

# Adopted BUDGET

City of Glendale, CA

2011 - 2012

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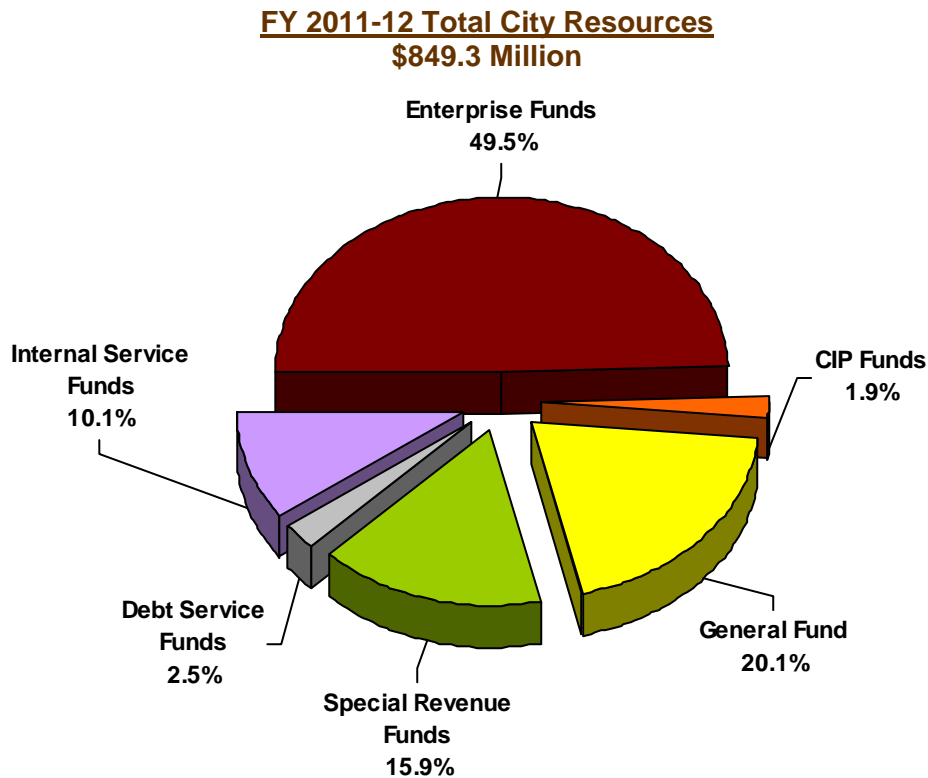
# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

## OVERVIEW OF RESOURCES

### All Funds

The City Resources forecasted for FY 2011-12 reflect a somewhat conservative yet consistent approach with established budget practices and financial principles. Staff used various forecasting techniques such as trend analysis, economic indicators, and professional judgment to arrive at the forecasted operating 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 2011-12 City Resources (including Transfers from Other Funds and Use of Fund Balance) are \$849.3 million. The following chart illustrates the total budgeted resources for all City Funds for FY 2011-12:



### **Total City Resources** **(In Millions)**

General Fund	\$	170.3
Special Revenue Funds		135.4
Debt Service Funds		21.1
Capital Improvement (CIP) Funds		15.8
Enterprise Funds		420.9
Internal Service Funds		85.8
Total Resources:	\$	849.3

# CITY OF GLENDALE

## RESOURCES & APPROPRIATIONS

### General Fund

The General Fund Resource budget for FY 2011-12 is projected to be \$170.3 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, Community Services and 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 tax, sales tax, utility users' tax and other taxes in addition to various fees and transfers from other funds.

At the onset of the FY 2011-12 budget preparation, a shortfall of approximately \$18 million was anticipated in the City's General Fund. This gap was attributable to a variety of factors including:

- Sluggish economic conditions and a double digit unemployment rate in Los Angeles County that continues to outpace the national average.
- Minimal growth in key General Fund revenue sources such as sales tax, property tax, utility users' tax, interest, and various charges for City services
- Loss of one time transfers including the Police Staff Augmentation Fund transfer and the Water transfer
- Cost increases to retirement, workers compensation, and other employee benefits

A variety of strategies were deployed in an effort to develop a balanced General Fund budget. Due to the significance of the budget shortfall, the goal was to implement on-going, systemic changes rather than one-time fixes for both resources and appropriations. Strategies implemented to impacted appropriations will be discussed later in this section. On the resource side, the City implemented the following strategies:

- Increase of \$2 million to the Electric transfer
- Increase of \$3 million to the Glendale Redevelopment Agency loan repayment
- Fee increases for a variety of City services that will increase revenue by \$1.3 million
- Partial use of the fund balance, \$1 million, which was transferred from the Police Augmentation Fund to the General Fund during FY 2010-11.
- Services provided to Glendale Water & Power for the securitization of Electric and Water assets valued at \$250,000
- Added \$50,000 for anticipated Rose Float Donations.

The table beginning on the next page shows the estimates of the major revenue sources for the General Fund by category of revenue for FY 2010-11 and FY 2011-12.

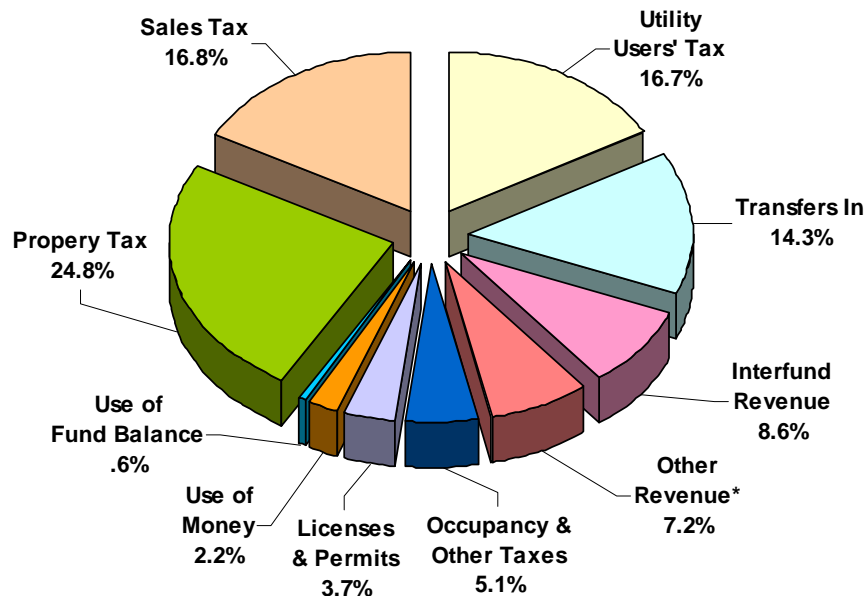
# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

