

ADOPTED BUDGET

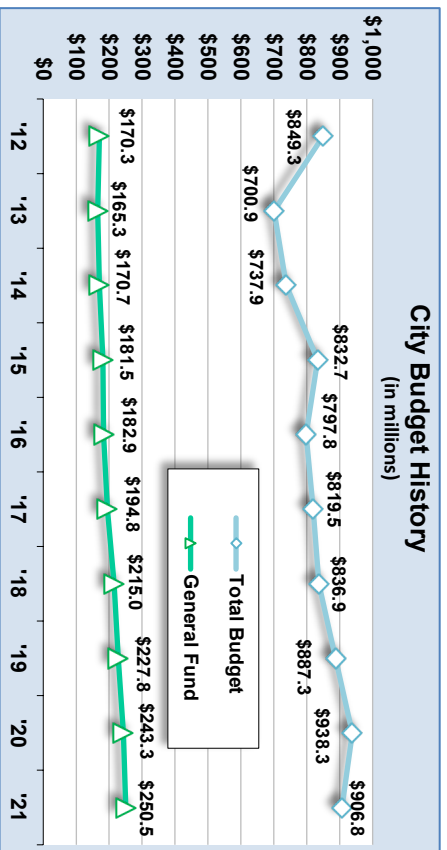
FY 2020-2021



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) 2020-21. I believe the budget for the year ahead is demonstrative of the efficiency, professionalism, and resilience we have all exhibited in the face of multiple external challenges. The FY 2020-21 adopted budget takes a long-term approach that closely monitors cost-drivers and adapts to changes to provide a structurally balanced budget.



The past several months have been some of the most challenging for many cities in our nation, including Glendale. The emergence of the COVID-19 pandemic and the associated “Safer at Home” measures have substantially impacted the forecast of the City’s financial standing, as well as created a state of uncertainty for many businesses. Although the impact of the pandemic on the City’s financial standing was challenging to predict, reductions in the amount of \$11.4 million were incorporated into various major revenue categories in the General Fund for FY 2020-21, including a hiring freeze to offset some of the negative financial impacts. In spite of the difficulty involved in the preparation of this year’s budget, the focus remains on developing a structurally balanced and fiscally responsible financial plan that best serves the needs of our community.

“... the City will continue to aggressively pursue exceptional customer service...”

The legal challenges to the long-standing and charter-mandated General Fund Transfer from Glendale Water & Power, escalating pension rates, and low investment returns for CALPERS have all combined to make these past few years some of the most difficult for City government budgeting in recent history. In spite of the difficulty involved in preparing this budget, the City Council has set the tone to allow our managers and staff to approach challenges in a professional and constructive manner. Through the vision of the Glendale City Council, we are able to balance new growth while preserving a rich and honored heritage. The City will continue to aggressively pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high-quality City services.

The total adopted budget for FY 2020-21, as shown in the chart above, is \$906.8 million¹ and includes all City funds, departments, and programs. The General Fund’s total budget, including sales tax funds from the Glendale Quality of Life and Essential Services Protection Measure (Measure S), is \$250.5 million¹, from which the City pays for services commonly associated with local government, such as police and fire services, libraries, parks, public works, and economic development.

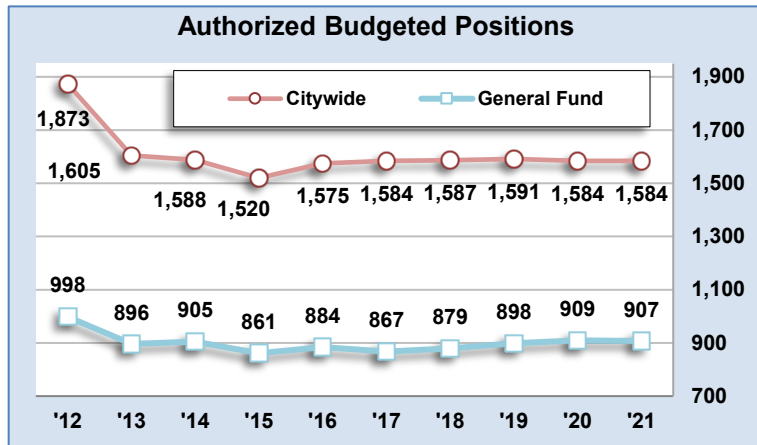
The City has, in recent years, made drastic changes to the size of its salaried workforce while still maintaining a largely unchanged level of service. During the Great Recession, the City Council made the very tough decision to reduce the City’s full-time salaried positions from 1,942 in FY 2008-09 to 1,520 by

¹ Total adopted budget includes Measure S approved funding of \$18.7 million, of which \$11.7 million is in the General Fund.

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the time the FY 2014-15 budget was adopted. A workforce can only run so hard for so long, and it was clear that those cuts were unsustainable.

