

ADOPTED
BUDGET
2013-14



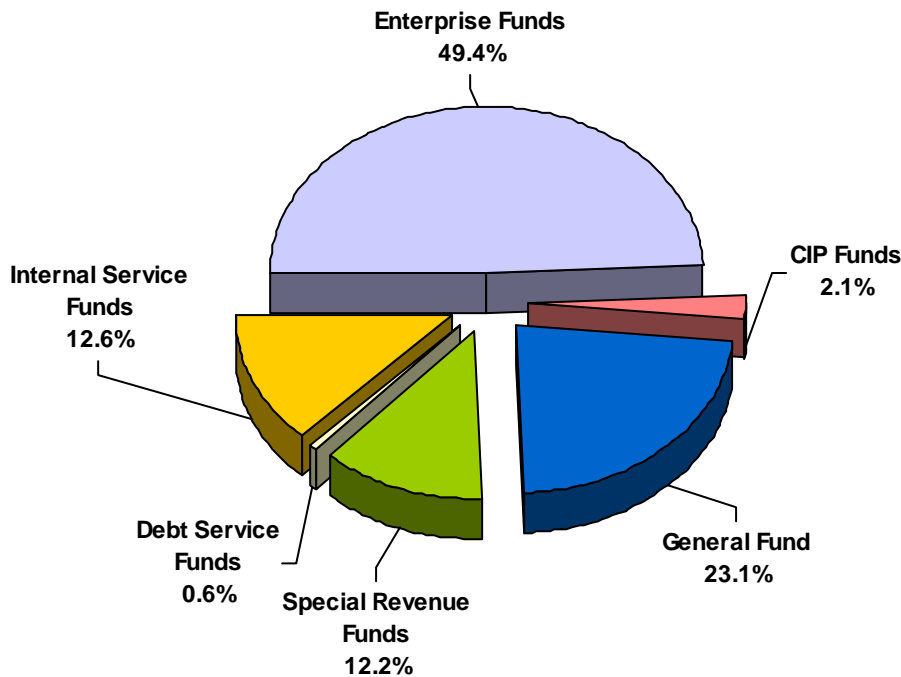
CITY OF GLENDALE RESOURCES & APPROPRIATIONS

OVERVIEW OF RESOURCES

The City Resources forecasted for FY 2013-14 reflect a somewhat conservative yet consistent approach with established budget practices and financial principles. We used various forecasting techniques such as trend analysis, economic indicators, and professional judgment to arrive at the forecasted revenue. Revenue forecasting is one of the most challenging aspects in the budget process and a variety of factors come into play when deciding on revenue projections. Estimates of population growth, local and regional economic growth, inflation, historical revenue patterns, and factors specific to individual revenue sources are considered.

Total FY 2013-14 City Resources (including Transfers from Other Funds and Use of Fund Balance) are \$737.9 million. The following chart illustrates the total budgeted resources for all City Funds for FY 2013-14:

FY 2013-14 Total City Resources
\$737.9 Million



Total City Resources
(In Millions)

| | |
|---------------------------------|----------|
| General Fund | \$ 170.7 |
| Special Revenue Funds | 89.9 |
| Debt Service Funds | 4.1 |
| Capital Improvement (CIP) Funds | 15.5 |
| Enterprise Funds | 364.8 |
| Internal Service Funds | 92.9 |
| Total Resources: | \$ 737.9 |

CITY OF GLENDALE RESOURCES & APPROPRIATIONS

General Fund

The General Fund Resource budget for FY 2013-14 is projected to be \$170.7 million. The General Fund provides the majority of ongoing governmental services that are not funded through restricted special revenue funds. These services include Fire, Police, Library, Arts & Culture, Community Services & Parks, Community Development, Public Works and general staff support services that include the City Clerk, City Treasurer, City Attorney, City Manager, Administrative Services - Finance, and Human Resources. This fund is supported by general taxes including property, sales, and utility users taxes in addition to other various fees, taxes and transfers from other funds.

The table below shows the estimates of the major revenue sources for the General Fund by category for FY 2012-13 and FY 2013-14.

General Fund Resources

| Category | Adopted 2012-13* | Proposed 2013-14 | Increase / (Decrease) | % Change |
|----------------------------------|-----------------------|-----------------------|--------------------------|---------------|
| Revenues | | | | |
| Property Taxes | \$ 44,456,900 | \$ 45,185,000 | \$ 728,100 | 1.6% |
| Sales Taxes | 31,027,500 | 32,866,000 | 1,838,500 | 5.9% |
| Utility Users Taxes | 27,000,000 | 27,600,000 | 600,000 | 2.2% |
| Occupancy & Other Taxes | 8,830,000 | 9,090,000 | 260,000 | 2.9% |
| Licenses & Permits | 5,585,000 | 6,455,000 | 870,000 | 15.6% |
| Fines & Forfeitures | 1,200,000 | 1,100,000 | (100,000) | -8.3% |
| Use of Money & Property | 3,933,000 | 3,385,000 | (548,000) | -13.9% |
| Revenue from Other Agencies | 285,000 | 100,000 | (185,000) | -64.9% |
| Charges for Services | 2,503,150 | 1,904,394 | (598,756) | -23.9% |
| Misc & Non-Operating | 1,095,000 | 1,095,000 | - | 0.0% |
| Interfund Revenue | 14,676,333 | 16,195,375 | 1,519,042 | 10.4% |
| Transfers from Other Funds | 23,907,000 | 23,657,000 | (250,000) | -1.0% |
| Total Revenues | \$ 164,498,883 | \$ 168,632,769 | \$ 4,133,886 | 2.5% |
| Use of Fund Balance | | | | |
| Retirement Incentives | \$ - | \$ 897,888 | \$ 897,888 | N/A |
| Use of Prior Year Surplus** | 1,000,000 | 1,201,249 | 201,249 | 20.1% |
| Total Use of Fund Balance | \$ 1,000,000 | \$ 2,099,137 | \$ 1,099,137 | 109.9% |
| Total Resources | \$ 165,498,883 | \$ 170,731,906 | \$ 5,233,023 | 3.2% |

Notes:

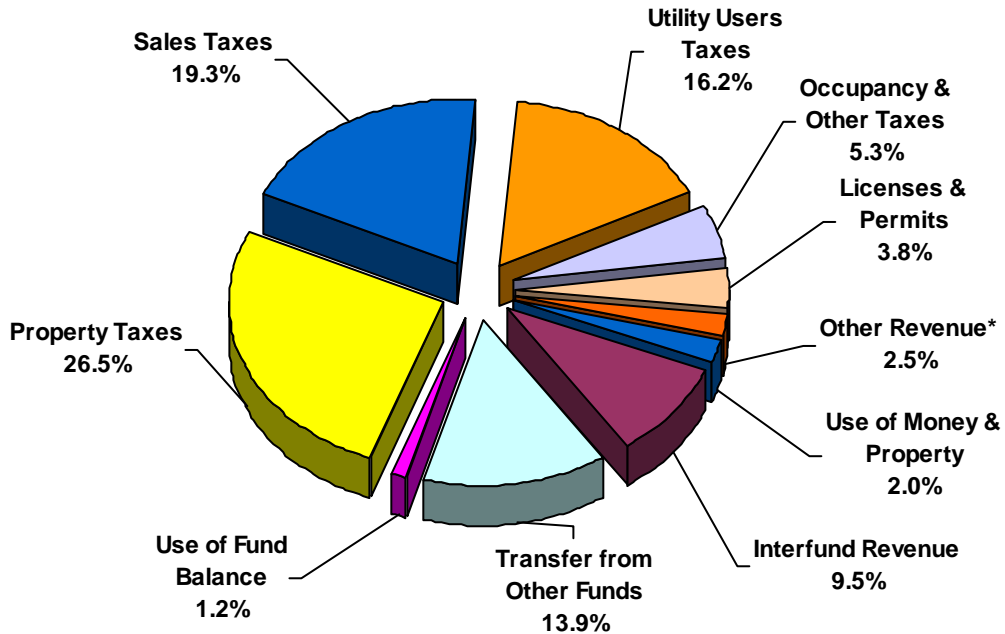
* Adjusted for Balancing Strategies

** For FY 2013-14, per City Council direction, use of one-time Property Tax Distribution received in FY 2012-13

CITY OF GLENDALE RESOURCES & APPROPRIATIONS

Approximately 62% of the City's General Fund resources consist of three revenue sources: property taxes, sales taxes and utility users taxes. Other General Fund revenues include franchise tax, transient occupancy tax, building & planning permits, fines & forfeitures, use of money & property and other revenues. Below is a graph of the various General Fund Resources by category which will be followed by a more in-depth discussion on all of the major General Fund revenue categories.

FY 2013-14 General Fund Resources
\$170.7 Million



Note:
* Other Revenue: Fines & Forfeitures, Revenues from Other Agencies, Charges for Services and Miscellaneous Revenues.

Property Taxes are the largest revenue source in the General Fund. It represents 26.5% of the total General Fund resources for FY 2013-14 budget. For FY 2013-14 the property tax is forecasted to increase by \$728 thousand, or 1.6%. This increase is mainly attributable to an increase in the assessed property valuation. Also, the property tax administrative fees (PTAF) charged by the County of Los Angeles is estimated to decrease for FY 2013-14.

Property tax is an ad valorem tax (based on value) imposed on real property (land and permanently attached improvements such as buildings) and personal (movable) property. Proposition 13 adopted by the California voters on June 6, 1978, created a comprehensive system for the assessment and limitation of real property taxes. Property tax is based on the real property's adjusted assessed full value. Proposition 13 set the FY 1975-76 assessed values as the base year from which future annual inflationary assessed value increases are calculated (not to exceed 2% for any given year). The County Assessor also re-appraises each real property parcel when there are purchases, construction, or other statutory defined "changes in ownership". Proposition 13 limits the property tax rate to 1% of the property's full value plus overriding rates to pay specifically approved voter indebtedness. The City of Glendale receives 13.5% of the 1% levy on assessed value.

It should be noted that starting in FY 2004-05, the City received additional property tax to compensate for the elimination of the Vehicle License Fee (VLF) and change in allocation formulas in the VLF adjustment

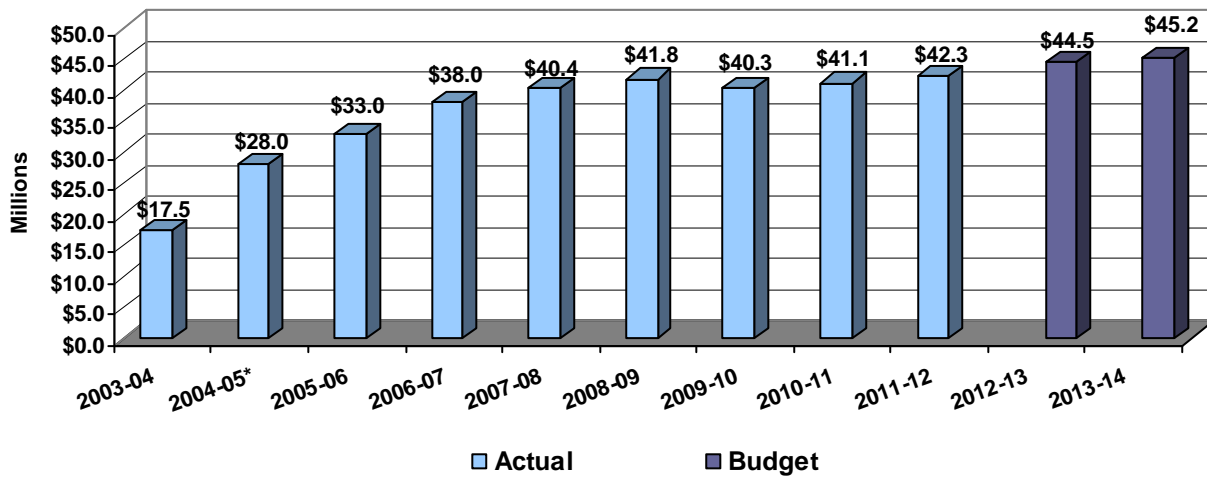
CITY OF GLENDALE RESOURCES & APPROPRIATIONS

amounts. This accounts for the large increase in Property Tax revenue from FY 2003-04 to FY 2004-05. In subsequent years, this property tax grew in proportion to the growth in assessed valuation in our jurisdiction.

As a result of the elimination of the GRA due to AB 1x26, the City expects to receive additional property taxes, which was formerly tax increment revenue allocated to the GRA. The tax increment represents property taxes that were generated from the increase to the base (at project inception) assessed property valuation of each project area. Amounts under the base are remitted to the City as general property tax; amounts over the base used to be remitted to the GRA as tax increments. Due to AB 1x26, the General Fund will receive an estimated amount of \$700 thousand in property taxes, which was formerly tax increment revenue.

The graph below shows the historical and forecasted Property Tax revenue followed by a listing of the top 10 property taxpayers for the City's General Fund.

Property Taxes – General Fund



Note:
*Starting FY 2004-05, the Property Tax category includes the VLF backfill

Top 10 Property Taxpayers (In Alphabetical Order)

| | |
|--|---|
| Essex 416 on Broadway LP | Joseph A. Perry |
| Glendale Adventist Medical | PR Glendale Plaza Office California LLC |
| Glendale Fashion Associates, LLC | Property Reserve Inc. |
| Glendale Memorial Hospital & Health Center | Tishman Speyer Archstone-Smith |
| Grand Villa Glendale, LLC | Verdugo Mob LP |

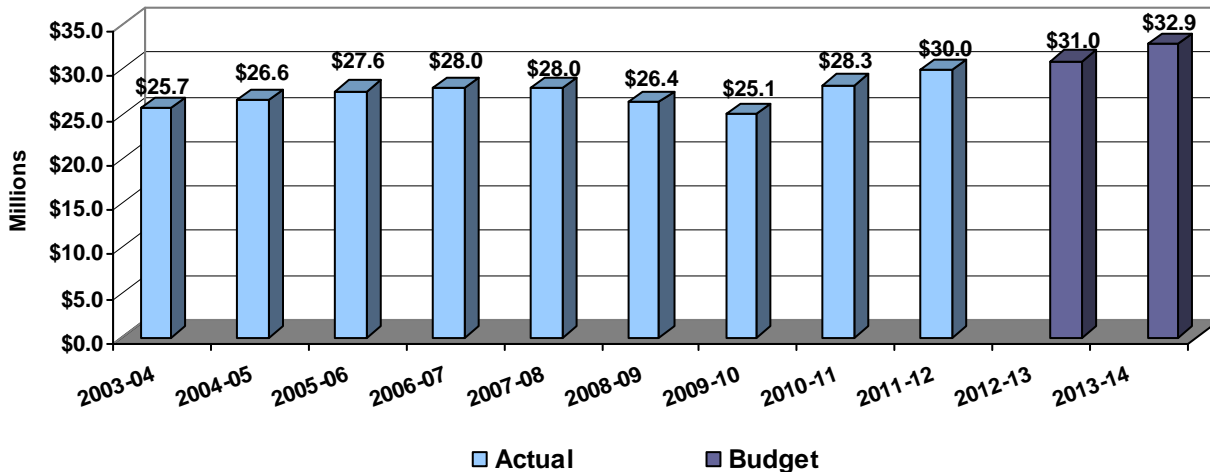
Source: HdL Coren & Cone 2012-13 property data (Tax District #1)

