

Two-Year Budget Preview 2006/07 & 2007/08



City Council Study Session
January 31, 2006

Study Session

Purposes/Agenda

- Present Preliminary projections for 2006/07 & 2007/08
 - From Updated LRFP 10 year Projections
- Describe Coordination with Long Range Planning
- Review potential Budget Issues and Risks
 - General Fund Reserve
 - Operating Costs/Revenues
 - Capital Project needs
- Describe financial assumptions

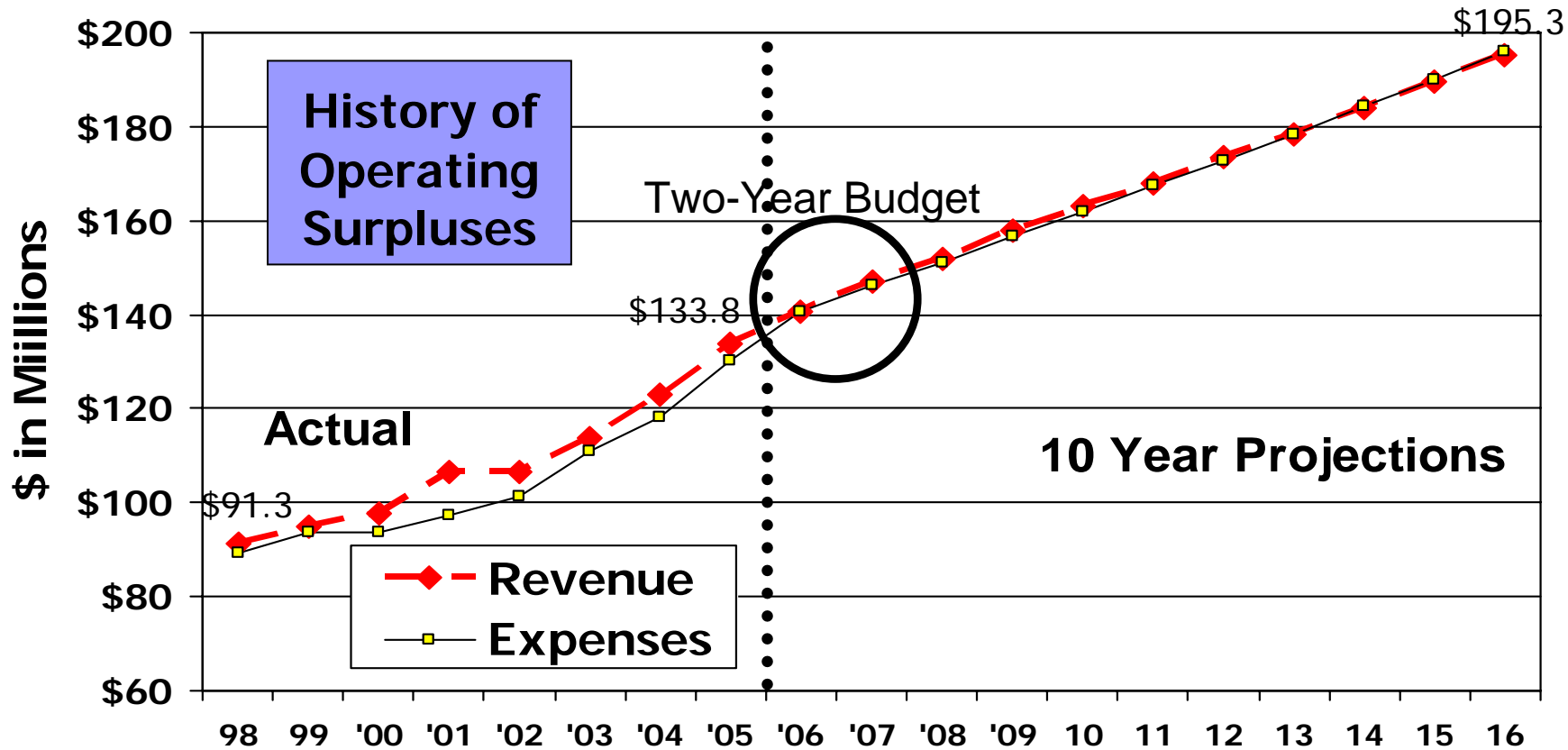
Revenue and Expense Projections



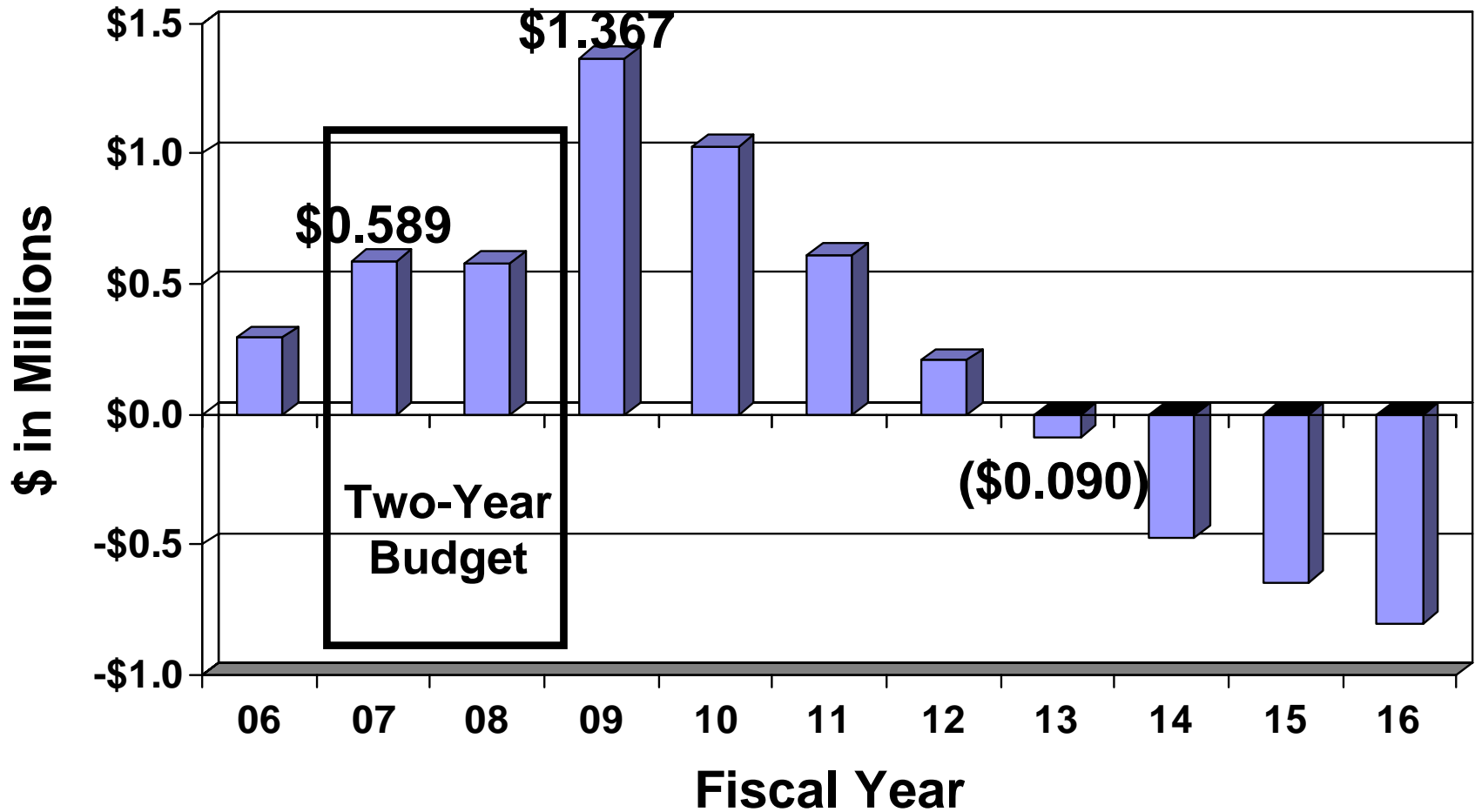
Fiscal Years 2006/07 & 2007/08
(from Long Range Financial Plan)