From FY 2014-15 to FY 2019-20, the City Council approved a net total of 64 additional full-time positions across the organization, bringing the total revised authorized full-time position count to 1,584 for FY 2019-20. For FY 2020-21, the authorized full-time position count remains unchanged at 1,584. Due to the necessary redirection of vacancies between various funds during the budget process, the General Fund authorized full-time position count decreased from 909 in FY 2019-20 to 907 in FY 2020-21.



We must keep in mind that the organization is running as lean as it possibly can while continuing to provide the levels of service our community rightfully expects. The chart below compares the organizational profile of the City of Glendale with two of its neighboring cities: Burbank and Pasadena. As illustrated, although the City of Glendale’s population is much greater than that of its neighboring cities, its residents served per full-time equivalent (FTE) employee count and total budget per capita are significantly more conservative than that of the cities of Burbank and Pasadena. This further speaks to Glendale’s continued dedication to doing more with less. Glendale’s staff is professional and focused on providing exceptional customer service, while setting the standard for other local governments.

FY 2020-21 Organizational Profile Comparison

	Glendale**	Burbank**	Pasadena***
Total Population*	205,331	105,861	144,842
Total Citywide City Employees (FTE)	1,903	1,430	2,275
Total General Fund FTE	1,103	914	1,015
Total Citywide Adopted Budget (in thousands)	\$906,783	\$669,722	\$878,637
Total General Fund Adopted Budget (in thousands)	\$250,479	\$198,966	\$273,012
Residents Served per FTE (Citywide)	108	75	64
Residents Served per FTE (General Fund)	187	116	143
Total Budget per Capita (Citywide)	\$4,416	\$6,326	\$6,066
Total Budget per Capita (General Fund)	\$1,220	\$1,880	\$1,885

*Source: Department of Finance annual publication

** Includes Hourly FTE

*** Includes Affiliated Agencies

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The FY 2020-21 adopted budget, as is true with all years, reflects the City's efforts to understand and address the complex challenges ahead. It draws knowledge from the wells of community input and staff expertise, combines it with the City Council's vision, and identifies a nexus to the City's stated priorities and policies.

The City Council has directed that we continue making strategic investments in our community infrastructure. Planned improvements include:

- Developing affordable housing for the community using funds from Measure S;
- Seismic infrastructure upgrades to the fire stations throughout the City using Measure S funding;
- Major Glendale Water & Power projects in renewable power generation and transmission, as well as water distribution;
- Beeline transit system expansion;
- Sewer and storm drain repair projects to reinforce Glendale's wastewater and stormwater collection and conveyance infrastructure;
- Major road repair and pavement rehabilitation; and
- Enhancement to the Arts & Entertainment District through public infrastructure, public art, and design elements.

These projects, in addition to regular maintenance of City-owned facilities, streets, parkway trees, sewers, parklands, and water and power equipment, are just a sample of the many City improvements planned this year and reflect the City Council's sense of responsible stewardship over community assets. In Glendale, departments work together to achieve one main goal: a community that is safe, prosperous, and rich in cultural offerings. There is no one way to do it – but in Glendale, it means collaboration between departments, a combination of people and skills, and community support.

Reflecting on the challenges that we have successfully tackled over the duration of this past year builds optimism that we will continue to move forward in the upcoming years. With strong City Council leadership, dedicated and hard-working employees, and a supportive and engaging community, we have every opportunity to thrive.

Glendale Quality of Life and Essential Services Protection Measure (Measure S)

On November 6, 2018, Glendale voters approved the Quality of Life and Essential Services Protection Measure (otherwise known as "Measure S"), which increased the sales tax rate in the City by 0.75% to a new total of 10.25%, effective April 1, 2019. The entire 0.75% increase goes directly to the City of Glendale, increasing its portion of the 10.25% rate from 1.00% to 1.75%. It is estimated that the City will receive \$22.2 million in sales tax revenue from Measure S in FY 2020-21.

One of the top priorities of the City Council is to provide additional affordable housing for the community of Glendale. The table on the following page displays the City Council approved FY 2020-21 Measure S revenues, with appropriations going towards housing (\$12.7 million), economic recovery programs for businesses (\$3.7 million), recreation (\$1.6 million), and infrastructure (\$750 thousand).

City Council allocated \$12.7 million of the estimated Measure S revenues towards housing, of which \$6.0 million will be set aside for affordable housing development, \$445 thousand for the Rental Rights

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Program, and another \$6.3 million will be allocated towards housing assistance programs to help individuals and families who have been affected by the COVID-19 pandemic.

For the allocation towards affordable housing development in the amount of \$6.0 million and recreational land acquisition in the amount of \$1.0 million, both the Measure S revenues and appropriations will be directly deposited and expensed under the Measure S Capital Improvement Fund (Fund 4011). As for the remainder of the programs that will be funded with Measure S, all expenses incurred will be budgeted and accounted for separately within the General Fund. All unspent appropriations or unallocated funds will be returned to an assigned Measure S fund balance category.