## General Fund Resources Fiscal Year 2011-12

Category	Original Adopted 2010-11	Adopted 2011-12	Dollar Change	Percentage Change
Property Taxes	\$ 42,210,000	\$ 42,311,000	\$ 101,000	0.2%
Sales Tax	28,141,000	28,575,000	434,000	1.5%
UUT	28,525,000	28,515,000	(10,000)	0.0%
Occupancy & Other Taxes	8,963,000	8,707,000	(256,000)	-2.9%
Licenses & Permits	5,103,000	6,225,774	1,122,774	22.0%
Fines & Forfeitures	1,585,000	1,455,000	(130,000)	-8.2%
Intergovernmental	3,081,000	6,000,000	2,919,000	94.7%
Interest/Use of Money	4,690,000	3,772,000	(918,000)	-19.6%
Revenue from Other Agencies	865,000	889,400	24,400	2.8%
Charges for Services	4,079,660	2,941,776	(1,137,884)	-27.9%
Misc & Non-Operating	822,669	960,000	137,331	16.7%
Interfund Revenue	14,796,563	14,621,180	(175,383)	-1.2%
Transfer from Other Funds	30,242,000	24,303,188	(5,938,812)	-19.6%
<b>Total Revenues</b>	<b>\$ 173,103,892</b>	<b>\$ 169,276,318</b>	<b>\$ (3,827,574)</b>	<b>-2.2%</b>
Use of Fund Balance	-	1,000,000	1,000,000	N/A
<b>Total Resources</b>	<b>\$ 173,103,892</b>	<b>\$ 170,276,318</b>	<b>\$ (2,827,574)</b>	<b>-1.6%</b>

Approximately 58.3% of the City's General Fund major revenues consist of three revenue sources: Property Tax, Sales Tax and Utility Users Tax. Other General Fund revenues include Franchise Fees, Building and Planning Permits, Motor Vehicle In-Lieu Fees, 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 2011-12 General Fund Resources \$170.3 Million



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

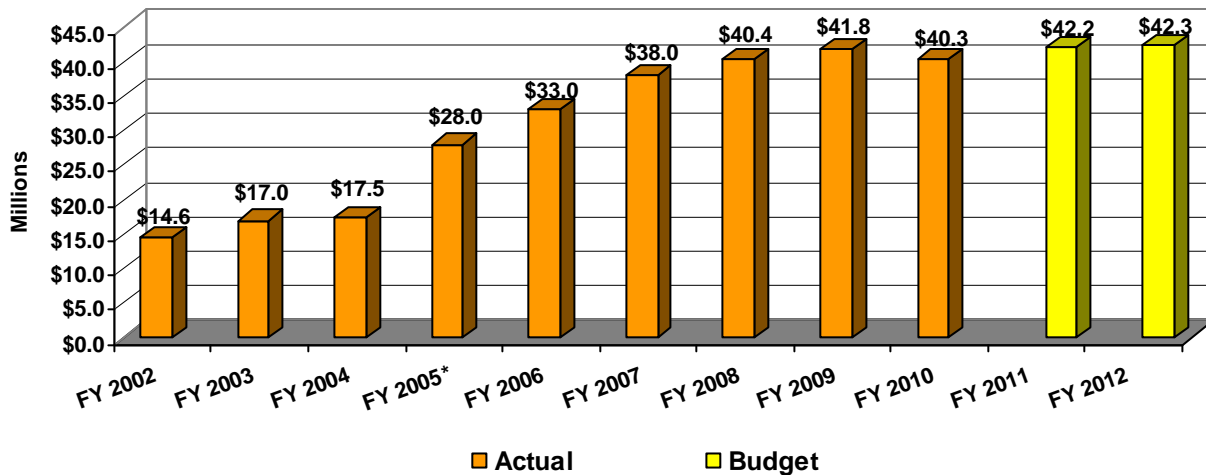
# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

**Property Tax** is the largest revenue source in the General Fund. It represents 24.8% of the total General Fund revenue for FY 2011-12. The City experienced a net taxable value increase of 1.3% for the 2010 tax roll, while the county-wide net assessed valuation decreased by 1.7%. The current property tax category revenue is projected to be slightly higher in FY 2011-12, however, the delinquent and supplemental property taxes are projected to be lower compared to last years figures. Overall, Property Tax is expected to grow .24% in FY 2011-12

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 owners pay the tax based on their 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 would grow (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 statutorily defined "changes in ownership". Proposition 13 limits the property tax rate to 1% of each 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 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. The graph below illustrates historical and forecasted revenue for the property taxes followed by a listing of the top 10 property taxpayers for the City's General Fund.

**Property Taxes – General Fund**



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

# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

## Top 10 Property Taxpayers (In Alphabetical Order)

East Broadway Venture LLC  
 Glendale Adventist Medical Center  
 Glendale Fashion Associates LLC  
 Glendale Memorial Hospital & Health Center  
 Grand Villa Glendale LLC

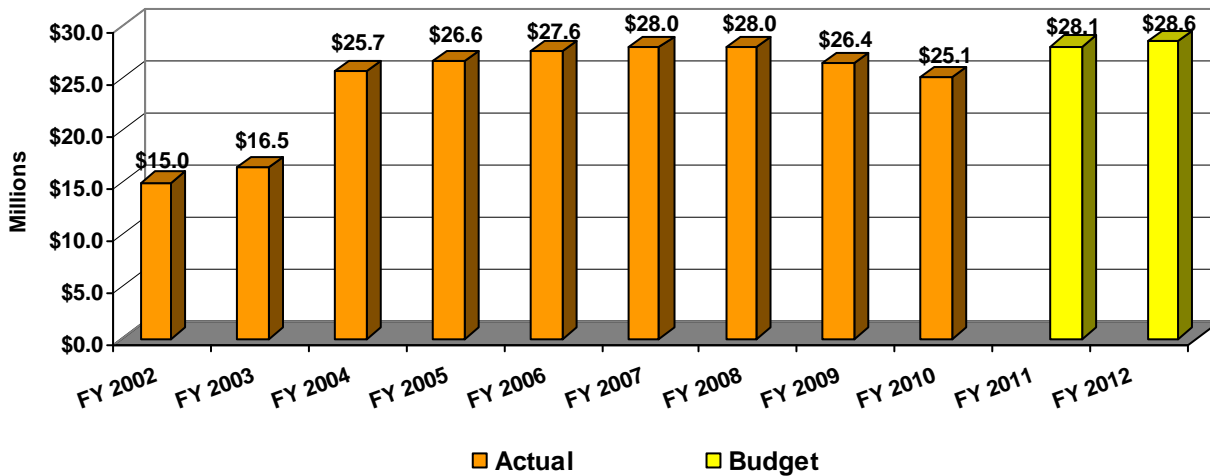
Joseph A. Perry  
 PR Glendale Plaza Office California LLC  
 Property Reserve Inc.  
 Tishman Speyer Archstone-Smith  
 Verdugo Mob LP

*Source: HdL Coren & Cone*

**Sales Tax** is the second largest revenue source in the General Fund, representing 16.8% of the total General Fund revenue estimated for FY 2011-12 budget. For FY 2011-12, Sales Tax is forecasted to increase by \$434,000, or 1.5%. Southern California's economic recovery continues to lag behind the United States as unemployment continues to outpace the national average.