Total General Fund Revenues and Expenses

Actual and Projected - 1998 to 2016



Projected Surplus - Shortfalls



Key Assumptions – 10 Year Long Range Financial Plan (LRFP)

- To balance 2006/07 General Fund Budget
 - Increase annual Transfers by \$1.5 million
 - Reduce annual expenses by \$1.5 million
- Key Economic Assumptions
 - CPI increases 3.5%/year
 - Salary/Benefit costs increase 3.5%/year
 - Property Tax revenue increases 3.75%/year
 - Sales Tax increases 4%/year

Key Assumptions – 10 Year LRFPP

(continued)

■ New revenues

- Americana on Brand opens Spring 2008
- Embassy Suites opens in late 2007

■ New Costs

- \$4 million+ /year for Police Staffing increase (2005/06) phased in over next 6 years
 - \$1 million in 2006/07, \$1.25M in 2007/08
- \$800,000+ /year cost of new Parks

Summary - 10 Year Projections

- The Surpluses that are projected for a few years are primarily the result of the end of the State taking of City Property Tax revenue
- In future years, expenses are projected to grow at a greater rate than Revenues, primarily due to the phase in of the costs for Phase I of the additional Police Staffing
- Numerous potential costs and risks are ***not included*** in the projections

Unfunded Budget Requests

(a sample of currently identified needs)

■ Storefront Library	\$ 300,000
■ Skate Park	62,000
■ Public Participation Advertising	65,000
■ Police overtime	750,000
■ New Paramedic unit	977,600
■ Skilled Worker Center	70,000
■ Senior Services	<u>76,000</u>
Total	\$2.3M+

Potential Costs not included in 10 Year Projections

- The cost of **Phase II – IV of Police Staffing** is not included in the expense Projections.
 - Each Phase adds 25 Sworn Officers and an annual cost of about \$4.5 million
 - The LRFP assumption is that a major new revenue source will be needed to fund Phases II-IV of Police Staffing
- **Under Funded Needs** – Street Maintenance, Technology Replacement, Vehicle Replacement, Building Replacement and other needs are under funded compared to best practices
 - Estimated \$2-5 million per year or more

Potential Risks not included in 10 Year Projections

- **Recession Risk** – no recession is included in the basic Revenue/Expense projections for the 10 year LRFPP
 - Historically, recessions do occur within any 10 year timeframe and can impact Glendale General Fund revenues by \$2 – 5 million compared to projections
- **Utility Users Tax (UUT) risk** – a lawsuit against the City of Los Angeles, if successful and applied to Glendale, would result in the loss of \$4-\$5 million revenue per year

Coordination with Long Range Planning input/process

- Community Meetings in January & February
- Telephone Survey in March
- Summary Report – April
 - Short term budget actions could be considered as part of two-year budget
 - Long-Term plan: review after July 1