Measure S Appropriations

	Approved FY 2020-21
<u>Housing</u>	
Assistance Programs	\$ 6,250,000
Affordable Housing Development	6,000,000
Rental Rights Program Administration	444,511
Total Housing	\$ 12,694,511
<u>Economic Recovery – Commercial</u>	
	\$ 3,650,000
<u>Recreation</u>	
Recreational Land Acquisition	\$ 1,000,000
Year-Round Aquatics Program Expansion	582,427
Total Recreation	\$ 1,582,427
<u>Infrastructure</u>	
Citywide Traffic Study	\$ 500,000
Verdugo Wash Greenway Feasibility Study	250,000
Total Infrastructure	\$ 750,000
Total Appropriations	\$ 18,676,938

FY 2020-21 Budget Overview

The FY 2020-21 adopted budget incorporates the policy directions of the City Council for services and programs that address the needs of the community, as identified during the three budget study sessions held on May 5, May 12, and May 19 of 2020. A public hearing on the budget was held on June 2, 2020, and the budget was formally adopted on the same day.

Based on the FY 2020-21 proposed revenues and appropriations, we anticipate balancing the General Fund budget with an estimated use of fund balance of approximately \$4.8 million.

The table on the following page provides a summary comparison by major fund type, including the General Fund. The information provided here and throughout this budget document includes the actual expenditures for FY 2018-19, the adopted budget for FY 2019-20, the revised budget for FY 2019-20 (including all budget amendments approved by the City Council), and the adopted budget for FY 2020-21.

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Citywide Appropriations

Fund	(a) Actual 2018-19	(b) Adopted 2019-20	(c) Revised 2019-20	(d) Adopted 2020-21	(d) – (b) Changes From Prior Year
General Fund					
General Fund*	\$228,434,601	\$236,968,577	\$240,810,481	\$238,802,457	\$1,833,880
Measure S**	-	6,348,000	6,498,000	11,676,938	5,328,938
Total General Fund	\$228,434,601	\$243,316,577	\$247,308,481	\$250,479,395	\$7,162,818
Special Revenue*	98,111,961	109,586,125	143,089,521	114,670,803	5,084,678
Debt Service***	48,368,374	3,080,797	3,000,667	2,994,900	(85,897)
Capital Improvement Funds					
Capital Improvement Measure S Capital Improvement**	21,315,414	16,334,500	38,202,059	17,957,787	1,623,287
Measure S Capital Improvement**	-	23,500,000	23,500,000	7,000,000	(16,500,000)
Total Capital Improvement	\$21,315,414	\$39,834,500	\$61,702,059	\$24,957,787	\$(14,876,713)
Enterprise	324,863,565	430,676,203	436,847,813	398,434,356	(32,241,847)
Internal Service	99,860,514	111,842,922	112,615,396	115,246,222	3,403,300
All Funds	\$820,954,429	\$938,337,124	\$1,004,563,937	\$906,783,463	\$(31,553,661)

*The Filming Funds and Recreation Fund shifted into the General Fund beginning FY 2019-20.

**Part of the Measure S funding approved by City Council in the total amount of \$18.2 million.

***In 2018-19, the Lease Revenue Refunding Bond was issued to refinance the City's outstanding Variable Rate Demand Certificates of Participation (2000 Police Building Project) (COPs) and to pay the costs of issuing the Bonds.

General Fund

The FY 2020-21 adopted General Fund budget, not inclusive of Measure S funding, reflects an increase of \$1.8 million when compared to FY 2019-20. The table below provides a summary of the FY 2019-20 and FY 2020-21 adopted appropriations for the General Fund by category.

General Fund Appropriations

Category	Adopted FY 2019-20	Adopted FY 2020-21	Increase/ (Decrease)	% Change
Salaries	\$ 98,972,309	\$ 100,532,790	\$ 1,560,481	1.6%
Overtime	10,180,776	10,740,745	559,969	5.5%
Hourly Wages	7,342,435	7,257,131	(85,304)	(1.2%)
Benefits (Net salary charges out)	28,487,065	27,525,224	(961,841)	(3.4%)
PERS (Net of cost-share)	43,028,898	47,099,395	4,070,497	9.5%
Vacancy Salary Savings	-	(5,000,000)	(5,000,000)	N/A
Maintenance & Operation	45,717,959	47,420,571	1,702,612	3.7%
Transfers Out	3,239,135	3,226,601	(12,534)	(0.4%)
General Fund	\$ 236,968,577	\$ 238,802,457	\$ 1,833,880	0.8%
Measure S	6,348,000	11,676,938	5,328,938	83.9%
Total General Fund Budget	\$ 243,316,577	\$ 250,479,395	\$ 7,162,818	2.9%

Notes: Total General Fund includes use of Assigned Economic Development fund balance of \$667 thousand for FY 2020-21.