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Sales Taxes are the second largest revenue source in the General Fund, representing 19.3% of the total General Fund resources estimated for the FY 2013-14 budget. For FY 2013-14, Sales Tax is forecasted to increase by \$1.8 million, or 5.9%, for a total of \$32.9 million. Glendale’s retail sales have risen on strong demand for new autos and increased consumer spending. Also on a positive note, Los Angeles County’s unemployment rate is expected to continue its gradual decline from 11.1% in FY 2012-13 to 9.7% in FY 2013-14*.

It should be noted that starting from FY 2003-04 through FY 2008-09, 86% of the Sales Tax revenue was deposited into the General Fund. Starting in FY 2009-10, 96% of the Sales Tax went to the General Fund, and this was increased to 100% for FY 2010-11 and FY 2011-12. Starting in FY 2012-13, we have restored sales tax funding to the Capital Improvement Fund, albeit only 1% of the estimate. This is part of our strategy in becoming structurally balanced and we will look to increase the sales tax contribution to the Capital Improvement Fund over the next several years as resources permit. The graph below illustrates historical and forecasted sales tax revenue for the past 10 fiscal years followed by a listing of the top 20 Sales Tax producers for the City.

Sales Taxes – General Fund



Top 20 Sales Tax Producers (In Alphabetical Order)

- | | |
|--|---|
| <ul style="list-style-type: none"> Allen Gwynn Chevrolet Apple Computer Bob Smith Toyota Calstar Mercedes Diamond Honda of Glendale Financial Services Vehicle Trust Glendale Dodge Chrysler Jeep Glendale Mitsubishi Glendale Nissan Infiniti JC Penney | <ul style="list-style-type: none"> Lexus of Glendale Macy’s Nordstrom Pacific BMW Sears Star Ford Lincoln Target Toyota of Glendale Video Equipment Rental Vons |
|--|---|

Source: HdL Coren & Cone

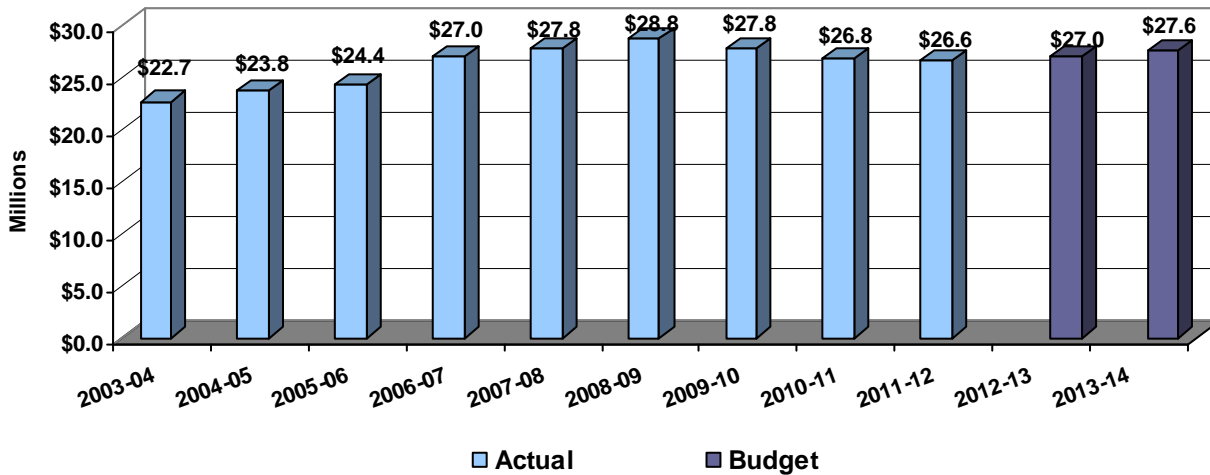
Note:

*Source: LACEDC 2013-14 Economic Forecast & Industry Outlook

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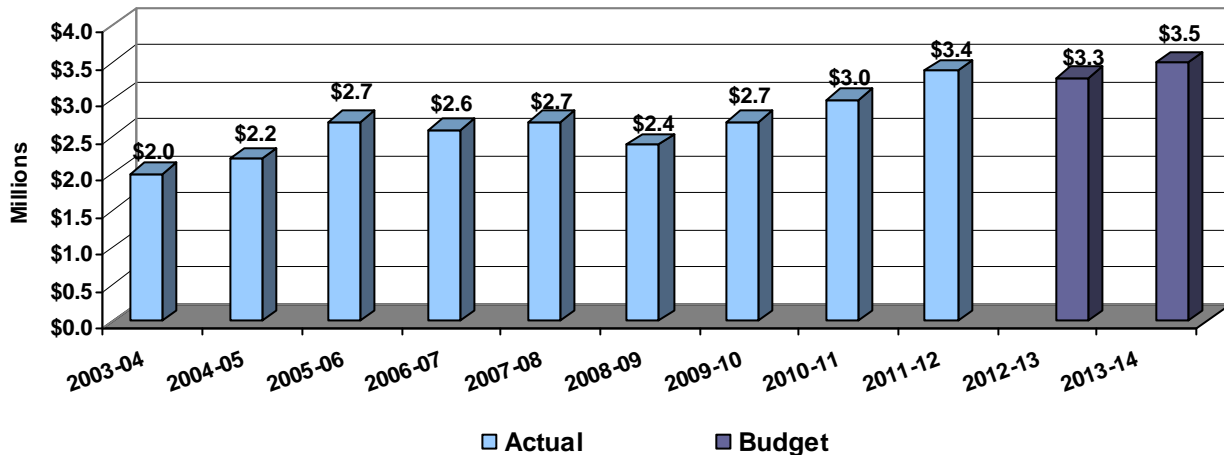
Utility Users Taxes (UUT) are the third largest revenue source for the General Fund, representing 16.2% of the total General Fund resources estimated for FY 2013-14 budget. This tax is levied on the following utility services: telecommunications (6.5%), video (6.5%), electricity (7%), gas (7%), and water (7%). The telecommunications category now includes wired and wireless telecommunications, intrastate, interstate, and international services; ancillary services; voice-over internet protocol; paging; and private communication services. Last year UUT revenues were impacted by the economic downturn; however, for FY 2013-14 the revenues are estimated to increase by \$600 thousand, or 2.2%, for a total \$27.6 million. The graph below illustrates historical and forecasted revenue for UUT.

Utility Users Taxes – General Fund



Transient Occupancy Tax (TOT) represents about 2.0% of the total General Fund resources in the FY 2013-14 Adopted Budget. This tax is levied at 10% for occupying a room(s) or other living space in a hotel, inn, tourist home/house, motel or other lodging for a period of 30 days or less. The TOT is authorized under Section 4.32 of the Glendale Municipal Code and the revenue is deposited into the General Fund. As shown on the graph below, TOT revenue decreased by 12.8% in FY 2008-09 due to the economic recession. However, this sector started recovering in FY 2009-10 and this trend is expected to continue. For FY 2013-14, TOT revenue is anticipated to increase by \$200 thousand, or 6%.