Potential Budget Issues

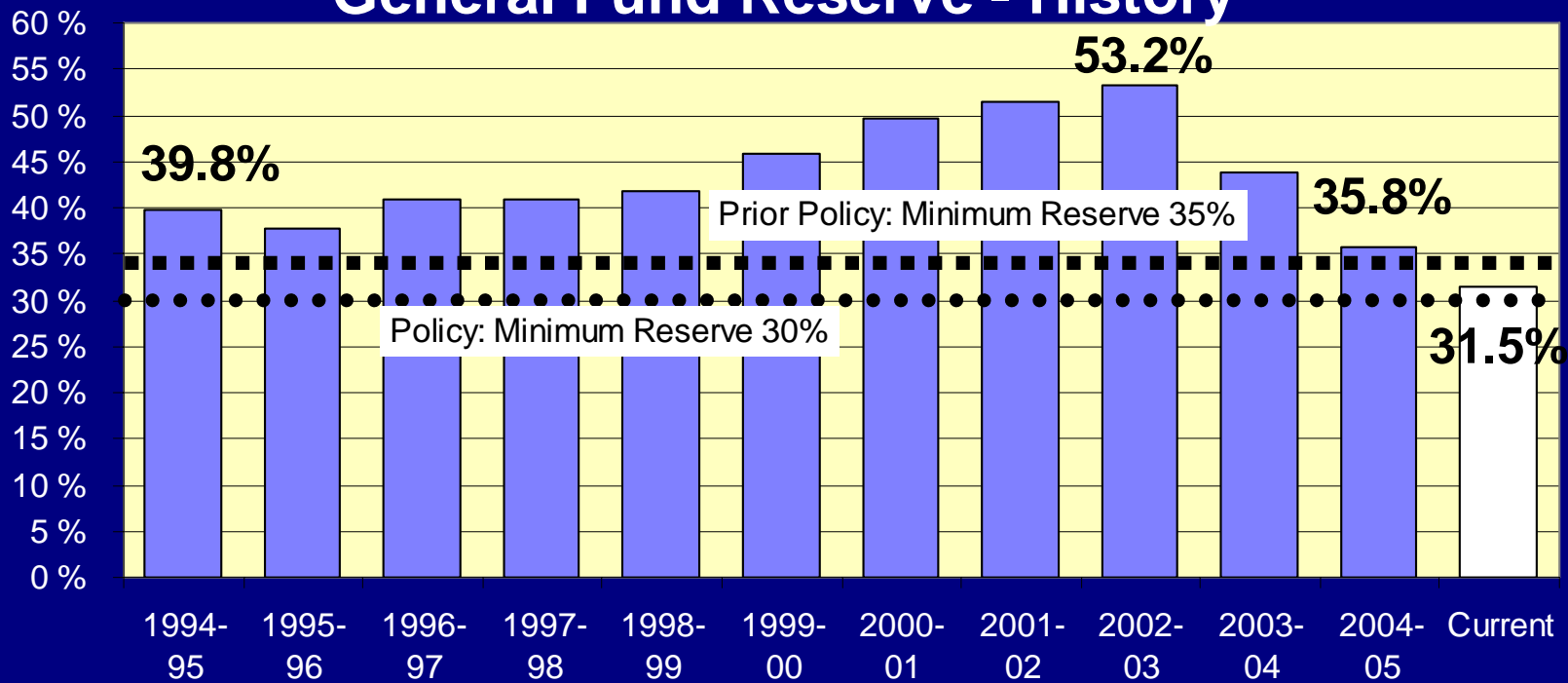


Two Year Budget
2006/07 & 2007/08

Restoring the General Fund Reserve

- Options to restore reserve to 35% will be analyzed
 - Hiring Freeze
 - Review of previously approved Capital Projects
 - Reduce future allocations for Capital Projects
 - Other options
- Restoration to 35% may be a major Budget discussion issue

General Fund Reserve - History



Unfunded Capital Needs

(not included in LRFP or Capital Budget)

■ Adams Square Library	\$1,050,000
■ Animal Control Facility	2,000,000
■ Fire Station 26 Replacement	12,000,000
■ Fire Station 29 Replacement	11,175,000
■ (Hoover) Library Replacement	10,000,000
■ Montrose Library upgrades	5,000,000
■ Park Development Projects	12,000,000
■ Street Maintenance (+\$5M/year needed)	????????
■ 2005 Storm Damage Repairs	????????
■ Open Space acquisitions	????????