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From the net increase of \$7.2 million, \$5.3 million is an increase in Council approved appropriations for various Measure S programs. The remaining \$1.8 million General Fund increase is mainly in the salaries & benefits and maintenance & operations categories. The net increase in the Salaries and Benefits category is approximately \$144 thousand. The increases of \$4.1 million in PERS costs (net of employee cost-share), as well as cost of living adjustments for Police and Fire personnel, and normal step progression and reallocation of employees, are offset by \$5.0 million in estimated vacancy savings due to the implementation of a hiring freeze in response to the COVID-19 pandemic.

CalPERS sustained significant investment losses during the Great Recession, the impacts of which continue to reverberate through just about every government agency in the State. Hence, Glendale is not alone in seeing higher employer costs from CalPERS due to the City's obligation to pick up the partial tab for those investment losses and CalPERS's subsequent decrease in their estimated rate of returns on their investments. Due to the recent adoption of more conservative actuarial and investment policies by the CalPERS Board, the City has been advised by its actuary to continue expecting increases in annual costs going forward. These risk mitigation policies will eventually rebuild the CalPERS fund and lower the burden on local governments that have committed to provide reasonable retirements for their employees. Furthermore, the financial markets were negatively impacted due to the emergence of COVID-19 in the United States and throughout the world. As such, the CalPERS investment portfolio was affected by the downturn in the financial markets. By June 30, 2020, CalPERS reported a year to date investment gain of 4.7%. While pension rates for the City of Glendale were already determined for the upcoming fiscal year, such an investment return for CalPERS, being below their expected rate of return of 7%, will impact rates beginning in FY 2022-23. There is a 5-year ramp up before the City will incur the full impact of the current year return.

To mitigate rising PERS costs, the City Council took a proactive step by voting to establish a Section 115 Pension Rate Stabilization Trust at the time of the FY 2017-18 budget adoption. Since the establishment of the Trust, the City Council authorized the initial deposit of \$26.5 million in FY 2017-18 and an additional deposit of \$5.5 million in FY 2019-20, for a total deposit of \$32 million of one-time surplus revenues. This decision demonstrates the City Council's commitment to keep rising PERS costs at a containable level. City staff is actively assessing other strategies to address the trend in rising PERS costs and will work to implement more solutions in the coming years.

In the Maintenance & Operation category, there is a total net increase of \$1.7 million when compared to FY 2019-20. This is primarily due to an increase of approximately \$921 thousand in Liability Insurance; \$680 thousand in Contractual Services; \$557 thousand in ISD Service Charge; and \$164 thousand for Utilities. These increases in appropriation are offset by a decrease of \$777 thousand in Fleet Equipment Rental Charge.

The decrease of \$13 thousand in the Transfers category is attributable primarily to the suspension of the annual transfer of 2.0% of sales tax into the Capital Improvement Fund, which was \$908 thousand in FY 2019-20. This decrease is offset by an increase of approximately \$896 thousand in the transfer to the Low and Moderate Housing Fund resulting from higher Glendale Successor Agency (GSA) Loan Repayment revenue forecasted than prior fiscal year.

Other Funds

Special Revenue Funds – For FY 2020-21, the adopted budget for the Special Revenue Funds reflects an increase of \$5.1 million when compared to the FY 2019-20 adopted budget. The most notable components of this increase include \$1.5 million in the Housing Assistance Fund due to an increase in anticipated revenue to be received, \$2.9 million increase in the Measure R Regional Fund due to an increase in project appropriation, \$2.6 million increase in the Transit Prop C Local Return Fund due to an increase in Subsidy Prop C Local Return, and an increase of \$2.6 million in the Transit Utility Fund due

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to an increase in contractual services. The increases are offset by a \$2.3 million decrease in the Continuum of Care Grant Fund due to \$2.4 million being appropriated in February 2020, with the remaining budget to be carried over to FY 2020-21. Furthermore, there is a decrease of \$1.9 million in the Measure M Local Return Fund due to a reduction in project appropriation relative to last year.

Capital Improvement Program Funds – As for the City’s Capital Improvement Program Funds, there is a decrease of \$14.9 million when compared to the FY 2019-20 adopted budget. The decrease is primarily due to a reduction of \$16.5 million in appropriations for the Measure S Capital Improvement Fund. Of the \$7.0 million that is appropriated in that fund, \$6 million is for affordable housing development and \$1.0 million is for land acquisition for recreational purposes. The Measure A Capital Improvement Fund, with a budget of \$921 thousand, was newly established to account for projects related to the repair and upgrade of parks and recreational facilities, the creation of new parks, the preservation and protection of open spaces and beaches, as well as support of recreational programming.