It should be noted that this is the second consecutive year that 100% of the sales tax will be deposited into the General Fund. Through FY 2002-03, half of the Sales Tax Revenue was deposited into the General Fund with the other half going to the Capital Improvement Fund (401). Starting from FY 2003-04 through FY 2008-09, 86% of the Sales Tax revenue was deposited into the General Fund. This accounts for the significant increase in Sales Tax from FY 2003-04 to FY 2004-05 as shown in the graph below. Starting in FY 2009-10, 96% of the Sales Tax went to the General Fund, and this has now been increased to 100% for the past two fiscal years. The graph below illustrates historical and forecasted revenue for sales taxes for the past 10 fiscal years followed by a listing of the top 20 Sales Tax producers for the City.

**Sales Tax – General Fund**



# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

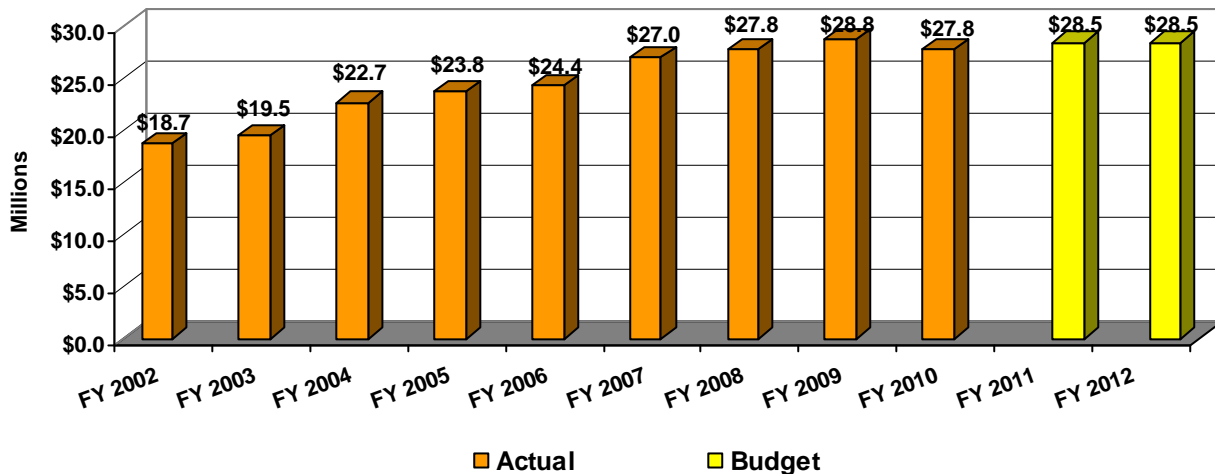
## Top 20 Sales Tax Producers (In Alphabetical Order)

Allen Gwynn Chevrolet Apple Computer Bob Smith Toyota Diamond Honda of Glendale Financial Services Vehicle Trust Glendale Dodge Chrysler Jeep Glendale Mitsubishi Glendale Nissan Infiniti Home Depot JC Penney	Kwik/AI Sal Oil Lexus of Glendale Macy's Nordstrom Pacific BMW Star Ford Lincoln Target Toyota of Glendale Video Equipment Rental Vons
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*Source: HdL Coren & Cone*

**Utility Users Tax (UUT)** is the third largest revenue source for the General Fund, representing 16.7% of the total General Fund revenue estimated for FY 2011-12 budget. In April 2009, the residents of the City of Glendale voted in favor of updating the existing UUT ordinance and lowering the rate for telecommunications and video from 7% to 6.5%. The City of Glendale levies a Utility User's Tax (UUT) on the following utility services: telecommunications (6.5%), video (6.5%), electricity (7%), gas (7%), and water (7%). The telecommunications services category now includes wired and wireless telecommunications, intrastate, interstate, and international services; ancillary services; voice-over internet protocol; paging; and private communication services. For FY 2011-12, revenue estimates for UUT were slightly lower compared to the previous year. The graph below illustrates historical and forecasted revenue for UUT.

**Utility Users Tax – General Fund**

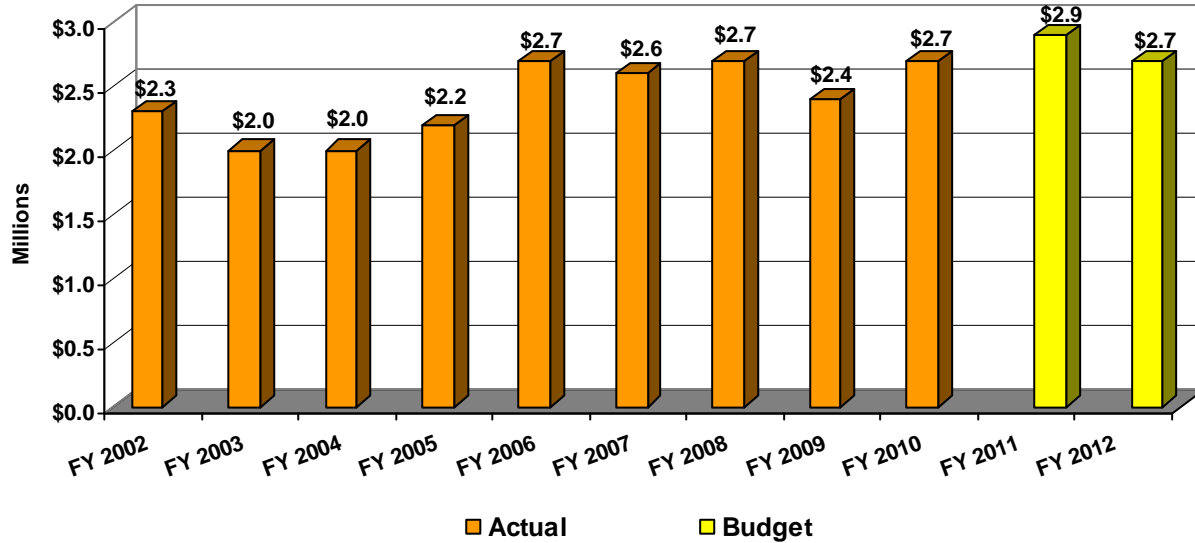


**Transient Occupancy Tax (TOT)** represents about 1.6% of the total General Fund revenue in the FY 2011-12 Adopted Budget. The City's TOT is levied at 10% for occupying a room or rooms or other living space in a hotel, inn, tourist home or house, motel or other lodging for a period of 30 days or less. The TOT is authorized under Section 7280 of the State Revenue and Taxation Code and is deposited into the General Fund. As show on graph on the next page, TOT revenue decreased by 12.8% in FY 2008-09 due to the economic recession as the hospitality industry was one of the hardest hit sectors. This

