

# ADOPTED BUDGET 2015-16



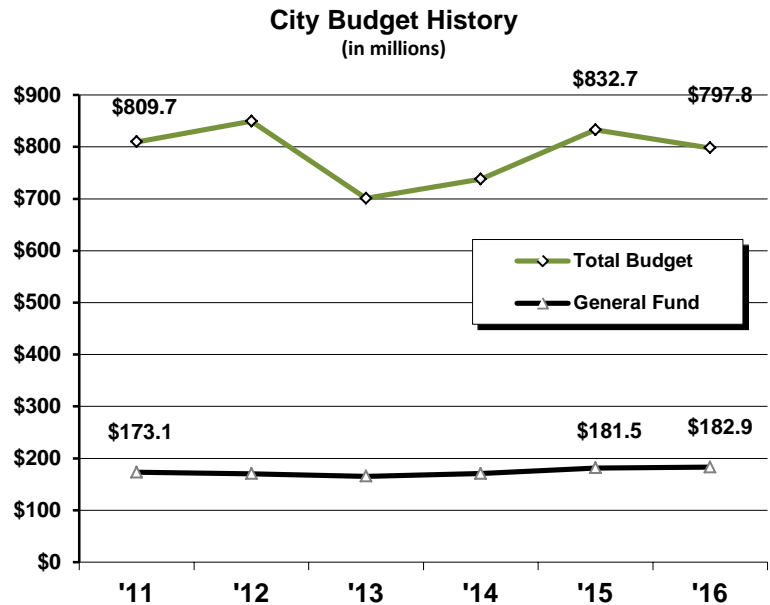
# CITY OF GLENDALE BUDGET MESSAGE

*Honorable Mayor and Members of the City Council,*

As your City Manager, it is my pleasure to present the adopted budget for all operations of the City of Glendale for Fiscal Year (FY) 2015-16. The slow economic recovery in conjunction with the State's efforts to address its budget deficit by taking resources from cities have combined to make these past few years some of the most difficult budget years in recent history. In spite of the difficulty involved in preparing this budget, however, the managers and staff from each department, as well as the City Council, have approached the challenge in a professional and constructive manner. The focus clearly remains on how to best serve our diverse community - carefully balancing the myriad of needs with limited resources.

The total adopted budget for FY 2015-16 is \$797.8 million and includes all City funds, departments and programs. The General Fund's total budget is \$182.9 million from which the City pays for services commonly associated with local government such as: police and fire services, libraries, parks, public works, and administration.

The FY 2014-15 budget was adopted with 1,579 full-time budgeted positions plus City Council for a total of 1,584 positions. As a part of the Retirement/Separation Incentive, a total of 64 positions were eliminated. Thus, the revised position count for FY 2014-15 was 1,520 positions (inclusive of Council). As a part of the FY 2015-16 Budget process, a net of 46 full-time positions were added to the budget across the organization. Therefore, the FY 2015-16 budget represents 1,561 full-time salaried positions plus City Council, for a total of 1,566 positions.



This budget incorporates the policy direction of the City Council for services and programs to address the needs of the community as identified during the two Budget Study Sessions held on May 5th and May 12th of this year. A public hearing on the budget was held on May 19, 2015 and the budget was adopted on June 2, 2015. While we continue to wrestle with the State of California over funding owed to the City of Glendale, we are pleased to state that this year's budget features a \$2.7 million beginning surplus. It has been nearly ten years since we have been able to say that. Granted, we must remain disciplined and vigilant. Our financial projections indicate minor deficits in the coming years until pension cost rate-smoothing takes effect; however, I do believe that we are through the darkness of the Great Recession and into light of a new day. Indeed, the City Council's priority of fiscal responsibility is paying off. To this end, this year's budget is both familiar and new.

This is the truest and most structurally comprehensive budget Glendale has seen in many years. Because of the impact of the Recession, we have had to reengineer our operations and staffing. Glendale is today, trimmer and more efficient than any time in the last two decades, yet still able to offer an exceptional quality of life and service profile that is comparable to or exceeds any municipality in the region. This "productivity dividend" has been repurposed into investments in technology-utilizing computerization and automation in areas as diverse as managing the Library's collection, to issuing traffic citations, to conducting fire inspections, to scheduling building counter visits, to reporting data and

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information to our residents. This, in turn, allows us to better control costs over the long-term and ensure that the programs and services most desired by the community are available.

