



CITY OF GLENDALE CALIFORNIA
REPORT TO CITY COUNCIL

June 15, 2010

AGENDA ITEM

Public Hearing on the proposed budget of the City of Glendale for fiscal year 2010-11.

COUNCIL ACTION

Public Hearing [X]	Ordinance []	Consent Calendar []	Action Item []	Report Only []
Approved for <u>6/15/10</u> calendar				

ADMINISTRATIVE ACTION

	Signature
Submitted Robert P. Elliot, Director of Administrative Services - Finance	<u>Robert Elliot</u>
Prepared Michele Flynn, Budget Administrator	<u>Michele Flynn</u>
Approved James E. Starbird, City Manager	<u>James E. Starbird</u>
Reviewed Scott H. Howard, City Attorney	<u>Scott H. Howard</u>
Robert K. McFall, Asst. City Manager	<u>Robert K. McFall</u>

RECOMMENDATION

It is recommended that the City Council conduct the Public Hearing on the FY 2010-11 Proposed Budget and provide instructions to City staff on any modifications or changes desired for the Final Budget.

FISCAL IMPACT

The table below depicts the total City appropriations by Fund type as adopted for the fiscal year 2009-10 and as proposed for fiscal year 2010-11.

**Total City Budget Appropriations
Fiscal Year 2010-11**

Fund Type	Original Adopted 2009-10	Proposed 2010-11	Dollar Change	Percentage Change
General Fund Base Line Budget	\$ 164,828,471	\$ 164,365,471	\$ (463,000)	-0.3%
Structural Fund Changes:				
Restructure of ISD		1,573,733		
Collapse of Police Augmentation Fund		3,945,000		
Cost Allocation Changes		3,219,688		
Subtotal of Structural Changes		\$ 8,738,421	8,738,421	
Total General Fund Budget for 2010-11		\$ 173,103,892		
Special Revenue	91,776,607	111,334,117	19,557,510	21.3%
Debt Service	16,525,176	17,106,645	581,469	3.5%
Capital Improvement	31,338,952	10,805,175	(20,533,777)	-65.5%
Enterprise	446,951,677	419,024,145	(27,927,532)	-6.2%
Internal Service	56,703,879	78,295,507	21,591,628	38.1%
Totals	\$ 808,124,762	\$ 809,669,481	\$ 1,544,719	0.2%

Explanation of the Changes:

The General Fund increase is discussed in greater detail later in this report. Details of all other funds and the various fund types are listed at the Attachment to this report. Some of the more significant changes are discussed below.

The \$19.5 million increase in the Special Revenue Funds is primarily due to the following:

- Approximately \$12 million increase in the Housing Assistance Fund 202 due to the required accounting change determined by HUD on how the City accounts for the portable housing vouchers.
- An increase of \$3.3 million in the Fire Grant Fund 265 as the result of an increase in grant appropriations due to accounting for those also in the pipeline.
- In order to properly record and account for the Capital Projects that will be spending the 2010 Tax Allocation Bonds issued by the Redevelopment Agency, Fund 247 was created for the 2010-11 fiscal year. This Fund has a proposed budget of \$1.6 million which represents anticipated expenditures for the Central Library project.

An overall increase of \$580,000 is identified in the Debt Service Funds due to the following:

- A decrease of 1.2 million in the debt service on the Police Building Project COPs in Fund 303 is anticipated for the 2010-11 fiscal year. This is primarily due to the recently negotiated decrease in the interest rate on the COPs.
- As a result of the 2010 GRA bond issue, Fund 308 was created to account for the debt service payments on these bonds. For the 2010-11 fiscal year, an appropriation of \$1.8 million is proposed in order to cover the yearly obligation.

The overall decrease of \$20 million in the Capital Improvement Program is due in large part to the GRA bond issue that took place in 2010. In 2009-10, appropriations were approved during budget adoption for projects earmarked to use the bond issue proceeds. The various street projects budgeted in the State Gas Tax Fund 402 remain relatively constant between 2009-10 and 2010-11 with approximately \$5.1 million budgeted in each year.