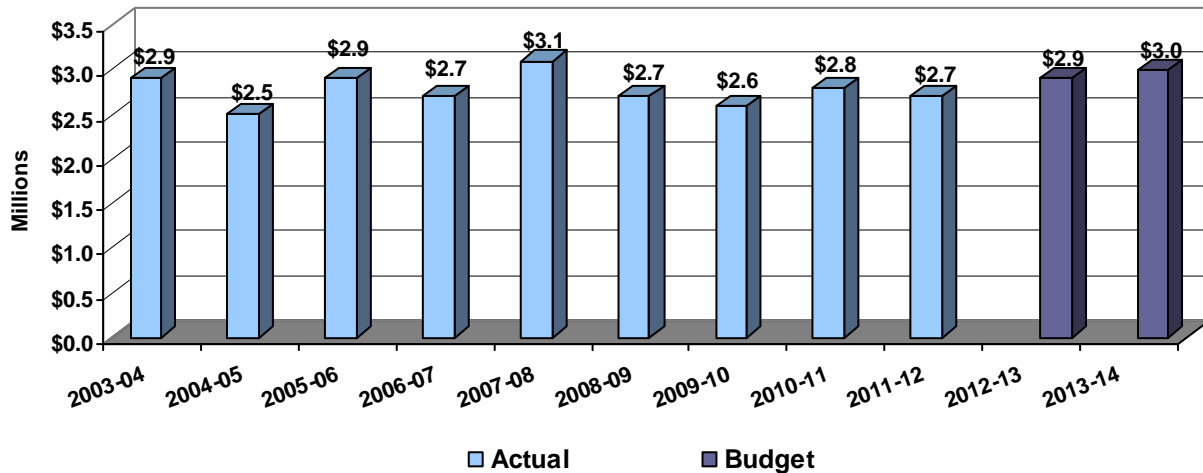
Transient Occupancy Tax – General Fund



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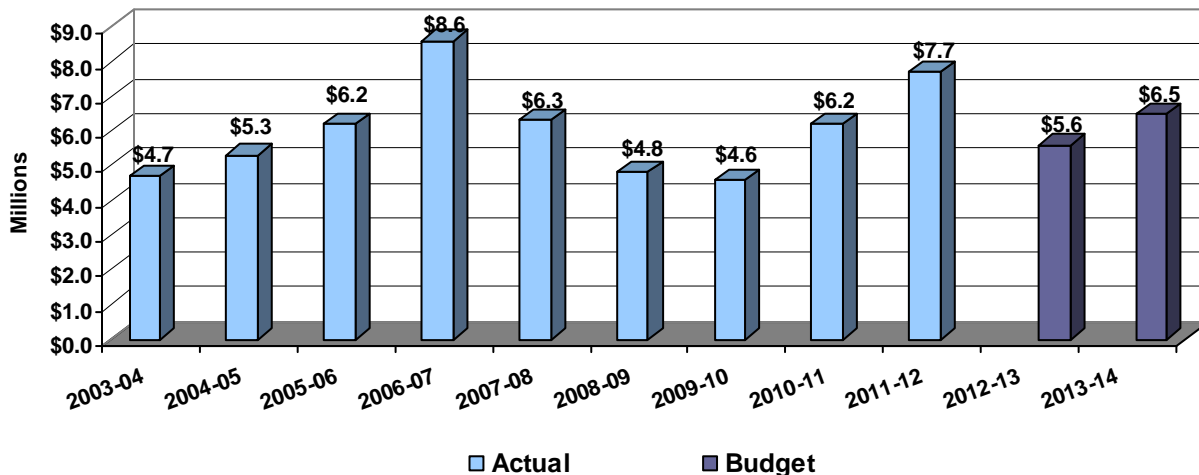
Franchise Tax is a charge for the right-of-way or license granted to an individual or a group to market a company's goods or services in a particular territory. The majority of our franchise revenue is received from Charter Communications, Pacific Bell and the Gas Company. The Franchise Tax represents about 1.8% of the total General Fund resources in the FY 2013-14 Adopted Budget. Starting in FY 2008-09, this revenue dropped due to the economic recession, but is beginning to rebound. For FY 2013-14 we are estimating for franchise tax to increase slightly by \$60 thousand, or 2.0% for a total of \$3.0 million. This is primarily due to an increase in commercial and residential units in the City during the last two years.

Franchise Tax – General Fund



Licenses & Permits include Building Permits, Business License Permits, Variance Permits, Plan Check Fees, Street Permits and Dog License Fees. Licenses & Permits represent 3.8% of the total General Fund resources for FY 2013-14 Adopted Budget. The Licenses & Permits category decreased significantly from FY 2007-08 through FY 2009-10 due to the economic recession in which the construction industry was severely impacted. Starting in FY 2010-11, there was an increase in construction projects which included Disney, Doran Gardens, 200 E. Broadway Lofts, the Triangle Project and the renovation of the historic Seeley's building. For FY 2013-14 the revenue is estimated to increase by \$870 thousand or 15.6%.