Enterprise Funds – The Enterprise Funds reflect a net decrease of \$32.2 million when compared to FY 2019-20 adopted budget. This is primarily attributable to a decrease of \$34.4 million in the Electric Utility Funds for purchased power, gas depletion, depreciation, project appropriation, and a decrease of the transfer to the General Fund due to the one-time lowering of the transfer percentage from 10% to 9%.

Internal Service Funds – For the Internal Service Funds, there is a net increase of \$3.4 million when compared to FY 2019-20. This is mainly attributable to a \$1.5 million increase in the ISD Applications Fund and a \$1.6 million increase in the Building Maintenance Fund, due to increases in contractual services. There is also a \$1.4 million increase in the Liability Insurance Fund due to increases in excess insurance premium, claims, and cost allocation. These increases are offset by a decrease of \$1.6 million in the Joint Air Support Fund due to a one-time capital outlay appropriation, which was added in FY 2019-20 for the purchase of a helicopter.

General Fund Reserves

As of the date of the last audited financial statements (fiscal year ending June 30, 2019), the General Fund unassigned reserve was \$88.3 million, which represented 37.3% of the FY 2019-20 General Fund operating budget. With the City Council approval of depositing \$5.5 million into the Section 115 Trust, the projected year-end use of fund balance of \$5.8 million and the potential budget carryovers of \$800 thousand from FY 2019-20 into FY 20-21 for unfinished services and procurements, brings the estimated FY 2020-21 General Fund unassigned reserve beginning balance (as of July 1, 2020) to \$76.2 million, or 32.0% of the FY 2020-21 General Fund operating budget. With the adopted use of unassigned fund balance of \$4.8 million for FY 2020-21 adopted budget, the anticipated ending General Fund reserve will be approximately \$71.4 million, or 30.0%, as of June 30, 2021, which is in accordance with the current reserve policy (a floor of 25% with a target of 35%).

Effects of Economy²

The COVID-19 crisis has affected households, businesses, healthcare systems, and economies everywhere. The economic effects of the global pandemic are unprecedented and have made the outlook for the upcoming years uncertain due to the nature of the pandemic and the measures

² Data obtained in this section is from the Los Angeles County Economic Development Corporation’s 2020-2021 Economic Forecast & Industry Outlook and the July Monthly Briefing, California Department of Finance July Finance Bulletin, and the UCLA Anderson School of Management June 2020 Economic Outlook

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implemented to try to contain the spread of the virus. Some of these measures include reduced social activities, employees working remotely, and the closing of schools and businesses

Prior to the COVID-19 pandemic, the U.S. economy was expected to remain on a fairly steady growth, with employment and real wages expanding through 2020. Personal consumption was expected to grow through 2020 by 2.0% and the Gross Domestic Product (GDP) by 1.9%. With this, economists predicted

“It seems as though our world has come to a halt with the COVID-19 pandemic taking hold of the way we communicate, work, and simply enjoy our lives. But there is one thing COVID-19 cannot take, and that is our ability to provide critical services for our residents.”

2.1 million additional jobs, thus decreasing the unemployment rate from 3.7% in 2019 to 3.5% in 2020. However, due to the emergence of the COVID-19 pandemic, the unemployment rate skyrocketed from 3.5% in February 2020 to 11.0% in June 2020, with the GDP and unemployment rate not expected to recover until after 2022.

California remains the largest economy when compared to any other state in the U.S. and prior to COVID-19, it was forecasted to grow an additional 2.0% during 2020, nearly mirroring the nation’s projected growth of 1.9%. Economists projected that this continued economic expansion would bring personal income growth to 2.2% and the unemployment rate would decline from 4.1% in 2019 to 4.0% in 2020. Industries at the forefront of private sector job growth were expected to be education, healthcare, leisure & hospitality, and construction. Due to COVID-19, California’s economy is following a similar pattern to that of the U.S., with the unemployment rate increasing from 3.9% in February 2020 to 14.9% in June 2020. As expected, due to business closures and restricted travel, half of all jobs lost in California have been in leisure & hospitality and retail trade sectors. Correspondingly, personal income growth is now being driven by transfer receipts, which includes unemployment payments and welfare assistance.

Locally, Los Angeles County was projected to experience further improvements to its unemployment rate, dropping from 4.5% in 2019 to 4.3% in 2020, with a likely shift occurring in the private sector from manufacturing employment to professional and businesses services. With this, total personal income across the County was expected to experience an estimated growth of 1.8% in 2020. Due to COVID-19, there has been a decline in business and consumer spending. The unemployment rate in June 2020 peaked at 19.4%, up by 15.0% when compared to the same time last year. Los Angeles County businesses took advantage of the Federal Payroll Protection Program, reportedly allowing the retention of 1.8 million LA County jobs, but more federal aid is needed to combat the severity of the crisis.