Major Assumptions



Major Assumptions

- State Budget
- City Financial Strategies – approved in 2004
- Revenues
 - New Revenue Sources
 - Major General Fund Revenues
- Expenses
 - General Assumptions
 - New Costs
 - Police Staffing

State Budget

- In November of 2004, the voters approved Proposition 1A which will guarantee that the State cannot take major City revenues
 - This will provide revenue stability and predictability
 - Proposition 42 (State Gas Tax) is expected to be received
 - \$800,000 per year in the CIP Fund

City Financial Strategies

- The Council approved the Financial Strategies summarized on the next two slides as part of the effort to balance the General Fund Budget
- The LRFP assumes implementation of all of the these Strategies

Strategies Approved in June 2004 - Summary

- Reduce Expenses
 - Minimize service reductions
 - Maximize efficiency/cost saving measures
 - Implement Reorganizations/Consolidations
- Implement New or Increased Revenues
 - Sponsorships
 - Advertising on Bus Shelters/Benches
 - Entrepreneurial Opportunities
 - Review of all Fees
- Increase Transfers
 - Redevelopment
 - Electric, Water and Sewer Utilities
 - Scholl Canyon Landfill

General Fund Financial Strategies

Approved in June 2004 (updated)

\$ in Thousands		<u>'04/05</u>	<u>'05/06</u>	<u>'06/07</u>
<u>Expense Reductions</u>		\$300	\$800	\$2,300
<u>Increase Transfers</u>				
■	Redevelopment	250	500	1,000
■	Electric Utility	2,000	3,000	3,000
■	Water Utility	650	670	690
■	Sewer Utility	0	1,000	1,030
<u>New/Increased Revenues</u>				
■	Scholl Canyon	0	1,000	2,000
■	Sponsorships	0	200	200
■	Bus Shelters/Benches	0	100	100
■	Other	<u>0</u>	<u>0</u>	<u>0</u>
	Total	\$3,200	\$7,270	\$10,320

Major Assumptions

New Revenues - Economic Development

■ Embassy Suites Hotel

- Opens late 2007, generates \$1 million per year of new Occupancy taxes

■ Americana at Brand

- Opens in Spring 2008, generates \$1.5 million per year of new Sales Tax revenue in the General Fund

■ Other

- Unidentified new Economic Development project generates \$300,000 per year beginning in 2008/09

Revenue Assumptions

General Fund Revenues

■ Four Major Revenue Sources

- Each revenue is analyzed separately
- Represent about 77% of total General Fund revenues

