and zoning regulations that promote housing development, as well as the development and maintenance of adequate infrastructure to support current and future housing needs.

# CITY OF GLENDALE

## BUDGET MESSAGE - ATTACHMENT A

### *Community Services & Facilities*

The City of Glendale is committed to providing parks, community centers, open spaces and a well-maintained trails system to enhance the character of the community and offer personal enrichment and recreational opportunities for the public. As part of our ongoing efforts, the City is focused on providing sufficient parkland, playing fields, recreation facilities, and equitably distributed open spaces throughout the City. Other areas of regular attention include ensuring that parks, parkways, and community centers are well-maintained, visually appealing, and safe for public use. The City of Glendale consistently strives to maximize services and programs available to residents by ensuring that all community facilities and parks are accessible to all.

Another of the City's primary goals is a focus on community services and facilities that address the diverse and changing needs of the community. This includes the delivery of high quality, adaptable services and the preservation, development or expansion of community centers (i.e. parks, libraries, senior centers, etc.). In addition, emphasis is placed upon locating these centers in the areas of greatest need and making them accessible to all residents.

### *Infrastructure & Mobility*

A significant goal for the City is to have a well-planned and comprehensive transportation system that enhances mobility through the development of infrastructure, technology, and public transit. This includes a safe, efficient and well-coordinated multi-modal circulation system within the City that is appealing, affordable, accessible, and provides effective regional connectivity. Through the implementation of modern land use strategies, the City reduces congestion, air pollution, and noise resulting from its public transportation system. City officials are consistently focused on enhancing roadway safety through effective engineering, enforcement and education to the public. Lastly, the City will continue to plan and maintain its infrastructure in a responsible and cost effective manner.

### *Arts & Culture*

The City strives to establish a rich variety of arts and cultural experiences throughout the community. This includes the creation and support of diverse art and entertainment venues including theatres, galleries, museums, literary events, community festivals, and public art. The City supports and promotes local artists and arts organizations through the initiation of local arts and culture events. As a long term goal, the City aims to promote education and participation in the arts by providing access to quality arts experiences for the entire community, and by implementing or supporting programs that recognize the City's cultural heritage.

The City is proud to be a community that values, celebrates, and engages the City's rich diversity. Much of our success is attributable to the following:

- Diverse and representative City workforce;
- Businesses and services that address the needs of our diverse community;
- Diverse representation on City Boards, Commissions and Committees;
- Special events that recognize and celebrate the City's diversity;
- Availability of multi-lingual City materials for public use; and
- Compliance with all ADA accessibility requirements.



# CITY OF GLENDALE

## **BUDGET MESSAGE - ATTACHMENT A**

### *Sustainability*

In an effort to protect the quality of air, water, land and other natural resources located within the City's boundaries, Glendale integrates sustainability principles into all elements of the City's General Plan. Emphasis is placed upon conserving native vegetation, wildlife habitats, and preserving other ecosystems by minimizing human impacts. Additionally, the City continually complies with environmental laws and regulations and actively monitors its waste management, water, and electrical operations on an ongoing basis.