The emergence of the COVID-19 pandemic and the associated “Safer at Home” measures substantially impacted the forecast of the City’s financial standing, as well as created a state of uncertainty for many businesses. In response to the COVID-19 pandemic, reductions were built into various revenue categories resulting in a projected negative impact of approximately \$11.4 million in revenues to the General Fund in FY 2020-21. The Sales Tax category has been impacted the most with an anticipated loss of approximately \$5.6 million in FY 2020-21 and a slow recovery lasting 24 to 36 months. Furthermore, with much of the population staying home, fewer people are traveling and thereby not using hotel services. Consequently, Transient Occupancy Tax (TOT) revenues, which are generally received by hotels at the time of booking and remitted to the City on a monthly basis, have seen immediate declines resulting in estimated losses of approximately \$995 thousand for FY 2020-21. Other major revenue categories with an anticipated negative impact for FY 2020-21 include Licenses and Permits and Charges for Services mainly due to the closures of certain facilities, the suspension of various City recreational programs, and activities put on hold due to “Safer at Home” measures.

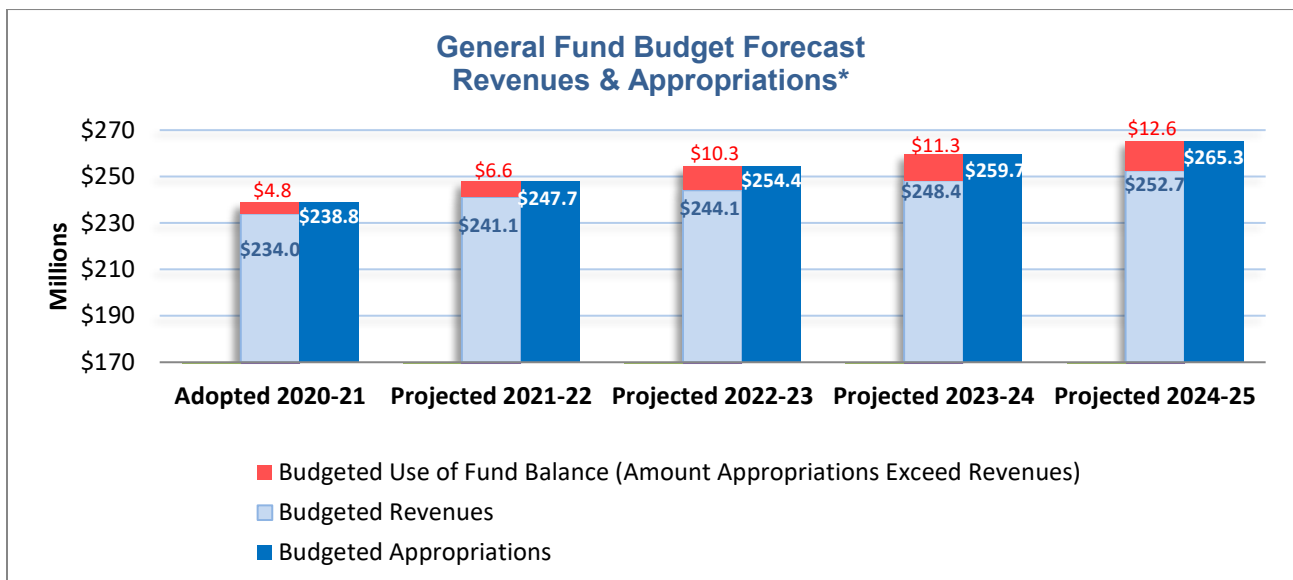
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It seems as though our world has come to a halt with the COVID-19 pandemic taking hold of the way we communicate, work, and simply enjoy our lives. But there is one thing COVID-19 cannot take away, and that is our ability to provide critical services for our residents and businesses. In spite of the challenges that the City continues to face including the COVID-19 financial impacts, increased pension costs, and aging infrastructure, I am confident that our team will embrace these challenges and move our community forward with a focus on our purpose and goals.

Five-Year Financial Forecast

In 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 upcoming challenges. During the first budget study session for FY 2020-21, we provided a General Fund Forecast to the City Council. Many variables were taken into consideration, as we do not exactly know what the future holds or what our actual revenues will be. The global COVID-19 pandemic has made it even more difficult to predict economic booms or busts that will impact the forecast. Hence, revenue estimates are conservative and assume no voter-approved revenue increases or potential new tax revenue from new businesses relocating to Glendale, while expenditure estimates are equally conservative, factoring in potential impacts to revenue streams and decreases and increases for major cost drivers such as PERS and medical benefits.

Based on these conservative assumptions, our five-year General Fund forecast is a useful tool for achieving structural balance. The forecast is updated frequently, taking into account actual expenditures and revenues as they are received. The City Council and staff are then able to analyze, on a regular basis, whether expenditure reductions or revenue enhancing strategies should be considered to meet potential fiscal challenges on the horizon, or whether fund balance (i.e. savings) should be utilized to cover a budget gap. Below is the City’s most recent five-year forecast.