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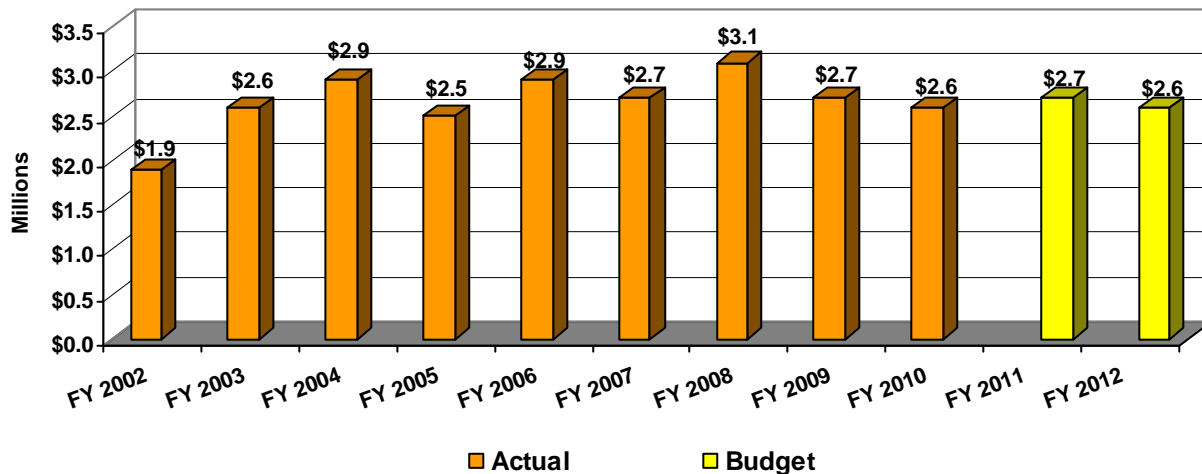
revenue rebounded in FY 2009-10 and has been fairly stagnant since then. Overall, TOT revenue is anticipated to decrease by 6.2% in FY 2011-12.

### Transient Occupancy Tax – General Fund



**Franchise Taxes** are fees charged for the right or license granted to an individual or group to market a company's goods or services in a particular territory. The Franchise Taxes represent about 1.5% of the total General Fund revenue in the FY 2011-12 Adopted Budget. This includes a 11.8% drop in FY 2008-09 and a 4.5% drop in FY 2009-10 due to the economic recession.

### Franchise Tax – General Fund

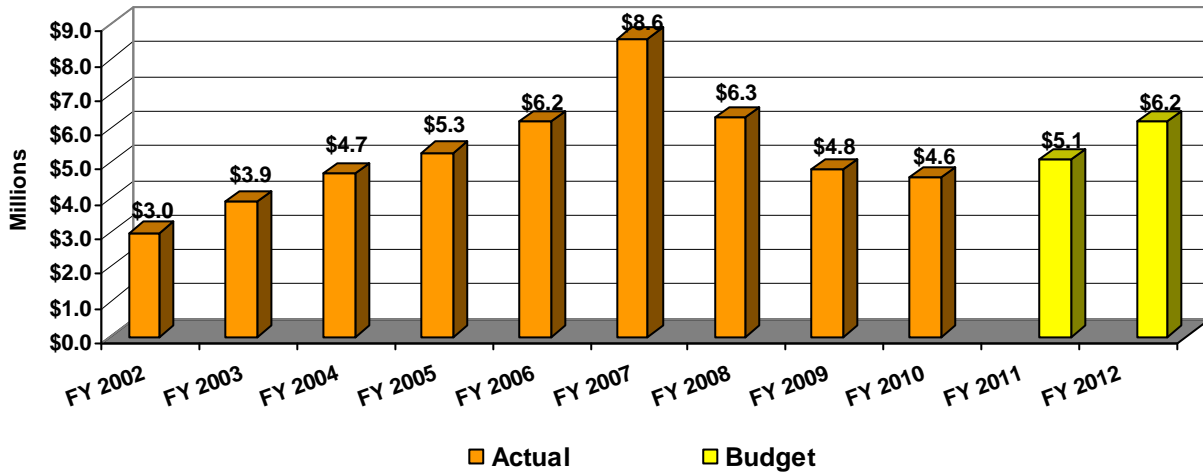




## CITY OF GLENDALE RESOURCES & APPROPRIATIONS

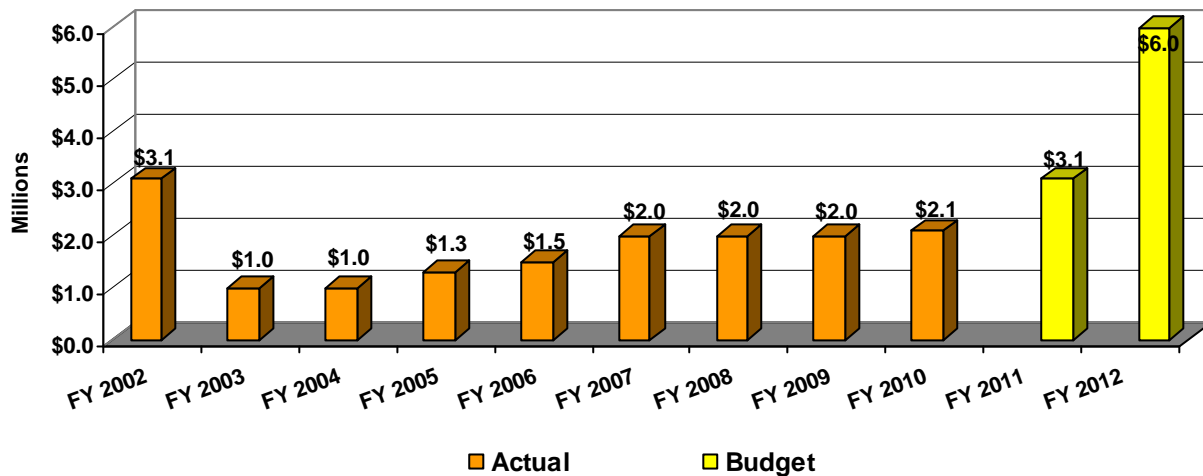
**Licenses & Permits** include Building Permits, Business License Permits, Variance Permits, Plan Check Fees, Street Permits and Dog License Fees. Licenses and Permits represent 3.7% of the total General Fund revenue for FY 2011-12 Adopted Budget. The License & Permits category decreased significantly from FY 2007-08 to FY 2009-10 due to the economic recession in which the construction industry was severely impacted. In FY 2010-11, there was a slight uptick in construction activity and this is expected to continue for FY 2011-12.