In the FY2015-16 Budget, we have taken all of the good work that has been done to date to understand the complex challenges ahead of us and we have married them to the policy, priority, and funding to actually address them in meaningful ways. Thus, we have arrived at the intersection of knowledge and ability. At the same time, the City Council has directed that we continue on our program of making strategic investments in our infrastructure. Major Glendale Water & Power projects in power transmission and water distribution, the Public Works Department's initiation of the Chevy Chase Sewer diversion to LAGWRP (essentially, pushing more city sewage to our jointly-owned facility with LA versus relying on the Hyperion plan, thus saving money), the construction of the Beeline Bus Maintenance Facility, the rehabilitation of the Central Library, and the major upgrades of Palmer and Fremont Parks, all in addition to the regular street, sewer, park and water & power maintenance, form a profile of improvements and the protection of community assets.

It is a great time to be in Glendale. As a community in the greater LA region, we will always have plenty of challenges and obstacles to navigate; however, with solid and strong City Council leadership, as well as a supportive community, we have every opportunity to succeed. FY 2015-16 promises to be a tremendous amount of work, but it is also promising in the opportunity it brings to continue building the premiere community in Southern California.

### FY 2015-16 BUDGET OVERVIEW

The table below provides a summary comparison by major fund type, including the General Fund. The information provided here and throughout the budget document includes the actual expenditures for FY 2013-14, the adopted budget for FY 2014-15, the revised budget (includes all budget amendments approved by City Council) for FY 2014-15, and the adopted budget for FY 2015-16.

### Total Appropriation Summary

Fund Type	Actual 2013-14	Adopted 2014-15	Revised 2014-15	Adopted 2015-16
General Fund	\$ 170,363,917	\$ 181,501,527	\$ 186,466,174	\$ 182,890,934
Special Revenue	104,358,167	115,202,081	124,671,705	103,702,342
Debt Service	9,457,527	3,053,500	3,053,500	3,025,000
Capital Projects	18,466,561	15,264,102	19,045,106	13,755,000
Enterprise	303,666,415	425,886,032	430,645,885	390,966,533
Internal Service	79,250,356	91,808,687	94,804,725	103,489,784
<b>All Funds</b>	<b>\$ 685,562,943</b>	<b>\$ 832,715,929</b>	<b>\$ 858,687,095</b>	<b>\$ 797,829,593</b>

The budget decrease in the General Fund, when compared to the revised budget in FY2014-15, is mainly attributable to a one time use of \$7 million of Fund Balance to fund the Information Technology Data Center Upgrade (\$2 million) and the Central Library Renovation (\$5 million) in FY 2014-15. Overall, there was an increase in the Salaries & Benefits budget relative to last year, mainly as a result of the increase in the PERS rate. Departments once again froze their discretionary Maintenance and Operation budget. Internal Service Fund rates for the Fleet/Equipment Replacement, ISD Rate, Liability Insurance, Sick Leave, and Workers' Compensation Rates, were adjusted. Fleet/Equipment Replacement Rates were increased to fund future replacement of existing vehicles, while ISD Rate decreased due to less costs being allocated through the ISD Cost Allocation. Also, Sick Leave, Liability

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Insurance and Worker's Compensation Rates were adjusted based on recent claims experience and the financial health of the Funds.

Based on our revenue and appropriation estimates in the General Fund, we anticipated a budget surplus of \$2.7 million in FY 2015-16. This is a vast improvement relative to last year when we estimated a use of fund balance of \$495 thousand (not including one time use of \$2 million for ISD Data Center and \$5 million for Central Library Renovation). The Great Recession wreaked havoc on this organization, however, in partnership with our employees and volunteers, we have been able to sustain much of the service desired and expected by our community. Glendale has led the way in the areas of pension reform and compensation reform in order to help ensure that operating costs do not crowd out service provision to the community. This is not by accident, but rather it is a reflection of our employees' professionalism and dedication to the people they serve, through the City Council's vision, leadership, patience and discipline. And while we are more streamlined and productive than we have been in nearly twenty years, and while we continue to deliver on a value proposition that features exceptional customer service and an enviable quality of life, we must reconcile with the fact that you can only run so fast, so far, for so long. Thus, the FY 2015-16 adopted budget incorporates limited program restoration across the organization, making the FY 2015-16 the truest and most structurally comprehensive budget Glendale has seen in many years.

The financial pressures are not limited to the General Fund. For Special Revenue Funds, program cuts at the State and Federal levels have reduced the amount of grant funding we will receive, most notably in the Community Development Block Grant (CDBG) and the Supporting Housing Funds. The General Fund Capital Improvement program has been significantly scaled back over the last several years. As noted in prior years, we still have a significant fund balance deficit in the Workers' Compensation Fund. Lastly, aging infrastructure in the ISD Funds and the need to fund future replacement of vehicles in the Fleet/Equipment Replacement Fund, pose financial challenges that need to be addressed in the coming years.