■ Projected Increases

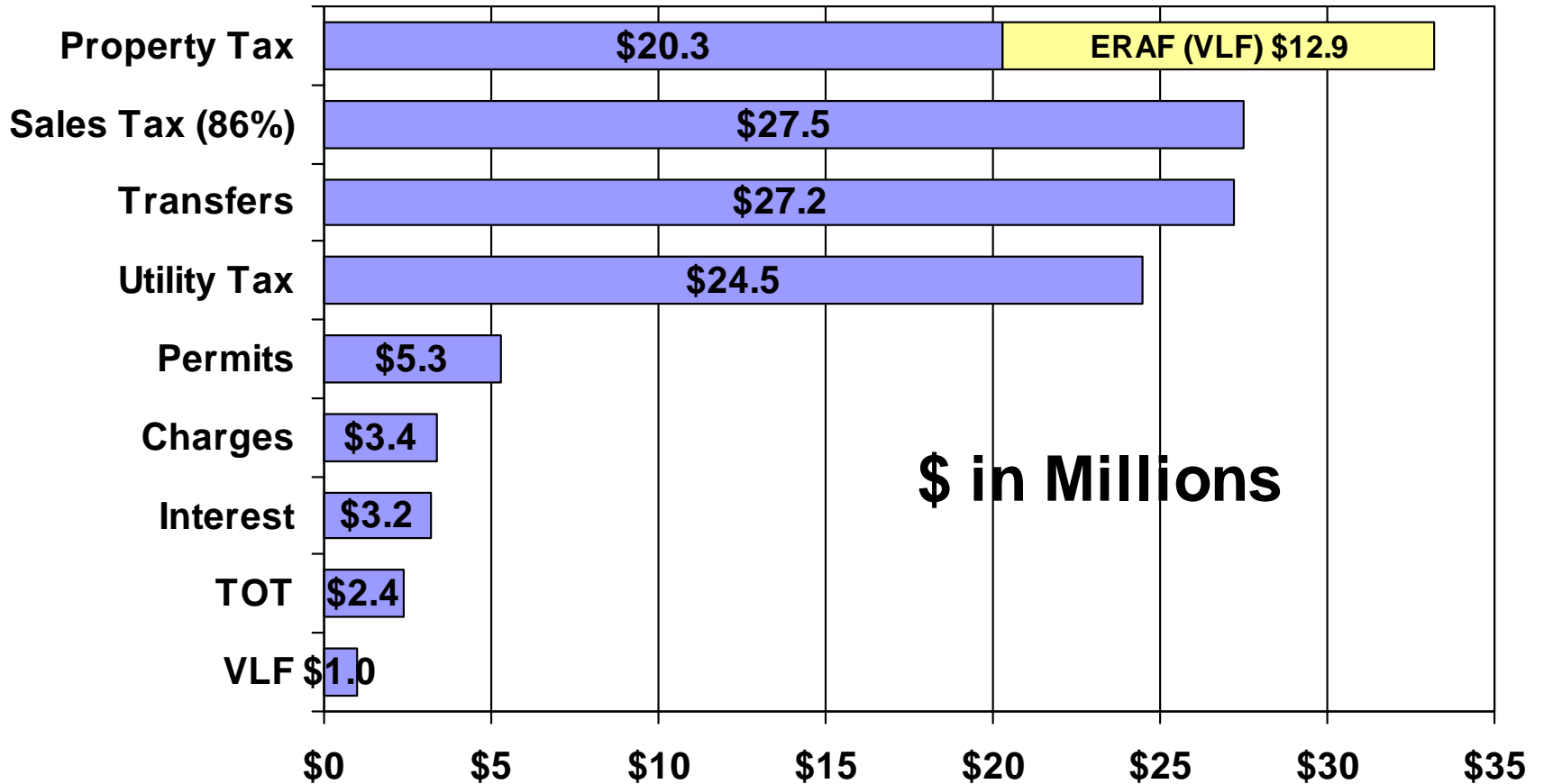
- | | |
|---------------------|-------|
| ➤ Property Tax | 3.75% |
| ➤ Sales Tax | 4.00% |
| ➤ Utility Users Tax | 3.00% |

Four Major General Fund Annual Revenue Sources

<i>\$ in Millions</i>	<u>Amount</u>	<u>GF.%</u>
■ Property Tax	\$33.2	22.6%
■ Sales Tax	27.5	18.7
■ Utility Tax	24.5	16.7
■ Transfers	<u>27.2</u>	<u>18.5</u>
Total	\$112.9	76.8%

Fiscal Year 2006/07

Major Revenues - General Fund 2006/07



Expense Assumptions

■ Salaries

- Cost of all agreements included
- Average increase of 3.1% assumed
- Equal to CPI assumption
- Based on historical average

■ Benefits

- Average increase of 5.0% assumed
- PERS Costs projected to level off

■ Total: Salaries/Benefits

- Weighted average of above is 3.48%

Expense Assumptions (continued)

- Maintenance and Operations costs
 - 2.5% which is less than CPI
- Capital Outlay
 - 2.5% (same as above)
- Charges to Departments
 - 3.48%: equal to Salary/Benefit change

Summary

- Proposition 1A has stabilized City revenues
- LRFPP projections reflect balanced budgets for the next few years, assuming implementation of all Financial Strategies approved in June of 2004
- The City needs to be prepared for
 - Numerous potential costs and financial risks
 - Developing ways to finance unfunded costs