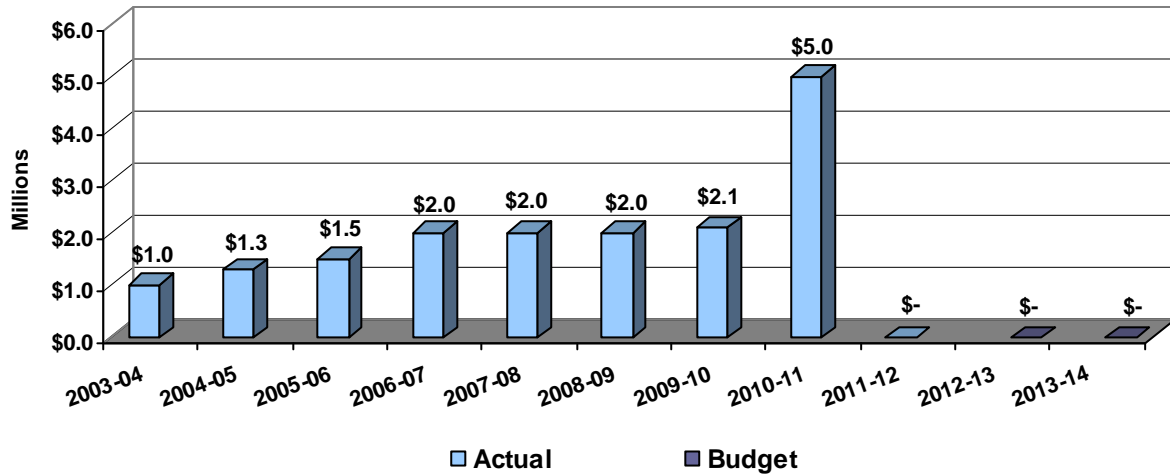
Licenses & Permits – General Fund



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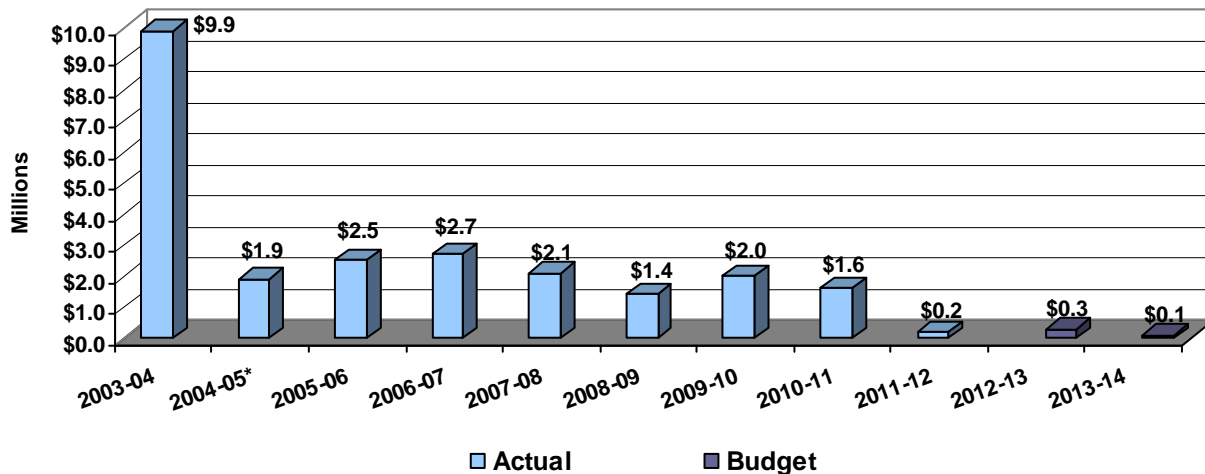
Intergovernmental Revenue is the loan repayment from the GRA to the General Fund. When the GRA was formed, the General Fund loaned a significant amount of money to the Agency which was slowly being repaid using tax increment generated from new projects in the Redevelopment project areas. This was a common practice among cities throughout the State as a way to provide enough working capital to commence projects and start generating tax increment revenue. The agencies would then use proceeds from the property tax increment generated to repay the loans and associated interest. Due to AB 1x 26, the loan from the General Fund to the GRA was invalidated; therefore starting in FY 2011-12 the loan repayment ceases to exist.

Intergovernmental Revenue – General Fund



Revenues from Other Agencies mainly consists of Federal, State and Local grants, which includes State SB 90, Mutual Aid Reimbursements and Motor Vehicle In Lieu Fees. For FY 2011-12 the State suspended the motor vehicle in lieu fee and this suspension will continue for FY 2013-14. It is generally more difficult to estimate grant revenues since most grant awards are made throughout the fiscal year in the form of an award letter or funding agreement. As grants are awarded during the year, departments go to City Council for an authorization in accordance with Article XI, Section 8 of the City Charter. It's worth noting that starting in FY 2012-13 the State Home Owners Exemptions revenue category has been moved from Revenues from other Agencies to Property Taxes category.

Revenues from Other Agencies – General Fund

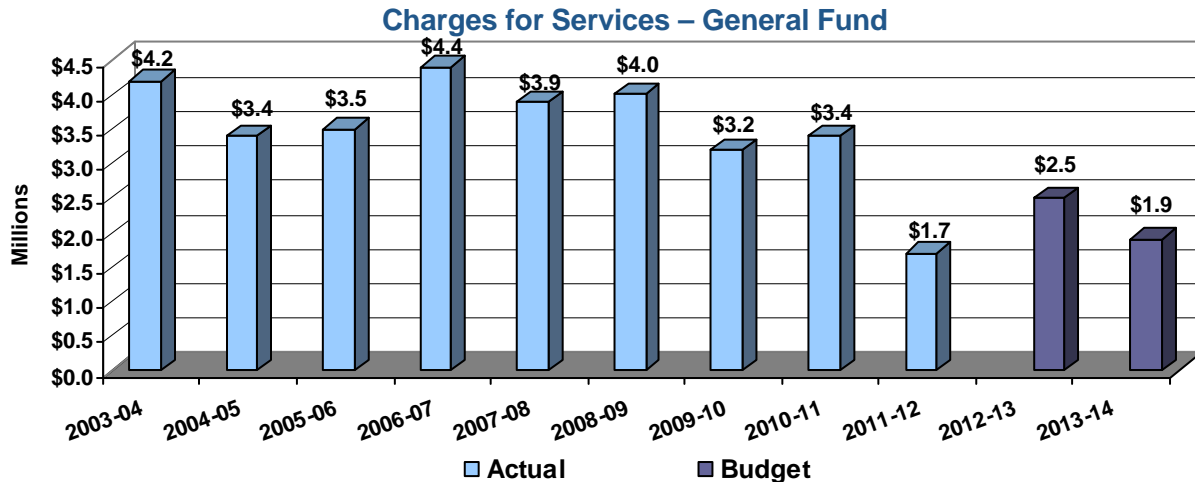


Note:

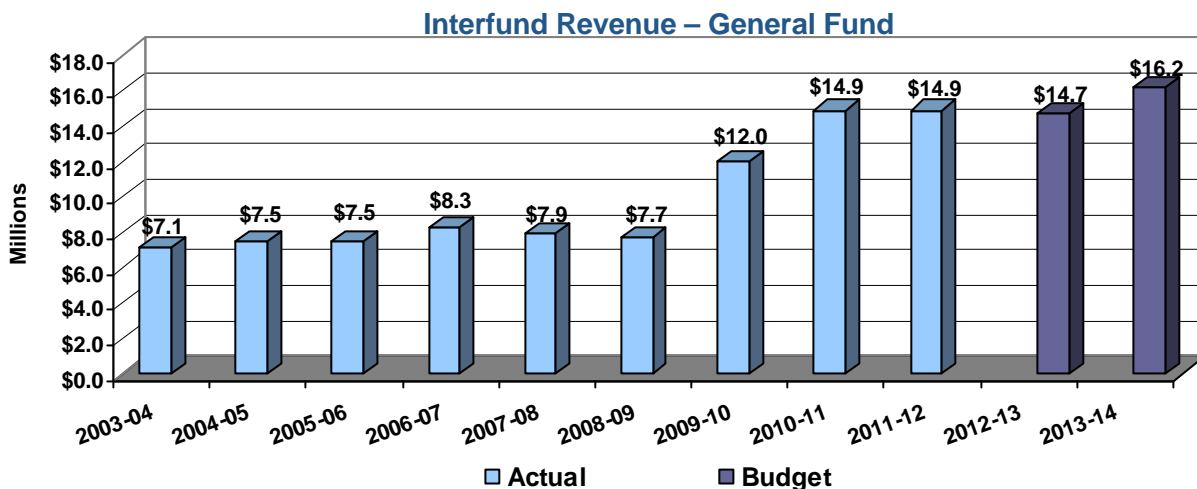
*In 2004 the California Legislature approved a VLF for property tax swap as part of a state-local budget agreement. This accounts for the significant drop in the revenue category for FY 2004-05 and a corresponding increase in the Property Tax category.

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Charges for Services are generally known as user fees that are charged for a variety of services provided to the general public. Fees charged for services in this category include library fees, fire fees, special police fees, map and publication fees and code enforcement fees. The large decrease in FY 2011-12 is primarily due to the shifting of the Glendale Youth Alliance (GYA) from the General Fund to a Special Revenue Fund (211). For FY 2013-14 this category is estimated to decrease by \$599 thousand, or 23.9%, primarily due to the elimination of finger print services, charges for surveillance and the local assessment for Brand Blvd. The assessment for Brand Blvd. Maintenance District No.1 was eliminated in FY 2012-13 due to the creation of Glendale Downtown Community Benefit District (CBD).