**Licenses & Permits – General Fund**



**Intergovernmental Revenue** – Intergovernmental Revenue is the loan repayment from the Glendale Redevelopment Agency (GRA) to the General Fund. The loan repayment was increased from \$3.1 million to \$6 million for FY 2011-12.

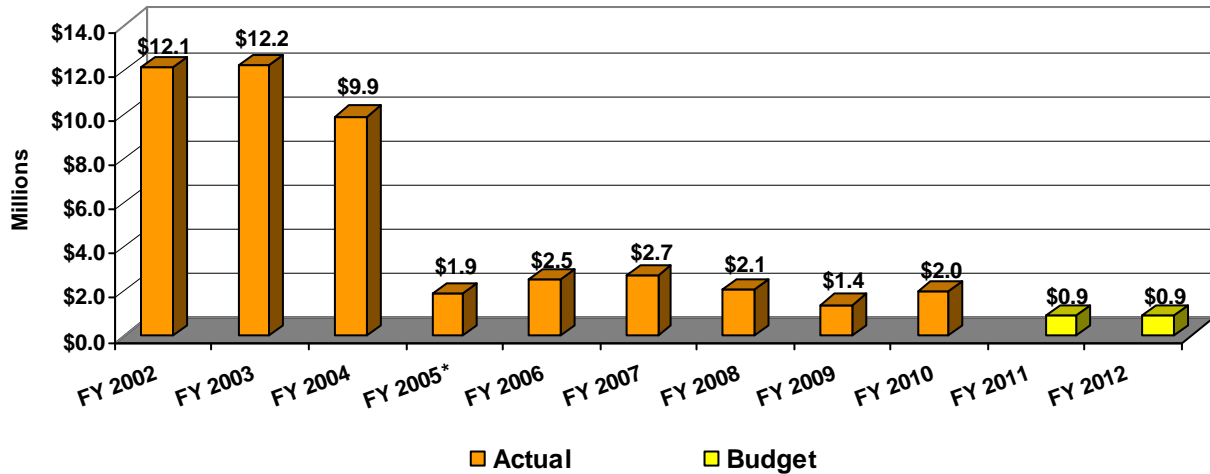
**Intergovernmental Revenue – General Fund**



# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

**Revenue 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 (also known as Vehicle License Fee). In FY 2004-05, the California Legislature approved a Vehicle License Fee for Property Tax swap as part of a state and 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.

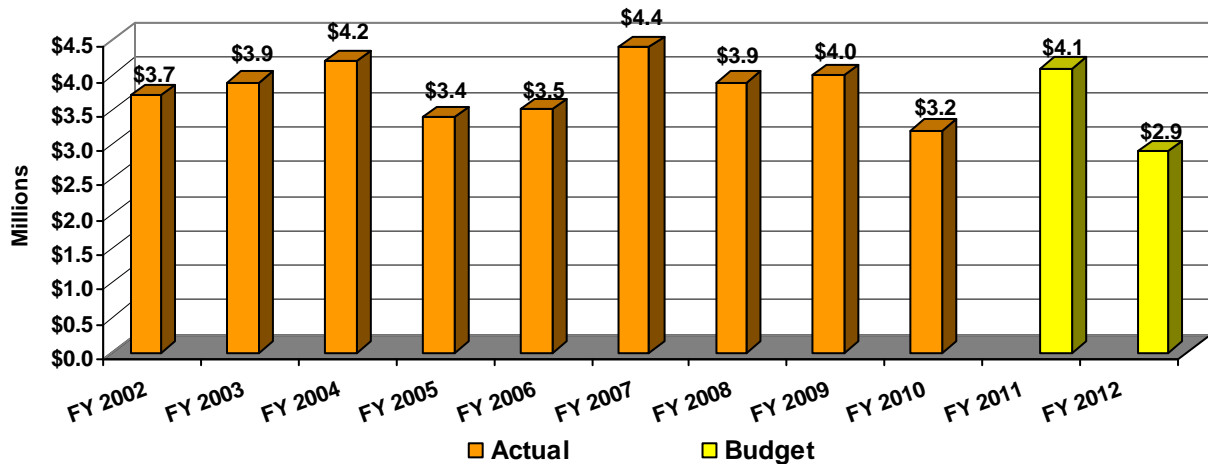
### Revenues from Other Agencies – General Fund



\*In 2004 the California Legislature approved a VLF for property tax swap as part of a state-local budget agreement.

**Charges for Services** are the fees and charges for a variety of services provided to the general public. Fees included in this category include finger print fees, special police fees, map and publication fees, code enforcement fees, etc. The \$1.2 million decrease for FY 2011-12 is the result of a structural change in that the Glendale Youth Alliance (GYA) was shifted from the General Fund to a Special Revenue Fund (211). It should be noted that the corresponding appropriation for the GYA was also shifted out of the General Fund, which offset the loss in revenue.