The Enterprise Funds are seeing an overall net decrease of nearly \$28 million. Some of the highlights of this decrease are:

- There is an approximate \$21 million decrease in the Electric Works Fund 552 and 553. This decrease is due primarily to GWP's decrease in their expenditures of approximately \$16 million and another \$5 million decrease in their estimated capital project expenditures.
- Similar to the Electric Works Fund, GWP's Water Works Fund 572 and 573 are also showing a decrease in their expenditures and capital projects of approximately \$13 million combined.
- The Sewer Fund 525 indicates an increase of approximately \$2.2 million for the 2010-11 fiscal year. This increase in the Sewer Fund is primarily due to the increase in depreciation of the LAGWRP Hyperion facility. The useful life was changed from 100 years to 40 years, thus increasing depreciation expense.
- The Refuse Fund 530 is also showing an increase of approximately \$2.2 million due to scheduled capital projects and the Commercial Bin fund transfer to the General Fund each of which is \$1.0 million.

The increase in the Internal Service Funds of \$21 million is due to the following changes in the various funds:

- As a result of creating the Fleet/Equipment Management Fund 601 and consolidating all fleet operations, appropriations for vehicle replacements was put on hold during the 2009-10 budget process in order to provide sufficient time and analysis of the City's needs. For the 2010-11 fiscal year, the primary reason for the \$5 million increase in this fund is the appropriation request for vehicle and equipment replacements that are necessary and due to be replaced.

- The restructuring of the Information Services Department (ISD) into three Internal Services funds has resulted in a total net increase of \$7.4 million to their existing Infrastructure Fund 603, Application Fund 604, and Wireless Communication Fund 660. All ISD costs are now contained within these three funds and are no longer in the General Fund, other Internal Service Funds (City wide Document Mgmt 606 and Financial System Operations 670) or spread directly to operating departments.
- An accounting procedure change in how HMO premiums are recorded and accounted for took place during the 2009-10 fiscal year. As a result, HMO premiums are now recorded as an expenditure in the Medical Insurance Fund with the corresponding offset to revenue in that same fund. The result is a cost neutral accounting approach, but the appropriation to pay the HMO premium must now be included in the expenditure budget. The overall increase to the Medical Insurance Fund is approximately \$9 million.

BACKGROUND

The City Charter requires an annual Public Hearing and adoption of the City's budget for the upcoming year. The purpose of this report is to present the Proposed Fiscal Year 2010-11 Annual Budget. The adoption of the Fiscal Year 2010-11 Budget will be considered by City Council at the designated meeting on June 22, 2010.

During the previous six months, City staff have been working on creating the City's proposed 2010-11 budget. A variety of strategies were deployed in an effort to maintain a balanced General Fund budget for the upcoming year. Included in the balancing efforts were a combination of restructuring of other funds/departments, cost recovery through Citywide Cost Allocation, and interfund transfers. Further, discussions have been taking place with all Employee Associations focusing on a variety of methods to reduce City benefit costs. Lastly, approximately \$1,036,000 in operational cost reductions has been incorporated into the Preliminary General Fund 2010-11 budget. For the third year in a row, departments have implemented reductions and tightened their belts in an effort to continue to reduce operating costs.

On March 30, 2010, City Council held its first budget study session. An overview of the General Fund was discussed. During April and May 2010, six additional study sessions were held where discussions focused primarily on the Capital Improvement Program, all enterprise funds, and non-General Fund operations for each Department including Housing, Redevelopment, Community Development Block Grant and Workforce Investment Act. The proposed budget for the upcoming year along with the future outlook and challenges faced with the various operations were presented and discussed. The study sessions gave Council the opportunity to review each department's budget and the opportunity to ask questions and make modifications.