**Revenues and appropriations do not include estimates for Measure S.*

Based on the FY 2020-21 proposed revenues and appropriations, we anticipate balancing the budget with an estimated use of fund balance of approximately \$4.8 million, with anticipated deficits for the following four years. Total General Fund revenues are expected to grow by a steady average rate of 1.9% for the next five years, and without any significant new revenue sources, the City will have to be creative to meet the funding challenges presented. The good news is that the City does have some level of control on how and when to meet these funding challenges, and will continuously commit to delivering

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quality services while maintaining fiscal responsibility. While the five-year forecast is a handy tool to assess the high-level drivers to the change in the City's fund balance, we strive every year to provide a balanced budget that may include expenditure reductions or other balancing strategies, in order to not draw upon the existing fund balance for ongoing operations.

Future projections in the forecast assume potential compensation increases for employees as agreed upon in the current Memorandum of Understanding with each collective bargaining unit, as well as salary step progressions for eligible employees. These economic assumptions are necessary to develop a comparative baseline, as revenue and appropriation estimates provided today will always change over time, making it 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, or higher, levels of service. In this manner, the five-year financial forecast gives us a reference point from which to draw. We are a service-oriented business, after all. Our employees have already participated in the compensation restructuring efforts that pushed Glendale to the forefront of municipalities. 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. Thus, the City of Glendale must continue to be diligent and disciplined. 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

We are in the middle of the global COVID-19 pandemic and until the situation is more under control, no one can accurately predict what the economy will look like. Thus, we will be facing notable challenges in the coming years. The General Fund remains highly dependent on sales taxes generated, in particular, from automobiles sales. Revenues from auto sales had been steadily rising over the past decade since the Great Recession; however, the economic downturn placed that revenue stream in jeopardy. In order to diversify our potential revenue stream opportunities, staff and City Council have been and continue to work diligently to finalize the development of new hotels that would generate considerable occupancy tax revenue for the City. In addition, Glendale has shown that it has a lot to offer even through the challenges of this pandemic, including the expansion in outdoor dining, which continues to add vibrancy to the City's streets. As people begin to gradually and safely return to some of their previous activities including traveling and shopping, occupancy tax and sales tax revenues will be tracking upwards and will gradually return to their previous levels.

The possible loss of the voter-approved General Fund Transfer (GFT) from Glendale Water & Power's electrical operations still looms. Currently, the transfer has been a feature of the City's General Fund revenue stream since the 1940s. At the time it was established, the water and power utility was meant to help the City grow, as well as to bring revenue into the City's General Fund. This inflow of funding helped City Councils through the years keep Glendale a low-tax city. Additionally, although the City Charter allows for a maximum transfer of up to 25% of gross operating revenues from the electrical operations, the GFT has never risen to that level. For FY 2020-21, the GFT was even further reduced from 10.0% to 9.0% of electrical retail operating revenues.

What does the potential loss of the GFT mean to our organization? For the time being, we will continue to move forward with the status quo. After having experienced deep cuts across all departments in recent years, this organization is currently running as lean as it ever has. The loss of the transfer would, without a doubt, mean cuts directly to the essential programs and services our community depends on daily. Hence, there would be no alternative but to make cuts that would drastically impact the quality of life for our community. Specifically, the City Council would be asked to consider cuts to Libraries, Parks, Fire,

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and Police Departments. The effects of these cuts would be experienced in the form of reduced hours or closing of libraries and parks, or contracting out Police and Fire services with the County of Los Angeles.

Moving forward, our continuing challenge is to minimize the negative impact on our community and customers from past restructuring efforts and ensure the City adds ongoing value to the taxpayers. Glendale's vision is accomplished through a combination of the City Council's priorities, the City's strategic goals, and key performance indicators. With this year's budget process, the City Council has reaffirmed the following priorities (see *Attachment A* to this message for detailed descriptions):

- Fiscal Responsibility
- Exceptional Customer Service
- Economic Vibrancy
- Informed & Engaged Community
- Safe & Healthy Community
- Balanced, Quality Housing
- Community Services & Facilities
- Infrastructure & Mobility
- Arts & Culture
- Sustainability

To that end, the City Council's top priority of fiscal responsibility continues to pay dividends to the community, taking form through restored programming, enhanced services, and capital improvement projects that will further increase the quality of life experienced by residents, businesses, and visitors. These priorities have given rise to departmental strategic goals that lead to continuous improvement in the way we deliver services and do business. These goals best indicate whether departments had a "successful year," and they 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 and act as measures for what we are doing and how efficiently we are doing it (see the Strategic Goals section for additional information).

In other words, the City Council priorities provide the framework, the strategic goals give us our themes, and the key performance indicators measure the details. This systematic management and measurement of our performance will help to bring clarity amid any period of uncertainty.