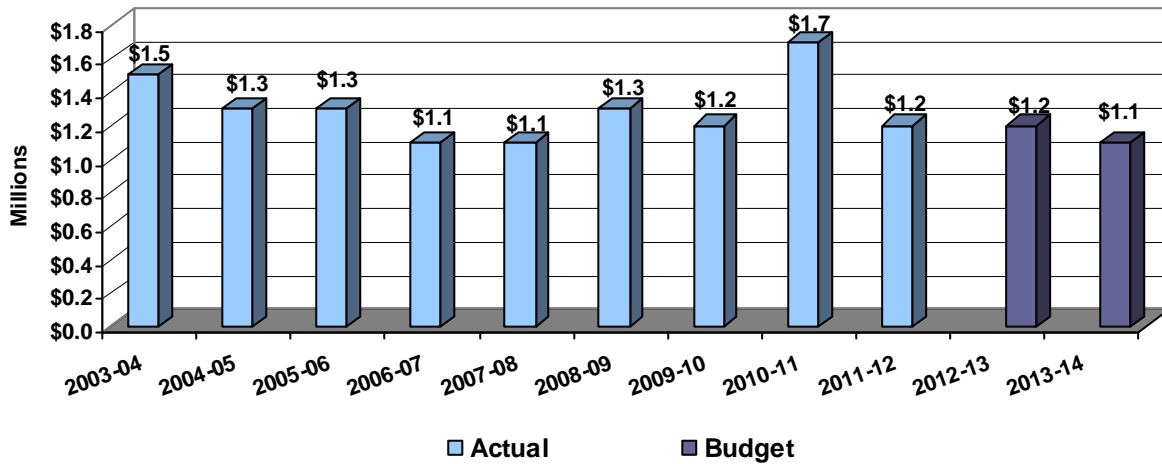
Interfund Revenue is the revenue derived from the City’s cost allocation plan, which commenced in FY 2009-10. This plan formally allocates certain General Fund costs from “central service” departments to a variety of “receiving” departments that are funded outside of the General Fund. The central service departments in the General Fund include the City Attorney, City Clerk, City Treasurer, Administrative Services-Finance, Management Services, Human Resources, Fire Administration, and Public Works Administration. Receiving departments include Community Development, Community Services & Parks, Fire, Glendale Water & Power, Information Services, Library, Arts & Culture, Public Works, and Police. The premise behind the formal cost allocation plan is to identify those costs associated with services provided by the central service departments to the receiving departments and recover said costs. For FY 2013-14 this category is expected to increase by a net of \$1.5 million or 10.4%. The increase is primarily due to public safety cost allocation revenue increase of \$3.6 million and a decrease of \$2.1 million caused by budget reductions in FY 2012-13. It’s worth noting that there is a one year lag in the cost allocation plan as the FY 2012-13 budget was cost allocated in FY 2013-14. Overall, the Interfund Revenue represents 9.5% of the total General Fund resources in the FY 2013-14 Adopted Budget.



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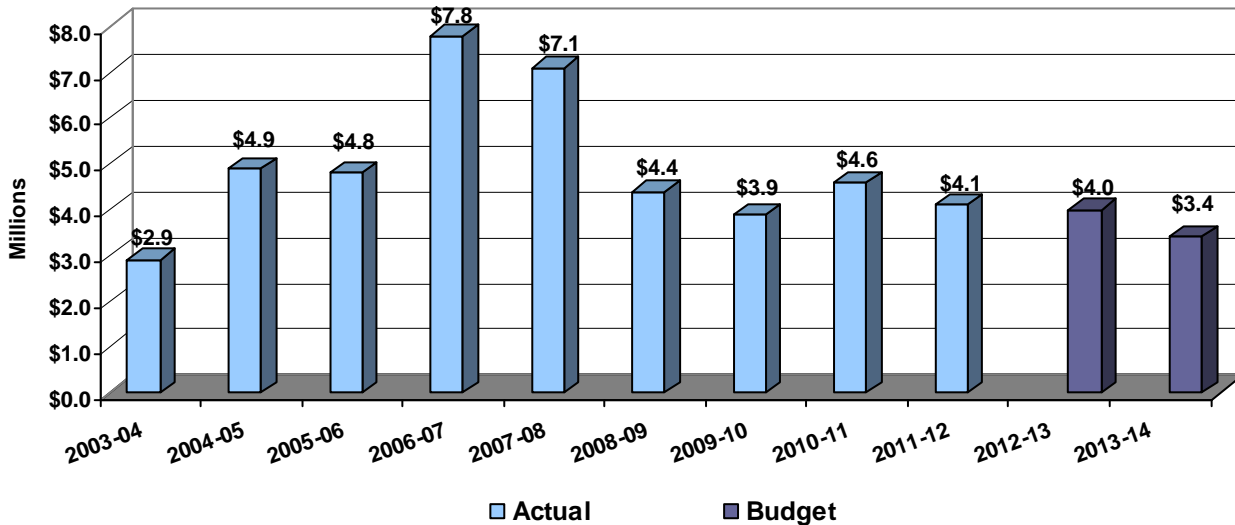
Fines & Forfeitures are derived from the collection of penalties for violations of statutory offenses, administrative rules and neglect of lawful duties, confiscated property, and court fees. Fines & Forfeitures revenue represents 0.6% of the total General Fund resources in the FY 2013-14 Adopted Budget. FY 2010-11 experienced a large increase due to the shifting of the “Red Light Traffic” revenue from the Police Staff Augmentation Fund (263) to the General Fund. However, due to a series of court cases at the State level over the legality of red light camera enforcement, the City has voluntarily decided to terminate the program as of February 2012.

Fines & Forfeitures – General Fund



Use of Money & Property includes Interest & Investment Revenues, Landfill Gas Royalties and Rent & Lease Income. The City Treasurer invests funds that are available but not needed for immediate disbursement. Funds are invested in Local Investments Pool and in a core portfolio of U.S. Government Obligations. For FY 2013-14 this category is projected to decrease by \$548 thousand or 13.9%. The decrease is mainly attributable to the abatement of lease payments from the Glendale Finance Authority (GFA). The City and GFA entered into a lease agreement on July 1, 2010 in order for the City to lease the GTV6 facility to the GFA and be compensated under the lease agreement for the capital costs expended to construct the GTV6 facility and other associated costs. However, the lease agreement is the subject of litigation in the case of City of Glendale v. Marcus Cable Associates, LLC dba Charter Communications. Therefore, the City abated the GFA’s obligations to make the lease payments until the legal matter is resolved.