GENERAL FUND

As noted previously, all funds other than the General Fund can be found in detail in the Attachment to this report. The discussion below summarizes the General Fund for the City of Glendale.

Revenues

Detailed in the table below are the estimates of the major revenue sources of the General Fund by class of revenue:

General Fund Proposed Resources
Fiscal Year 2010-11

Category	Original Adopted 2009-10	Proposed 2010-11	Dollar Change	Percentage Change
Property Taxes	\$ 41,237,000	\$ 42,210,000	\$ 973,000	2.4%
Sales Taxes	27,041,000	28,141,000	1,100,000	4.1%
Other Taxes	34,688,000	37,488,000	2,800,000	8.1%
Licenses & Permits	5,630,000	5,103,000	(527,000)	-9.4%
Fines & Forfeitures	1,200,000	1,585,000	385,000	32.1%
Use of Money & Property	7,902,716	7,771,000	(131,716)	-1.7%
Revenue - Other Agencies	915,000	865,000	(50,000)	-5.5%
Charges for Services	3,627,577	4,079,660	452,083	12.5%
Misc. & Non-Operating	394,000	822,669	428,669	108.8%
Interfund Revenue	12,226,178	14,796,563	2,570,385	21.0%
Transfer - Other Funds	28,967,000	30,242,000	1,275,000	4.4%
Total Revenues	\$ 163,828,471	\$ 173,103,892	\$ 9,275,421	5.7%
FY 2008-09 Savings	1,000,000	-	(1,000,000)	-100.0%
Total Resources	\$ 164,828,471	\$ 173,103,892	\$ 8,275,421	5.0%

Some of the significant revenue changes from the 2009-10 adopted budget include the following:

1. Property Tax revenue projections for the 2010-11 fiscal year will not see an increase in the "current" property tax category. However, other property tax revenues have seen a slight increase during the 2009-10 fiscal year which will likely be the case again for next year. As a result, the total Property Tax category is projected to increase slightly by 2.4%.
2. The Sales Tax increase of 4% is due to the suspension of depositing these funds to the Capital Improvement Program and depositing them instead to the General Fund. The revenue estimate of \$28.1 million represents 100% of the sales tax projection for the 2010-11 fiscal year.
3. The 8% increase in Other Taxes represents the direct deposit of the Scholl Canyon Assessment Fees which was previously coming into the General Fund through a transfer from the Capital Improvement Program. The revenue will be deposited directly to the General Fund for the 2010-11 fiscal year.

4. Licenses and Permits continues to see a decline as a result of the decreased building activity. The 2010-11 fiscal year projection indicates a 9.4% reduction over the 2009-10 original estimates.
5. Fines and Forfeitures shows an increase of 32% for the revenues collected by the Red Light Camera contract. These revenues were previously deposited to the Police Staffing Augmentation Fund 263 but since that fund will be closed during the 2010-11 fiscal year, the revenues will be deposited to the General Fund.
6. The 12.5% increase in Charges for Services and the 128% increase in Miscellaneous Revenues include several adjustments from the 2009-10 budget but the most significant includes the revenues that previously were deposited to the Police Staffing Augmentation Fund 263 and will now be deposited to the General Fund.
7. The Interfund Revenue increase of 21% is attributable to the increase in cost recovery through the Citywide Cost Allocation Plan. This increase directly offsets the increase costs of budgeting central support staff into the General Fund (rather than the operating departments) and cost allocating their costs out to the operating departments through the Cost Plan. This amount is approximately \$3.0 million. The difference between this amount and the total net increase of \$2.6 million has to do with a variety of other allocation changes that have resulted in an overall net decrease of nearly \$400k.
8. The net increase of \$1,275,000 in Transfers from Other Funds is the result of a variety of changes to transfers coming into the General Fund. The increases in 2010-11 include the \$3.0 million transfer from closing of the Police Staffing Augmentation Fund, the \$1.0 million transfer from the Commercial Refuse operations and the \$575k from the ISD Applications Fund. This \$575k is the estimated increase to the General Fund for implementing the ISD Rate Study. Since the Application Fund has received many transfers over the previous years from the General Fund, it will now transfer back this amount in order to reduce the effect of the impact from the rate study for the 2010-11 fiscal year. Additionally, there is a reduction in the transfer from the Fleet Fund by \$500,000 and the \$2.8 million transfer from the Capital Improvement Program for the Scholl Canyon Assessment fee in 2009-10 is now being recognized under the "Other Taxes" category.