### GENERAL FUND RESERVES

As of the date of the last audited financial statements (fiscal year ended June 30, 2014), the General Fund unrestricted reserve was \$66.1 million, which represents 36.4% of FY 2014-15 General Fund appropriations. The estimated General Fund unrestricted reserve as of June 30, 2015 is \$59.1 million, or 33.9%. With the adoption of the FY 2015-16 budget, the anticipated General Fund reserve will be approximately 33.8% as of June 30, 2016. It should be noted that the General Fund reserve levels have historically been maintained above 30% in accordance with the current reserve policy (a floor of 30% with a target of 35%) adopted by the City Council.

### EFFECTS OF ECONOMY<sup>1</sup>

The consumer sector typically accounts for about two-thirds of activity in the U.S. Economy, making it the largest of the economy's four sectors. Consumer spending grew at a 2.5% rate in 2014 in response to a similarly modest 2.4% increase in disposable personal income. Thus, continued increases in household wealth have also led to higher levels of spending. In addition, job gains in most sectors of the economy contributed to a decline in the unemployment rate throughout the year. As of January 2015, the monthly unemployment rate stood at 5.7%, within striking distance of the natural rate of unemployment, which is thought to be somewhere between 5.2% and 5.5%.

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<sup>1</sup> Data in the Effects of the Economy Section obtained from the Los Angeles County Economic Development Corporation's 2015-2016 Economic Forecast & Industry Outlook.



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Looking ahead, it is forecasted that the U.S. economy should see somewhat faster growth over the next two years, in part because of acceleration in housing and construction, and improvement in the state and local government picture. Consumer spending should accelerate over the next two years, with a 3.1% surge in 2015 and growth of 2.7% during 2016. Thus, GDP is projected to accelerate from a 2.4% growth rate in 2014 to a 3.0% over the next two years.

California has a large and fast-growing economy. The state accounts for over 13% of the U.S. GDP, by far the largest of any state. Many regions in the state are close to regaining all of the jobs lost during the recession. It is estimated that unemployment rate will fall from 7.5% in 2014 to 6.7% in 2015 and 6.3% in 2016. With continued improvement in the labor market, both personal income and total taxable sales should increase by four percent in 2015, accelerating to six percent in 2016.

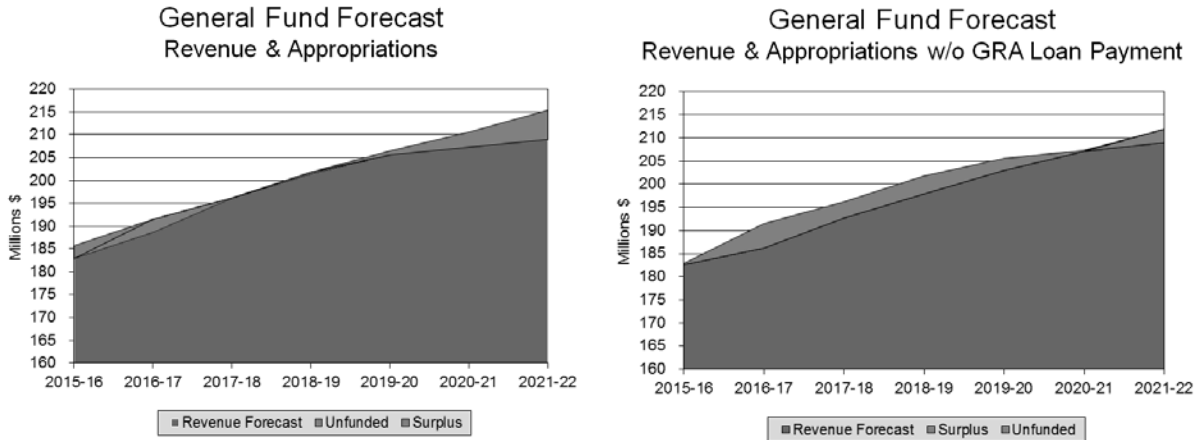
What do these indicators mean for Glendale? With positive indicators such as rising consumer confidence, improvements in the housing market, increased construction activity, and reduced rate of unemployment, Glendale is forecasting modest growth in the key General Fund revenues such as property, sales, and utility users taxes for the upcoming year. Long term growth rates for General Fund revenues are projected to grow rather modestly, averaging about 2.8% annual growth over the next seven years. Although the City continues to face challenges such as the ongoing increase in pension costs, the significant fund deficit in the Workers' Compensation Fund, as well as aging infrastructure, our financial forecasts factor in these challenges and show that as long as we continue to remain diligent and disciplined, we are headed towards an operationally and structurally balanced organization in the years to come.