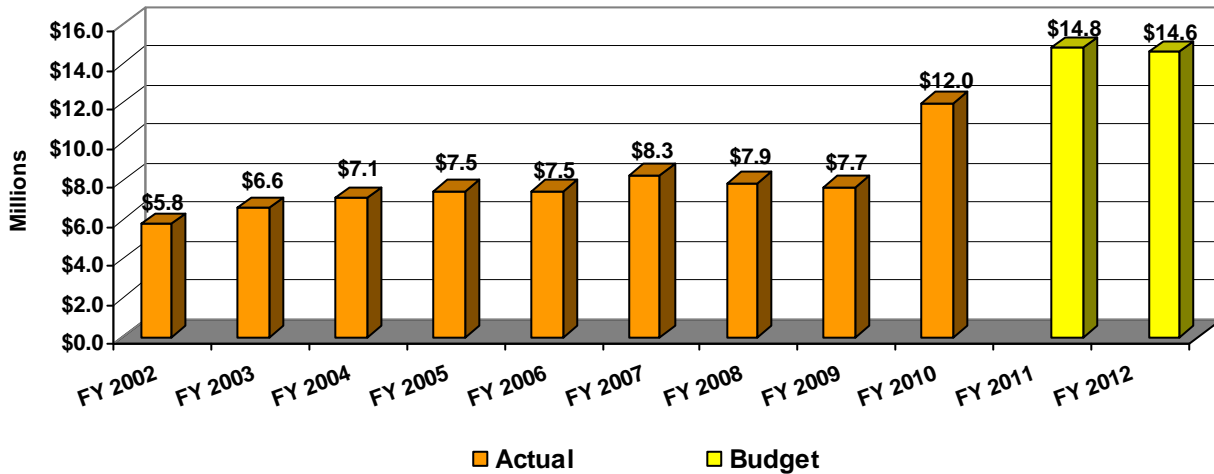
### Charges for Services – General Fund



# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

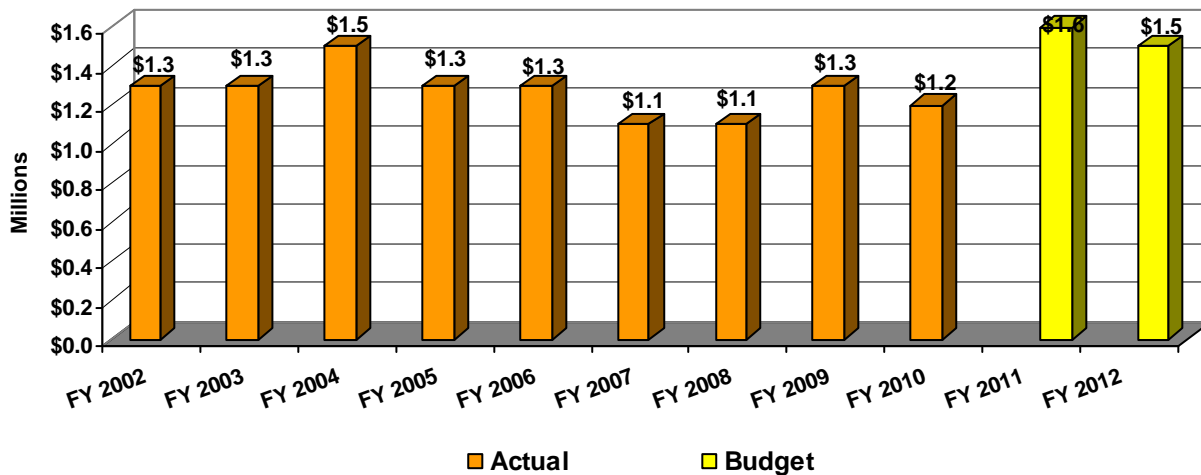
**Interfund Revenue** represents indirect charges from the General Fund to other Non-General Funds (e.g., Enterprise, Internal Service, etc.) within the City. Fiscal Year 2009-10 was the first year the City implemented a formal Cost Allocation Plan (CAP). The allocation of these costs resulted in increased revenue back to the General Fund. The Interfund Revenue represents 8.6% of the total General Fund revenue in the FY 2011-12 Adopted Budget.

**Interfund Revenue – General Fund**



**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 & Forfeiture revenue represents 0.9% of the total General Fund revenue in the FY 2011-12 Adopted Budget. The 10-year forecast depicted on the chart below show that this category has remained fairly flat throughout the year. 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. The revenue was slightly adjusted downward for FY 2011-12

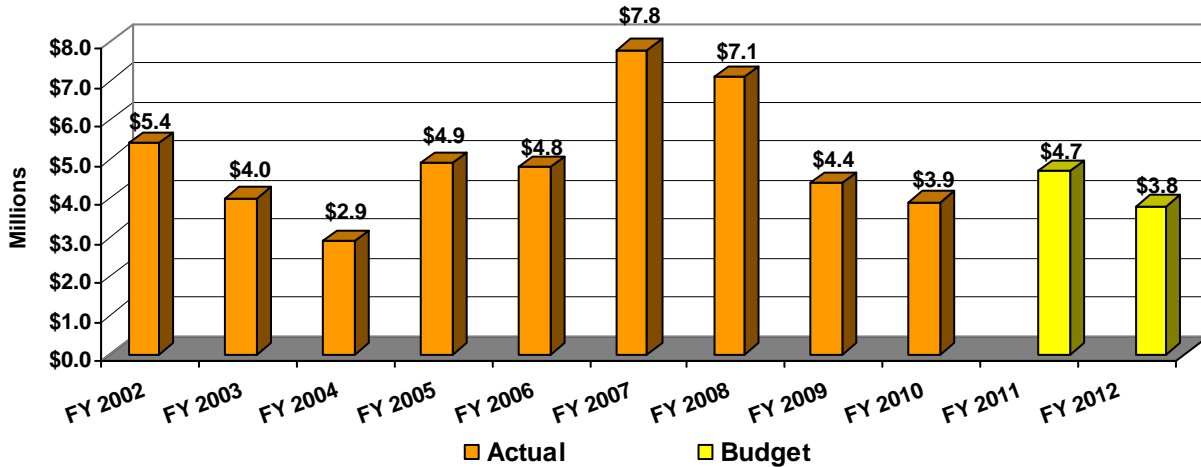
**Fines & Forfeitures – General Fund**



## CITY OF GLENDALE RESOURCES & APPROPRIATIONS

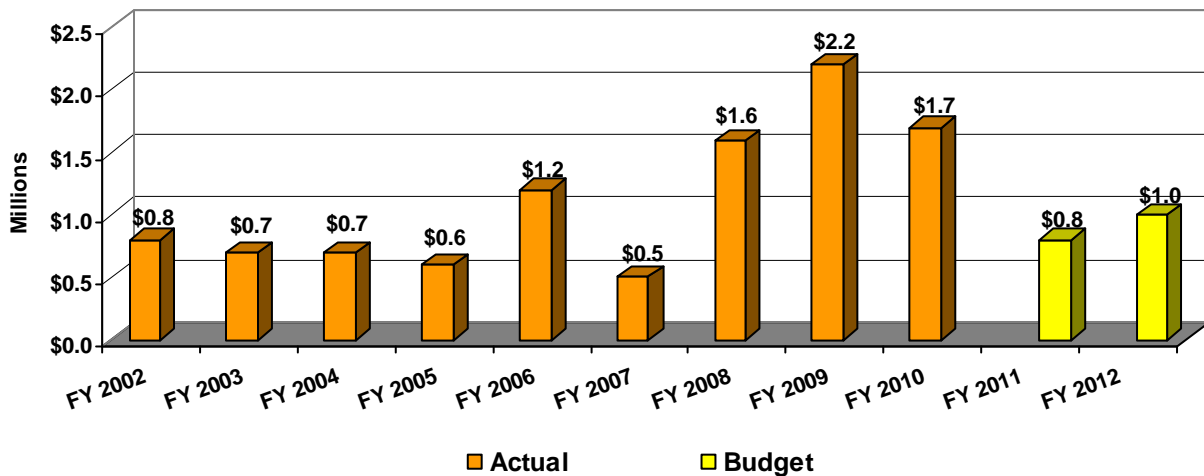
**Use of Money & Property** – this category includes Interest & Investment Revenues, Landfill Gas Royalties, Rent and Lease Income, such as leasing of tower space and other City properties. The City Treasurer invests funds that are available but not needed for immediate disbursement. Funds are invested in Local Investments Pools and in a core portfolio of U.S. Government Obligations. Short term interest rates have been falling and FY 2011-12 interest earnings are not expected to reach FY 2006-07 levels. Use of Money & Property revenue represents 2.2% of the total General Fund revenue in the FY 2011-12 Adopted Budget.