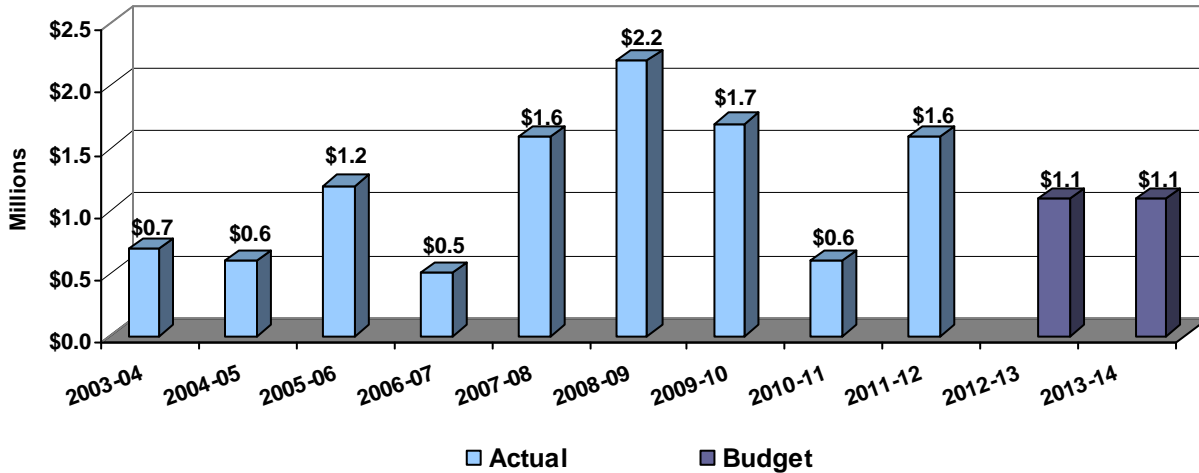
Use of Money & Property – General Fund



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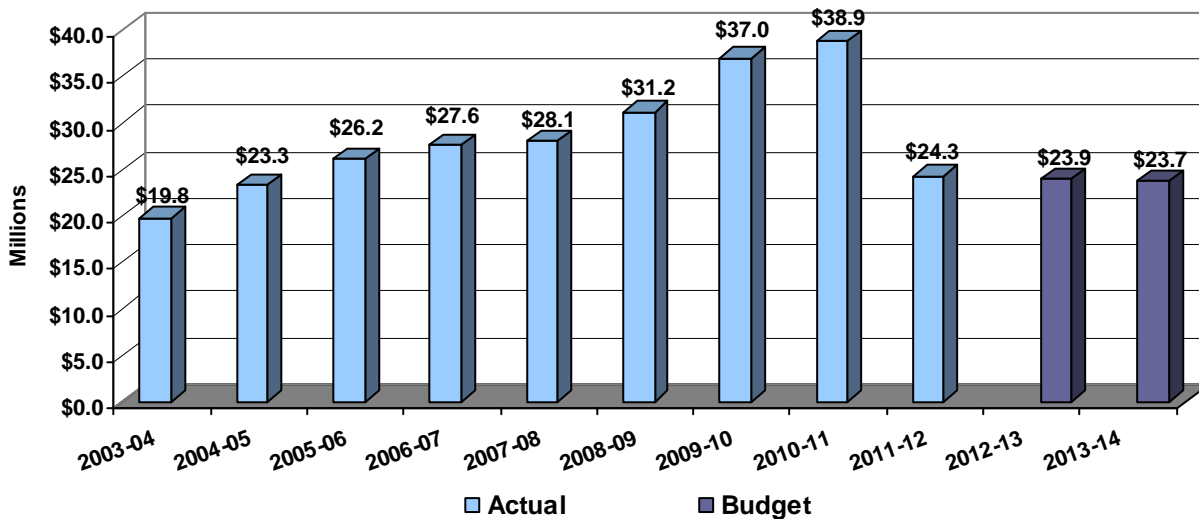
Miscellaneous Revenue – Miscellaneous revenues consist of revenues other than taxes and fees such as sale of items/property not normally held for resale, collections from advertising, unclaimed money and property and other contributions and donations.

Miscellaneous Revenue – General Fund



Transfers from Other Funds are made to the General Fund for a variety of purposes. The Transfers represent 13.9% of the total General Fund resources in the FY 2013-14 Adopted Budget and includes transfers from Electric Utility, Parking and Refuse Disposal Funds. The decrease for FY 2011-12 in the Transfers was attributable to the loss of the Water Utility transfer of \$4.2 million, loss of the one-time transfer from the close out of the Police Staff Augmentation Fund and the loss of two transfers from the Internal Service Funds. For FY 2013-14, the decrease in the Transfers was attributable to the reduction of the Electric Utility transfer by \$250,000.

Transfers from Other Funds – General Fund



CITY OF GLENDALE RESOURCES & APPROPRIATIONS

OVERVIEW OF APPROPRIATIONS

The chart below depicts the total City appropriations by fund type as adopted for FY 2012-13 and FY 2013-14.

Total City Budgeted Appropriations

| Fund Type | Adopted 2012-13* | Adopted 2013-14 | Increase / (Decrease) | % Change |
|---------------------|-----------------------|-----------------------|--------------------------|-------------|
| General Fund | \$ 165,498,883 | \$ 170,731,906 | \$ 5,233,023 | 3.2% |
| Special Revenue | 95,257,252 | 89,983,396 | (5,273,856) | -5.5% |
| Debt Service | 3,792,062 | 4,092,062 | 300,000 | 7.9% |
| Capital Improvement | 15,166,120 | 15,465,798 | 299,678 | 2.0% |
| Enterprise | 336,465,217 | 364,771,055 | 28,305,838 | 8.4% |
| Internal Service | 81,302,867 | 92,897,508 | 11,594,641 | 14.3% |
| Totals | \$ 697,482,401 | \$ 737,941,725 | \$ 40,459,324 | 5.8% |

Note:

* Adjusted for Balancing Strategies

The following sections discuss some of the major changes in appropriations depicted in the chart above for each fund type.

General Fund

The total FY 2013-14 Adopted Budget for the General Fund is \$170.7 million. As indicated above, the General Fund budget is forecasted to increase approximately \$5.2 million or 3.2%. It should be noted that for the first time in several years, there is no estimated savings used to balance the budget. This is significant as it indicates that all of the strategies implemented over the course of the last several years have begun to take root and helped us sustain an operationally balanced budget. The other noteworthy change is the elimination of the transfer to the Emergency Medical Services Fund (511). The savings is attributable to the restructuring of the operation within that fund. The transfer started in FY 2005-06 and peaked at \$2.1 million, so this is a significant on-going savings.

The bulk of the \$5.2 million increase is attributable to a structural accounting change related to Glendale Water & Power, an increase in the PERS rate for miscellaneous and safety employees, and funding for the retirement incentives that were implemented last summer. Overall departments once again froze their maintenance and operating budgets, internal service fund rates were held neutral relative to last year, and there were modest increases in employee benefits, such as medical, dental, and vision costs.

Utility costs related to traffic signals and street lights are now being charged to the General Fund which increased the maintenance & operation (M&O) costs by approximately \$3.7 million. Offsetting some of this increase was the shifting of street tree maintenance, sidewalk maintenance and slurry seal maintenance to the State Gas Tax Fund (402) as these costs are gas tax eligible. This shift reduced M&O costs by \$1.1 million. The 1.0% increase in Salaries was attributable to a contractually negotiated cost of living adjustment for the Glendale Fire Firefighters Association as well as adding several needed positions back to the General Fund.