Expenditures

The operating requirements for the 2010-11 General Fund budget, together with comparative 2009-10 appropriations are as follows:

General Fund Proposed Appropriations Fiscal Year 2010-11

Category	Original Adopted 2009-10	Proposed 2010-11	Dollar Change	Percentage Change
Base Budget:				
Salaries & Benefits	\$ 129,344,116	\$ 131,281,642	\$ 1,937,526	1.5%
Maintenance & Operations	28,848,302	28,924,692	76,390	0.3%
Transfer - Other Funds	7,075,137	7,075,137	-	0.0%
Capital Outlay	123,791	84,000	(39,791)	-32.1%
Budgeted Underexpenditures	(562,875)	(3,000,000)	(2,437,125)	433.0%
Total Base Budget	\$ 164,828,471	\$ 164,365,471	\$ (463,000)	-0.3%
Structural Fund Changes:				
Restructure of ISD		1,573,733		
Collapse of Police Augmentation Fund		3,945,000		
Cost Allocation Changes		3,219,688		
Subtotal of Structural Changes		<u>\$ 8,738,421</u>	8,738,421	
Total General Fund Budget:				
Salaries & Benefits		\$ 136,278,354		
Maintenance & Operations		37,504,627		
Transfer - Other Funds		2,236,911		
Capital Outlay		84,000		
Budgeted Underexpenditures		(3,000,000)		
Totals	\$ 164,828,471	\$ 173,103,892	\$ 8,275,421	

As the table above indicates, the "Base Budget" for the General Fund prior to the structural changes, shows a net decrease of \$463,000. This is the result of all General Fund departments implementing operational reductions to their budgets which resulted in approximately \$1.0 million of cost cutting. The City Clerk's budget was increased by nearly \$440,000 as the result of the upcoming Election in 2011. The previously approved salary and benefit increases for MOUs from employee associations are also included in the Base Budget for the General Fund. However, since negotiations for greater employee cost sharing of benefits is in process with all employee associations, the anticipated savings from these negotiations of \$3.0 million is being included in the Base Budget. The net decrease is \$463,000.

A discussion of the structural changes is noted below.

1. The restructuring of ISD has increased costs to the General Fund because a large amount of the City's infrastructure and large applications (PeopleSoft HR, PeopleSoft Financials, and CSI) are primarily utilized by General Fund departments. The previous structure for ISD did not provide sufficient funding and consisted of deferred maintenance, upgrades, etc. ISD sections outside the General Fund previously relied on a variety of transfers from the General Fund, CIP, and some Enterprise operations. The implementation of the Rate Study, provides an appropriate methodology to

allocate the ISD costs which results in proper funding for the City's technology. Those who utilize the services pay their relative share. For the 2010-11 fiscal year, approximately \$1.6 million represents the estimated increase to the General Fund for implementing the ISD Rate Study. This increase is directly offset with the Citywide Cost Allocation revenue and a fund transfer from the ISD Application Fund.

2. The collapse of the Police Staffing Augmentation Fund 263 into the General Fund transferred approximately \$3.1 million net costs (\$5.5 million of salaries, benefits, and M&O offset by the \$2.5 million General Fund transfer). There is also an \$870,000 budgeted expenditure that will be serve as a set-aside from the remaining Fund Balance from Fund 263 that will be used towards future year costs.
3. In 2010-11, central support staff (e.g. Finance, Legal, and HR) have budgetarily been transferred back to their home department in the General Fund and are cost allocated out through the Citywide Cost Allocation Plan. As a result, this change is cost neutral since additional revenues for the same amount come back to the General Fund through the Cost Allocation Plan interfund revenue category. This amount represents an increase of approximately \$3.2 million to expenditures and revenues for the 2010-11 fiscal year.