### Use of Money & Property – General Fund



**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

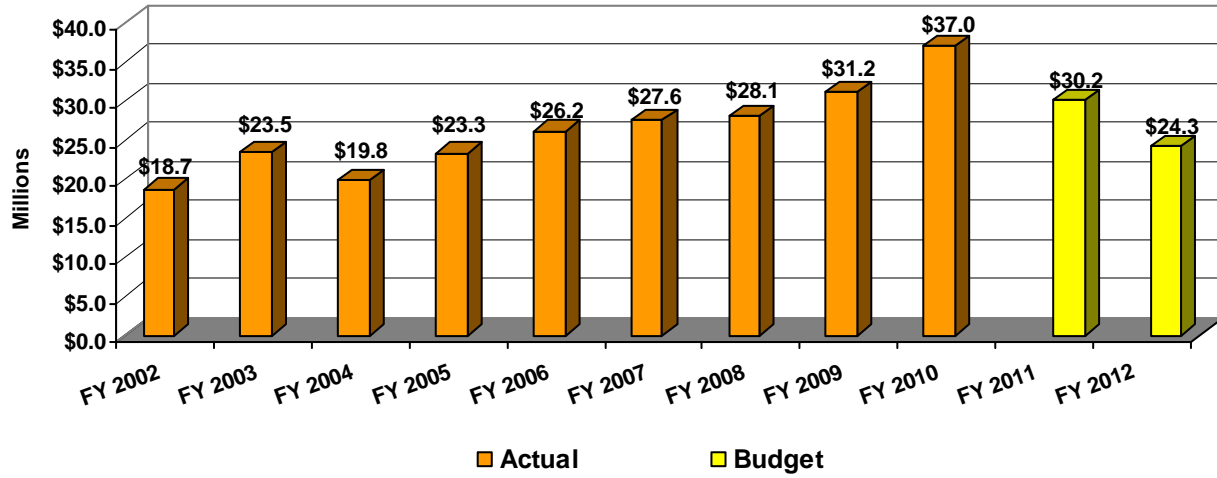


**Transfers from Other Funds** are made to the General Fund for a variety of purposes. The largest of the transfers comes from Glendale Water & Power (GWP) Electric Fund. The Transfers from other Funds represent 14.3% of the total General Fund revenue in the FY 2011-12 Adopted Budget. The decrease in the Transfer from Other Funds was attributable to the loss of the water transfer of \$4.2

# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

million. Other factors included the loss of the one-time transfer from the close out of the Police Staff Augmentation Fund during FY 2010-11, and the loss of two transfers from the Internal Service Funds. Partially offsetting these decreases was an increase of \$2 million in the Electric Fund transfer.

### Transfers from Other Funds – General Fund



# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

## APPROPRIATIONS

### *All Funds*

The chart below depicts the total City Appropriations by Fund Type as adopted for FY 2010-11 and FY 2011-12.

### Total City Budgeted Appropriations Fiscal Year 2011-12

Fund Type	Adopted 2010-11	Adopted 2011-12	Dollar Change	Percentage Change
General Fund	\$ 173,103,892	\$ 170,276,318	\$ (2,827,574)	-1.6%
Special Revenue	111,334,117	135,403,886	24,069,769	21.6%
Debt Service	17,106,645	21,077,758	3,971,113	23.2%
Capital Improvement	10,805,175	15,844,504	5,039,329	46.6%
Enterprise	419,024,145	420,864,585	1,840,440	0.4%
Internal Service	78,295,507	85,783,104	7,487,597	9.6%
<b>All Funds</b>	<b>\$ 809,669,481</b>	<b>\$ 849,250,155</b>	<b>\$ 39,580,674</b>	<b>4.9%</b>

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

### *General Fund*

The total FY 2011-12 Adopted Budget for the General Fund is \$170.3 million. As mentioned in the Resource section, the City faced a budget shortfall of approximately \$18 million in the General Fund. A variety of strategies were deployed in an effort to maintain a balanced General Fund budget. Due to the significance of the budget shortfall, the goal was to implement on-going, systemic changes rather than one-time fixes. In a major departure from prior years, staff broke down each department into functions and/or programs, and then prioritized them across the entire General Fund. These functions and programs were rated as essential, priority, and discretionary. This was the basis by which staff presented proposed reductions to the City Council. The vast majority of the reductions came from discretionary programs being eliminated, along with a few priority and essential programs. As a result, a total \$4.6 million in programs and services were eliminated from the General Fund, which included a total of 41.7 full-time equivalent positions. A summary of the program reduction amounts is presented in the table on the next page.

# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

## General Fund Program Reductions FY 2011-12

Department	Amount
Administrative Services	\$ 75,228
City Attorney	-
City Clerk	-
City Treasurer	-
Community Development Department	177,257
Community Services & Parks	1,310,576
Fire - Program Reductions	426,499
Fire - BLS Restructure	500,000
Human Resources	40,143
Library	251,996
Management Services	294,570
Police	329,207
Public Works	1,220,166
<b>Total Program Reductions</b>	<b>\$ 4,625,642</b>

Also included in the FY 2011-12 General Fund appropriation is a decrease in overall salary expense due to a 1.5% salary reduction among the general employees that occurred during FY 2010-11. In addition, the salary ranges of all job classifications were expanded in FY 2010-11 to include lower level salary ranges. Other strategies employed for the FY 2011-12 General Fund budget include a hiring freeze, employee concessions, reduction in contractual services, a restructuring of the Paramedic program, elimination of hardware & software line item budgets, a reduction in Maintenance & Operation expenses, and other cost savings strategies.

All of the strategies mentioned above and in the Resources section, as well as the program reductions and service level implications were presented and discussed with City Council throughout 13 separate budget study sessions that started on April 25 and went through June 20, lasting over 57 hours in total. The study sessions gave Council the opportunity to review each department's budget and the opportunity to ask questions and make modifications. The culmination of these strategies has produced a balanced budget while protecting and maintaining the City's core services during these challenging economic times. A recap of the FY 2011-12 balancing strategies is presented in the table on the next page and is followed by a graph depicting the FY 2011-12 General Fund appropriations by Department.