We are currently in the process of finalizing our new Strategic Plan, based on input from City Council and City staff. As Glendale continues to streamline its operations and enhance its quality of service, the organization must maintain structural balance by looking at long-term sustainability, closely monitoring cost-drivers, and adapting to changes. Our goal is to restore, build, and maintain our programs, infrastructure, and services, and not to revert to traditional patterns and processes. With the City Council's vision and a team of high-quality, ethical professionals, we will continue to provide exceptional customer service and uphold the quality of life that is unique to Glendale.

CITY OF GLENDALE

BUDGET MESSAGE

Conclusion

The FY 2020-21 budget for the City of Glendale is structurally balanced with projected resources available to support all projected expenditures and a healthy fund balance that remains in line with the City Council's policy. As in the past, this budget serves as the City Council's financial policy and planning document 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, therefore, reflective of the City Council and staff's goal to continue to improve upon existing programs and services. Our community will only continue to get better and progress as we all work towards our overarching goal: to continue to provide our residents, businesses, and visitors with a full scope of high-quality municipal services, programs, safety, facilities, infrastructure, and other amenities that make our premier community so desirable.

We have a number of achievements to be proud of, and together we have created a sought-after community in which people wish to live, work, and play. The strength that Glendale leadership embodies, coupled with the dedication and talent of our staff, continue to yield accomplishments as Glendale moves toward its goals.

My appreciation to all the Department Heads and Budget Officers who worked on this year's budget, and especially to Roubik Golanian, Assistant City Manager; Michele Flynn, Director of Finance; Adrine Isayan, Deputy Director of Finance; and the Finance Department's Budget Team. Again, tremendous thanks to the Mayor and City Council Members for your continued leadership throughout this year's budget process.

The FY 2020-21 adopted budget may have a budget gap, but as a result of the efforts of many individuals, it addresses the various needs of our dynamic community within the context of the challenges that face us in the year ahead.

Respectfully submitted,



YASMIN K. BEERS, CITY MANAGER

CITY OF GLENDALE BUDGET MESSAGE - ATTACHMENT A

CITY COUNCIL PRIORITIES

Fiscal Responsibility

As financial stewards of the City of Glendale, all employees throughout the organization are tasked with operating their programs, projects and departments 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. As public servants, we are all committed to, and held, to a high standard of ethical behavior, especially in financial matters of the City. We are, therefore, committed to ensuring we are transparent in matters relating to City finances. In addition, we have implemented proper internal controls to ensure assets and resources are used in accordance with the approved budget.

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

Exceptional Customer Service

In light of our budget strategies and 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: promptness, quality, and customer satisfaction.

Economic Vibrancy

One of the City's major goals is fostering an environment that supports diverse, vibrant businesses and job opportunities supported by both a skilled, local labor force and a fiscally prudent and financially healthy city government. In order to achieve its goal, the City strives to attract an appropriate mix of business and maintains a balance between the City's commercial and residential zones. This is primarily achieved through vigorous collaboration between developers, 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 sustain Glendale's first rate services for businesses and residents, the City maintains adequate financial reserves.

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 processes respect and encourage open public engagement, offer multiple opportunities to create an informed community, and deliver 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.

CITY OF GLENDALE

BUDGET MESSAGE - ATTACHMENT A

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 help reduce the City's operating expenses.

Safe & Healthy Community

As one of the top ten safest cities in the State of California, Glendale 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 ensuring 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 those without a place to call home. 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.

CITY OF GLENDALE

BUDGET MESSAGE - ATTACHMENT A

Community Services & Facilities

The City of Glendale is committed to providing parks, community centers, open spaces and a well-maintained trails system to enhance the character of the community and offer personal enrichment and recreational opportunities for the public. As part of our ongoing efforts, the City is focused on providing sufficient parkland, playing fields, recreation facilities, and equitably distributed open spaces 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 goals is a focus on community services and facilities that address the diverse and changing needs of the community. This includes the delivery of high quality, adaptable services and the preservation, development or expansion of community centers (i.e. parks, libraries, senior centers, etc.). In addition, emphasis is placed upon locating these centers in the areas of greatest need and making them accessible to all residents.

Infrastructure & Mobility

A significant goal for the City is to have 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 modern land use strategies, the City reduces 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 supports and promotes local artists and arts organizations through the initiation of local arts and culture events. As a long term goal, the City aims to promote education and participation in the arts by providing access to quality arts experiences for the entire community, and by implementing or supporting programs that recognize the City's cultural heritage.

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 City workforce;
- Businesses and services that address the needs of our diverse community;
- Diverse representation on City Boards, Commissions and Committees;
- Special events that recognize and celebrate the City's diversity;
- Availability of multi-lingual City materials for public use; and
- Compliance with all ADA accessibility requirements.

CITY OF GLENDALE

BUDGET MESSAGE - ATTACHMENT A

Sustainability

In an effort to protect the quality of air, water, land and other natural resources located within the City's boundaries, Glendale integrates sustainability principles into all elements of the City's General Plan. 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.