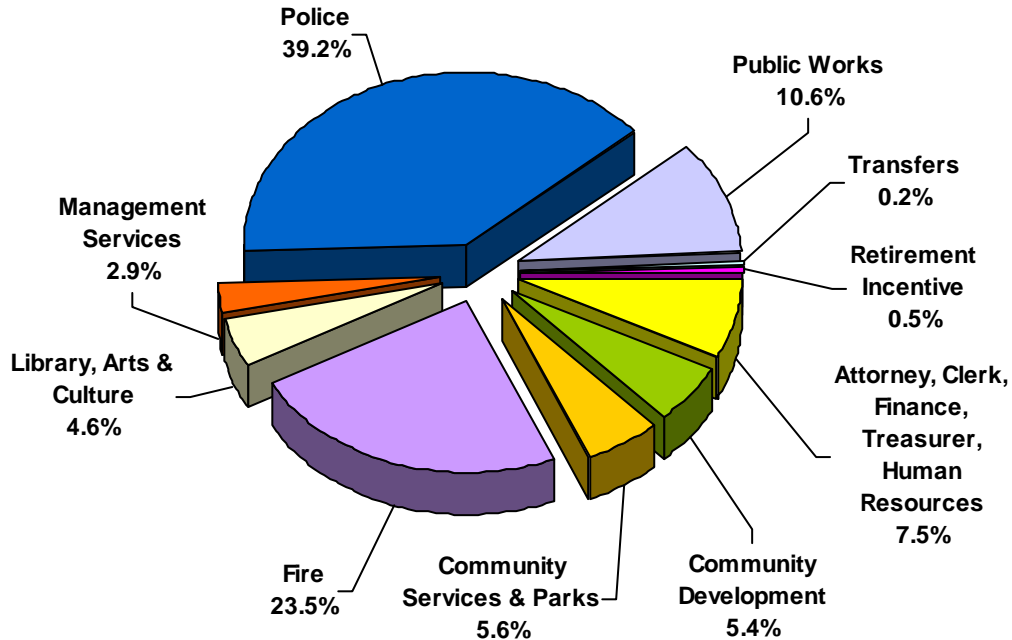
Notwithstanding the changes discussed above, the proposed General Fund Budget for FY 2013-14 represents our continued commitment to deliver quality services while maintaining fiscal responsibility. Across the board, departments continue to look for new and innovative ways to deliver core services while keeping costs neutral relative to last year's budget. On the heels of a fairly significant budget

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reduction, we believe we have achieved a solid base line budget and are operationally balanced. While there is work yet to do to achieve structural balance, the proposed FY 2013-14 General Fund Budget is a solid foundation from which to begin.

The graph below depicts the FY 2013-14 General Fund appropriations by Department.

FY 2013-14 General Fund Appropriations \$170.7 Million



Special Revenue Funds

The \$5.3 million decrease in the *Special Revenue Funds* is primarily due to the following:

- Community Development Block Grant (CDBG) Fund 201 – The decrease of approximately \$381 thousand is due to a reduction in CDBG funding from the U.S. Department of Housing & Urban Development (HUD).
- Low&Mod Income Housing Asset Fund 213 – The increase of approximately \$395 thousand is due to the interest payment for the Residential Development Loan Program with the California Financing Authority.
- Air Quality Improvement Fund 251 – The increase of approximately \$190 thousand is related to the employee commuter reduction program. These costs were inadvertently omitted from last year’s budget adoption. This was corrected via council resolution in October 2012 and is reflected in the FY 2012-13 revised budget but not the FY 2012-13 adopted budget, which accounts for the large variance.
- Measure R Local Return Fund 254 – The increase of approximately \$2.0 million is due to partial funding for Beeline bus replacement and capital improvement for the overall maintenance and operation of the Beeline facility.

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- Measure R Regional Return Fund 255 – The increase of \$1.2 million in this fund is due to new funding for several capital improvement projects including the construction of a citywide bicycle facility, intersection modifications, and freeway ramp improvements.
- Transit Prop A Local Return Fund 256 & Transit Prop C Local Return Fund 257 – The respective decrease and increase in these funds is due to the shifting of the subsidy to the Transit Utility Fund 258. In FY 2012-13, the subsidy was made from Fund 256 and will now be made from Fund 257 for FY 2013-14.
- Fire Grant Fund 265 – At this time, no appropriation is being presented for approval in this year's budget adoption. The Fire Department will seek Council approval during the upcoming fiscal year to authorize the acceptance of the grants and related appropriations as grants are awarded.
- Cable Access Fund 280 – As noted during the FY 2012-13 3rd quarter financial update, the lease agreement between the Glendale Financing Authority and the City is held in abeyance until pending legal matters are resolved. As such, the appropriation for the lease was removed from the FY 2013-14 budget.
- Emergency Medical Services Fund 511 – The significant decrease of \$8.7 million is due to a structural accounting change. The medical insurance write downs have been historically recorded as an M&O cost. However, this cost will now be recorded as a contra-revenue which means it will be netted against future revenue.

Debt Service Funds

There are only two remaining *Debt Service Funds* with an appropriation for FY 2013-14: the Police Building Project Fund 303 and the Capital Leases Fund 306. The increase in the Police Building Project Fund 303 is for the repayment on the debt related to the construction of the police building. The appropriation in the Capital Leases Fund 306 is for the final lease payment for the Municipal Service Building (MSB) seismic retrofit project.

Capital Improvement Program

Changes in the *Capital Improvement Program* equated to a net increase of \$300 thousand and are attributable to the following:

- General Fund Capital Improvement Fund 401 – The appropriation increased by approximately \$3.0 million. Part of the increase is for the MSB Lease Payment of \$1.4 million. The Refuse Disposal Fund 530 is transferring funds to the Capital Improvement Fund 401, which then in turn transfers the funds to the Capital Leases Fund 306 to make the debt service payment. The other increase is for the post-closure costs related to the Scholl Canyon Landfill. Funding for capital improvement projects remained relatively constant.
- State Gas Tax Fund 402 – The increase of approximately \$627 thousand is primarily due to the shifting of tree maintenance, street maintenance and slurry seal maintenance from the General Fund to this fund.
- Parks Mitigation Fee Fund 405 – The decrease of approximately \$3.3 million is a result of fewer new projects being appropriated relative to last year. It should be noted that the department will

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go to Council during the year should additional funding become available as the Development Impact Fee is collected.

Enterprise Funds

The \$28.3 million increase in the *Enterprise Funds* is primarily due to the following:

- Recreation Fund 501 – The increase of approximately \$1.0 million is due to new capital improvement projects at the Civic Auditorium and citywide playground equipment.
- Sewer Fund 525 – The decrease of \$6.3 million is attributable to a reduction in new funding for capital improvement projects relative to last year.
- Electric Utility Funds 552 & 553 – The increase of approximately \$20.8 million is attributable to funding for capital improvement projects, depreciation, public safety cost allocation, and natural gas purchases.
- Water Utility Funds 572 & 573 – The increase of approximately \$12.6 million is attributable to funding for capital improvement projects, depreciation, interest expense, and purchased water costs.

Internal Service Funds

Changes in the *Internal Service Funds* equated to a net increase of \$11.6 million primarily due to the following:

- Joint Helicopter Operation Fund 602 – The increase of approximately \$3.5 million is primarily due to purchase of a replacement helicopter.
- ISD Infrastructure Fund 603 – The increase of approximately \$2.7 million is due to depreciation, increase in contractual services that was paid in other funds last year, and the shifting of several employees from several funds including the ISD Applications Fund 604.
- ISD Applications Fund 604 – The decrease of approximately \$314 thousand is mainly attributable to the shifting of several employees to the ISD Infrastructure Fund 603.
- Compensation Insurance Fund 614 – The increase of approximately \$611 thousand is due to anticipated higher future claims costs based on our experience.
- Medical Insurance Fund 616 – The increase of approximately \$1.0 million is due to anticipated increases in medical premiums and claims.
- Employee Benefits Fund 640 – The increase of approximately \$635 thousand is mainly due to a shift in the accounting estimate for the claims accrual.
- Post Employment Benefits Fund 642 – The increase of \$2.0 million is mainly due to the funding for the retirement incentives.
- ISD Wireless Fund 660 – The increase of approximately \$1.5 million is due to funding for depreciation as well as radios and equipment for the P25 project.