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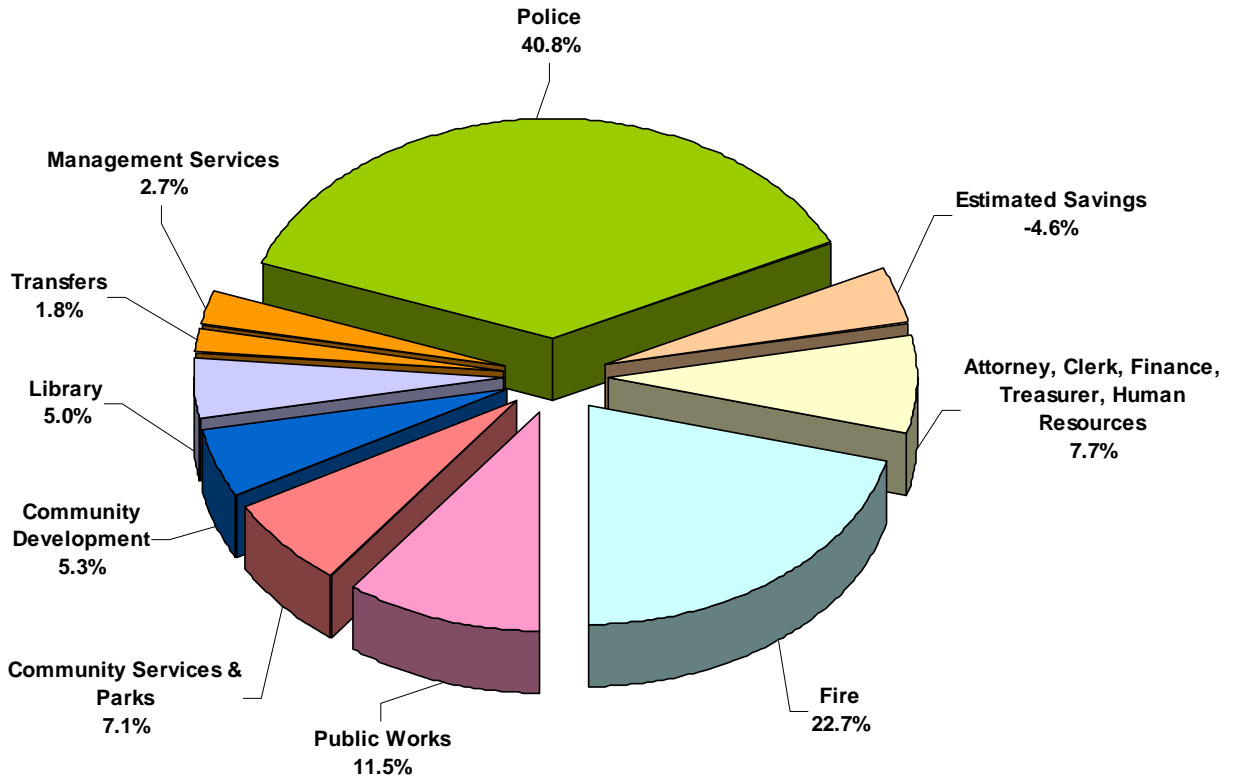
## General Fund FY 2011-12 Balancing Strategies

Strategy	Resource Estimate	Appropriation Estimate
Initial FY 2011-12 Budget Estimates	\$ 162,757,318	\$ 180,767,857
Increase in the Electric Transfer	2,000,000	-
Increase GRA Loan Repayment	2,919,000	-
Fee Increases	1,300,000	-
Security of Water & Electric Assets	250,000	
Rose Float Donations	50,000	
Transfer to CIP		1,500,000
Reduce GF Transfer		
Expansion of BLS Model - 3 positions		(500,000)
Nutritional Meals Fund		(136,911)
Reduction in Federal Lobbyist Contract Costs		(108,000)
Elimination of Hardware & Software Budgets		(94,291)
Library Book Acquisitions		25,000
Program Reductions		(4,625,642)
Sub Total	<b>\$ 169,276,318</b>	<b>\$ 176,828,013</b>
Use of Fund Balance (Police Staff Augmentation Fund)	1,000,000	
<b>Estimated Saving Strategies:</b>		
Net remaining vacancies (After program reductions)		(3,000,000)
Employee Concessions		(3,000,000)
Reduction of Contractual Services		(292,000)
Outsourcing/Consolidation		(200,000)
Transition to Electronic City Views		(150,000)
Tri-City Cost Reduction Strategies		(100,000)
Other Adjustments		190,305
<b>Proposed General Fund Budget FY 2011-12:</b>	<b>\$ 170,276,318</b>	<b>\$ 170,276,318</b>



# CITY OF GLENDALE RESOURCES & APPROPRIATIONS

**FY 2011-12 General Fund Appropriations  
\$170.3 Million**



## ***Special Revenue Funds***

The \$24.1 million increase in the *Special Revenue Funds* is primarily due to the following:

- *Housing Assistance Fund 202* – The increase in appropriation of approximately \$3.6 million is due to significant increases in housing vouchers (direct & portable) and higher rent.
- *GRA Central Project Area Fund 240* – The significant increase in appropriation are attributable to new funding for projects which include the Central Avenue Improvements, Agency Development Site at Wilson/Maryland, and the Rehabilitation of the Old Police Building.
- *Measure R Fund 254* - The increase in the Measure R Fund is due to a transfer of \$4 million to the Transit Fund 250 and an appropriation of \$1.1 million in the SR134 Freeway Ramp/Fairmont Bridge Project. The appropriation in the project is for the local match and it is the first year that this fund has an appropriation.

## ***Debt Service Funds***

An overall increase of approximately \$4 million in the *Debt Service Funds* was due to the 2011 GRA bond issue. The 2011 GRA Tax Allocation Bonds Fund (309), was created to account for the debt service payments on these bonds. For FY 2011-12, an appropriation of \$4.2 million is proposed to cover the yearly obligation.

# CITY OF GLENDALE

## RESOURCES & APPROPRIATIONS

### ***Capital Improvement Program***

The capital improvement program discussed here refers to the projects within the General Fund portion of the Capital improvement Fund (401) and the State Gas Tax Fund (402). The overall increase of \$5 million within these funds is primarily due to the increase in the State Gas Tax Fund for the local match portions of various grants (\$1.2 million), and the local match for the SR134 Freeway Ramp/Fairmount Bridget project (\$2 million).

### ***Enterprise Funds***

Changes to *Enterprise Funds* equated to a net increase of nearly \$1.8 million. This increase is net of an increase in appropriation in the Sewer Fund offset by a decrease in appropriation in the Electric Fund. The increase in the Sewer Fund is due to an appropriation of \$12 million for the Chevy Chase Sewer Diversion Project. The decrease in the Electric Works Fund is due to lower cost for the purchase of natural gas and a decrease in the contractual services account related to the smart-grid project.

### ***Internal Service Funds***

The increase in the *Internal Service Funds* of \$7.5 million is primarily due to increases in the various benefit rates including workers' compensation, liability, medical, vision, dental, and employee retirement health savings. The rate increases were necessary to keep pace with the rising benefit costs and to begin the amortization of the negative fund balances in several of the *Internal Service Funds*.