### FIVE-YEAR FINANCIAL FORECAST

In the recent years, forecasting has taken a vital role in Glendale's budget planning, prompting us to make appropriate budget adjustments during the year to successfully meet challenges. During the FY 2015-16 first budget study session, we provided a General Fund Forecast to the City Council. Many variables were taken into consideration as we do not know what the future holds or what our actual revenues will be. It is difficult to predict economic booms or busts that will impact the forecast. Revenue estimates are conservative and assume no voter approved revenue increases or potential new tax revenue from new businesses relocating to Glendale (i.e. new Auto Dealerships, Retail, Restaurants, etc). Expenditure estimates are equally conservative factoring in increases for major cost drivers such as PERS and medical benefits.

Based on our conservative assumptions, our five-year forecast gives us a path towards achieving structural balance while outlining the challenges that lay ahead. The good news is that all of our costs – operational (day-to-day staffing and maintenance & operation), long-term employment obligations (PERS and OPEB), organizational infrastructure (Internal Service Funds), and capital replacement – can largely be met by even modest and sustained growth in our revenues. The bad news is that the uncertainty of the Glendale Redevelopment Agency loan still exists. The uncertainty of the GRA loan repayment threatens our financial position in the out years since, as depicted in the charts on the next page, we are relying on these funds to reduce the unfunded portion of our obligations.

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These future projections assume compensation increases for employees as agreed upon in the current Memorandum of Understanding with each bargaining group and salary step progressions. This economic assumption was necessary to develop a comparative baseline – after all, revenue and appropriation estimates provided today will always change over time. Therefore, it is difficult to assign a value to future increases. Likewise, it is not realistic to presume that salaries and benefits will remain flat for an extended period of time while we endeavor to deliver the same level of service. The five-year financial forecast does give us a reference point to draw from. We are a service business, after all, and so goes our people costs, so goes our cost-efficiency. Our employees at large have already participated in the compensation restructuring efforts that pushed Glendale to the forefront of municipalities. Over the years we have been increasing employees’ contributions towards pension and medical benefits. System-wide cost increases need to be matched with ongoing revenue increases. If we cannot realize these new revenues and/or savings, then it will be difficult to increase the pressure upon the City budget from our single largest cost-driver: employee compensation which includes base salaries, PERS, health care and employment costs. While we forecasted a net surplus in FY2015-16, there are minor deficits forecasted starting in FY 2016-17. Thus, it is a time for continued diligence and discipline. In order to obtain our value proposition, we need to continue to focus on our priorities, invest strategically into the organization, and continue to do more with less.

## FUTURE OUTLOOK

Despite the fact that the economy is improving and our economic indicators are all trending positive, we still face a tremendous challenges in the coming years. One of our greatest challenges is the uncertainty of the GRA loan repayment, since we are relying on these funds to meet our operational obligations. Other significant challenges on the horizon include: expected rise in pension costs due to changes in the PERS actuarial assumptions, shoring up our Internal Service Funds, providing a stable funding source for General Fund Capital Improvement Projects, and implementing a long term funding strategy for the City’s Other Post-Employment Benefits (OPEB).

Moving forward, our continuing challenge is to minimize the negative impact on our community and customers from the past and future restructuring and ensure value to the taxpayers. Glendale’s value proposition is the combination of the Council’s priorities, the City’s strategic goals and key performance indicators. Council ultimately sets the tone, the vision and the policy for the City. During this year’s budget process, Council has reaffirmed the following priorities (see *Attachment A* to this message for detailed description):

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- Balanced, Quality Housing

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- Community Services & Facilities
- Infrastructure & Mobility
- Arts & Culture
- Sustainability

These *priorities* have given rise to Departmental strategic goals that will alter, for the better, the way we deliver service and do business. These are goals that best indicate whether Departments had a “successful year”. These goals are essentially the *outcomes* that we will strive for in the upcoming budget year. The key performance indicators provide a vehicle to measure our progress. They are the *outputs* in that they tell us what we are doing and how we are doing it.

Taken as a whole, the Council priorities provide the framework, the strategic goals give us our themes, and the key performance indicators, as listed in the *Strategic Goals* section of this document, measure the details. The management and measurement of our performance will help to bring clarity amid this period of uncertainty.