ATTACHMENT

Summary of Appropriations by Fund

CITY OF GLENDALE
SUMMARY OF APPROPRIATIONS BY FUND

	Adopted 2009-10	Proposed 2010-11	Dollar Change	Percentage Change
Special Revenue				
Community Development Fund (201)	\$ 3,691,896	\$ 3,792,466	\$ 100,570	2.7%
Housing Assistance Fund (202)	14,893,889	26,849,303	11,955,414	80.3%
Home Grant Fund (203)	2,332,741	2,320,339	(12,402)	-0.5%
Supportive Housing Grant Fund (204)	2,215,840	2,194,335	(21,505)	-1.0%
Emergency Shelter Grant Fund (205)	144,393	143,776	(617)	-0.4%
Workforce Investment Fund (206)	3,623,530	3,962,100	338,570	9.3%
GRA Administrative Fund I (240)	13,370,401	15,072,987	1,702,586	12.7%
GRA Administrative Fund II (241)	6,113,679	6,387,185	273,506	4.5%
Low & Moderate Housing Fund (242)	4,737,287	4,603,295	(133,992)	-2.8%
GC3 Fund (245)	591,000	605,000	14,000	2.4%
2010 Tax Allocation Bonds (247)	-	1,650,000	1,650,000	n/a
Local Transit Assistance Fund (250)	10,084,006	10,522,663	438,657	4.4%
Air Quality Improvement (251)	323,927	318,496	(5,431)	-1.7%
SanFernando Landscape District (253)	39,400	40,000	600	1.5%
Narcotic Forfeiture Fund (260)	644,396	1,379,503	735,107	114.1%
Special Grant Fund (261)	367,826	801,351	433,525	117.9%
Supplemental Law Enforcement (262)	486,219	270,632	(215,587)	-44.3%
Police Staff Augmentation Fund (263)	4,846,075	3,240,000	(1,606,075)	-33.1%
Fire Grant Fund (265)	132,493	3,414,892	3,282,399	2477.4%
Fire Mutual Aid Fund (266)	150,000	392,175	242,175	161.5%
Special Events Fund (267)	-	777,768	777,768	n/a
Nutritional Meals Grant Fund (270)	596,706	517,205	(79,501)	-13.3%
Library Fund (275)	459,115	209,974	(249,141)	-54.3%
Cable Access Fund (280)	456,000	450,000	(6,000)	-1.3%
Electric Public Benefit Fund (290)	9,006,639	8,260,800	(745,839)	-8.3%
Fire Paramedic Fund (511)	12,336,964	13,157,872	820,908	6.7%
ICIS (702)	132,185	-	(132,185)	-100.0%
Total Special Revenue	\$ 91,776,607	\$ 111,334,117	\$ 19,557,510	21.3%

Debt Service				
2003 GRA Tax Allocation Bonds (302)	\$ 4,778,000	\$ 4,773,000	\$ (5,000)	-0.1%
Police Building Project (303)	3,485,000	2,250,000	(1,235,000)	-35.4%
2002 GRA Tax Allocation Bonds (304)	3,814,000	3,812,000	(2,000)	-0.1%
Capital Leases (306)	1,392,062	1,392,062	-	0.0%
Low and Mod Loans Payable (307)	3,056,114	3,056,113	(1)	0.0%
2010 GRA Tax Allocation Bonds (308)	-	1,823,470	1,823,470	n/a
Total Debt Service	\$ 16,525,176	\$ 17,106,645	\$ 581,469	3.5%