As Glendale continues to streamline its costs and strategic goals, quality of service and continuity are important - our customers must sense *value*. The organization must endeavor to have collaboration and meaningful communication with the community. With Council's vision and a team of high-quality, ethical professionals; our value proposition to the community is renewed and has once again shaped this year's budget process. We have characterized the FY 2015-16 budget as the truest and most structurally comprehensive budget Glendale has seen in many years.

### CONCLUSION

The FY 2015-16 budget for the City of Glendale is balanced with projected revenues and resources to support all projected expenditures. As in the past, this budget serves as the City Council's policy for providing the Glendale community with City services. At the same time, it serves as the City's financial plan for the year. This budget is reflective of the City Council and staff's desire to continue to improve upon existing programs and services. The goals of the City Council, along with the dedicated City staff who provide high levels of service to the community, continue to make Glendale a premier city and a most desirable place to live, work and play.

My appreciation to all the Department Heads and Budget Officers who worked on this year's budget, and especially to Yasmin Beers, Assistant City Manager; Robert Elliot, Director of Finance; Michele Flynn, Assistant Director of Finance; Jason Bradford, Financial Systems Administrator; Adrine Isayan, Budget Manager, and the Finance Budget Team; and again tremendous thanks to the Mayor and City Council Members for your continued leadership throughout this year's budget process.

The FY 2015-16 budget poses many challenges and I look forward to working with you on implementing the goals set forth in this budget.

Respectfully submitted,



SCOTT OCHOA, CITY MANAGER

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## BUDGET MESSAGE - ATTACHMENT A

### CITYWIDE STRATEGIC GOALS AND CHARACTERISTICS

#### *Fiscal Responsibility*

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

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

#### *Exceptional Customer Service*

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

#### *Economic Vibrancy*

One of the City's major goals is fostering an environment that supports a diversity of vibrant businesses and job opportunities that are supported by a skilled labor force and a fiscally prudent and financially healthy government. In order to achieve this goal, the City strives to attract an appropriate mix of business and residential land use and maintains a balance between the City's workforce and housing. This is primarily achieved through a healthy collaboration between businesses and the City. The City also seeks opportunities for the creation and attraction of high wage/high growth employers and works towards the retention and expansion of local businesses. Finally, in an effort to maintain Glendale's financial viability, the City prudently maintains adequate resources and reserves for City provided services.

#### *Informed & Engaged Community*

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

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



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

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

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

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

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

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

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

As one of the fundamental elements of a healthy and stable community, the City is committed to providing a balanced mix of housing opportunities for current and future residents. We strive to provide affordable housing to all segments of the population including growing families, the elderly, single individuals, the disabled, and the homeless. While part of the City’s strategy includes the development of new housing, the City remains committed to the preservation of existing housing as well. Much of the City’s success in achieving this goal is attributable to effective land use and zoning regulations that promote housing development, as well as the development and maintenance of adequate infrastructure to support current and future housing needs.

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### *Community Services & Facilities*

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

Another of the City's primary strategic goals is a focus on community services and facilities that address the diverse needs of the community. This includes the delivery of quality services and the preservation, development, or expansion of community centers (i.e. parks, libraries, senior centers, etc.) that are geographically located in places of greatest need and accessible by all residents. In addition, emphasis is placed upon providing excellent customer service and the ability to be adaptable and responsive to the changing needs in the community.

### *Infrastructure & Mobility*

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

### *Arts & Culture*

The City strives to establish a rich variety of arts and cultural experiences throughout the community. This includes the creation and support of diverse art and entertainment venues including theatres, galleries, museums, literary events, community festivals, and public art. The City attempts to support and promote local artists and arts organizations through the initiation of local arts and cultural events aimed at promoting the diverse cultures present within the community. As a long term goal, the City aims to promote education and participation in the arts by providing access to quality art experiences for the entire community. As a result of strong leadership and support, the City strives to implement ongoing programs to recognize the City's cultural heritage while planning for its future.

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

- Diverse and representative workforce within the City
- Businesses and services that serve the needs of our diverse community
- Diverse representation on City Boards, Commissions and Committees
- Special events that recognize and celebrate the City's diversity

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- Availability of multi-lingual City materials for public use
- Compliance with ADA and related accessibility requirements

### *Sustainability*

One of Glendale's primary goals is the development of sustainable City principles either as a separate document or integrated into various elements within the City's General Plan in an effort to protect the quality of air, water, land and other natural resources located within the City's boundaries. Emphasis is placed upon conserving native vegetation, wildlife habitats, and preserving other ecosystems by minimizing human impacts. Additionally, the City continually complies with environmental laws and regulations and actively monitors its waste management, water, and electrical operations on an ongoing basis.