**CITY OF GLENDALE
SUMMARY OF APPROPRIATIONS BY FUND**

	Adopted 2009-10	Proposed 2010-11	Dollar Change	Percentage Change
Capital Improvement				
General Fund Capital Improvement Fund (401)				
Comm Services and Parks	\$ 6,365,282	\$ 2,500,113	\$ (3,865,169)	-60.7%
Fire	500,000	-	(500,000)	-100.0%
Information Technology	50,000	-	(50,000)	-100.0%
Library	2,550,000	1,750,000	(800,000)	-31.4%
Public Works	5,704,608	-	(5,704,608)	-100.0%
Transfers	8,862,062	1,392,062	(7,470,000)	-84.3%
Total General Fund Capital Improv.	\$ 24,031,952	\$ 5,642,175	\$ (18,389,777)	-76.5%
State Gas Tax Fund (402)	\$ 5,125,000	\$ 5,163,000	\$ 38,000	0.7%
Police Facility Construction (404)	\$ 2,182,000	\$ -	\$ (2,182,000)	-
Total Capital Improvement	\$ 31,338,952	\$ 10,805,175	\$ (20,533,777)	-65.5%

Enterprise				
Recreation Fund (501)	\$ 2,471,329	\$ 2,845,641	\$ 374,312	15.1%
Hazardous Disposal Fund (510)	1,789,940	1,859,872	69,932	3.9%
Parking Fund (520)	10,191,445	9,975,450	(215,995)	-2.1%
Sewer Fund (525)	32,098,445	34,323,556	2,225,111	6.9%
Refuse Disposal Fund (530)	20,374,415	22,552,380	2,177,965	10.7%
Electric Works Revenue Fund (552)	242,866,967	223,750,431	(19,116,536)	-7.9%
Electric Depreciation Fund (553)	55,837,400	54,059,604	(1,777,796)	-3.2%
Electric-SCAQMD State Sales (554)	25,000	25,000	-	0.0%
Water Works Revenue Fund (572)	47,523,400	40,290,400	(7,233,000)	-15.2%
Water Depreciation Fund (573)	30,330,400	25,555,842	(4,774,558)	-15.7%
Fire Communication Fund (701)	3,442,936	3,785,969	343,033	10.0%
Total Enterprise	\$ 446,951,677	\$ 419,024,145	\$ (27,927,532)	-6.2%

Internal Service				
Fleet / Equipment Mgmt Fund (601)	\$ 12,337,130	\$ 17,442,270	\$ 5,105,140	41.4%
Joint Helicopter Operation Fd (602)	1,313,165	1,263,636	(49,529)	-3.8%
Tech Equipment Replacement Fd (603)	946,136	4,669,075	3,722,939	393.5%
Application Software Repl Fund (604)	1,019,495	6,516,756	5,497,261	539.2%
Citywide Document Mgt Sys Fund (606)	305,498	-	(305,498)	-100.0%
Unemployment Insurance Fund (610)	180,000	188,000	8,000	4.4%
Liability Insurance Fund (612)	6,171,771	5,628,464	(543,307)	-8.8%
Compensation Insurance Fund (614)	11,060,302	10,468,140	(592,162)	-5.4%
Dental Insurance Fund (615)	1,341,148	1,403,000	61,852	4.6%
Medical Insurance Fund (616)	13,290,572	22,260,000	8,969,428	67.5%
Vision Insurance Fund (617)	332,982	347,000	14,018	4.2%
Employee Benefits Fund (640)	2,111,576	2,647,000	535,424	25.4%
RHSP Benefits Fund (641)	1,076,343	1,732,000	655,657	60.9%
Post Employment Benefits Fund (642)	-	60,230	60,230	n/a
Wireless Communications Sys Fd (660)	3,357,842	3,669,936	312,094	9.3%
Financial System Operation Fd (670)	1,859,919	-	(1,859,919)	-100.0%
Total Internal Service	\$ 56,703,879	\$ 78,295,507	\$ 21,591,628	38.1%