



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) 2023-24. 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. As is the standard in the City, the FY 2023-24 adopted budget takes a long-term approach that closely monitors cost-drivers and adapts to changes to provide a balanced budget.

The total adopted budget for FY 2023-24, has reached \$1.2 billion, which includes all City funds, departments, and programs. The General Fund's total budget is \$314.5 million, from which the City pays for services commonly associated with local government, such as police and fire services, libraries, parks, public works, housing, and economic development. This year's budget preparation focus remains on developing a balanced and fiscally responsible financial plan that best serves the needs of our community.

Even with the struggles faced when preparing this budget, the City Council has set the tone to allow 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 pursue exceptional customer service, balance value propositions, and invest in the future to ensure continuity of high-quality City services.

Council Priorities

As was done in the past, in March 2023, the City Council held a governance workshop to discuss best practices, governance norms, and review and establish a consensus on priorities for the FY 2023-24 budget year. The Workplan that resulted from the workshop identifies various projects, programs, and initiatives beyond the regular workload, intended to execute the Council's four highest priority areas that were identified. Glendale's vision is accomplished through a combination of the City Council's new priority areas, the City's Workplan, and key performance indicators. With this year's budget process, the City Council has established four new priorities to focus on:



**Economic
Development**



**Financial
Sustainability**



**Operational
Efficiency**



**Mobility, Traffic &
Pedestrian Safety**

Accompanying these four priority areas are a set of departmental goals that set the way to further improve how the City delivers services to the community and conducts business. These set goals for each budget year are what departments strive to accomplish, with the outcomes helping determine whether departments had a "successful year." The key performance indicators established 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 priority areas provide the themes, the Workplan gives us our framework, 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.

As Glendale continues to streamline its operations and enhance its quality of service, the organization must maintain balance by looking at long-term sustainability, closely monitoring cost-drivers, and adapting to changes. Our continued 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.

Capital Planning

The City Council has requested that we continue making strategic capital investments in our community that align with Council's priorities stated above. Some of these planned capital improvements include:

- Replastering the pool, renovating the deck as well as replacing the tables at the Pacific Community Pool;
- Continue cleaning and inspecting Citywide sewer lines;
- Major Glendale Water & Power projects in renewable power generation and transmission, solar, as well as water distribution and Fiber Network Backbone;
- Renovation of the Fire Station 24 restrooms to be gender friendly as well as the addition of ambulance operator dorms at Fire Station 27;
- Various pedestrian safety projects throughout the City to ensure the public has safe areas to access for leisure activities;
- Upgrade the Beeline bus fleet with an overall integrated bus technology system; and
- Capital improvements for capturing and treating stormwater.

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 echo 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 teamwork and effective communication between departments, a combination of people and skills, and community support.

There are challenges each year that we must face, and we have shown time and time again with determination and perseverance, we can successfully undertake and overcome any obstacle. This further contributes to a firmer optimism that we will continue to move forward successfully 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.

Organizational Profile

The City has continued to provide the levels of services our community rightfully expects along with creating and operating new programs our community deserves. All while running the city with the leanest staffing levels.

The chart on the next page 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 devotion 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 2023-24 Organizational Profile Comparison

	Glendale	Burbank	Pasadena***
Total Population*	191,284	104,535	136,988
Total Citywide City Employees (FTE)**	1,972	1,501	2,352
Total General Fund FTE**	1,106	959	1,059
Total Citywide Adopted Budget (in thousands)	\$ 1,172,779	\$ 848,315	\$ 1,243,018
Total General Fund Adopted Budget (in thousands)	\$ 314,485	\$ 229,629	\$ 323,165
Residents Served per FTE (Citywide)	97	70	58
Residents Served per FTE (General Fund)	173	109	129
Total Budget per Capita (Citywide)	\$ 6,131	\$ 8,115	\$ 9,074
Total Budget per Capita (General Fund)	\$ 1,644	\$ 2,197	\$ 2,359

Notes:

* Source: Department of Finance annual publication

** Includes Hourly FTE

*** Includes Affiliated Agencies

FY 2023-24 Budget Overview

The FY 2023-24 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 five budget study sessions held between April 25th and June 1st of 2023. A public hearing to discuss the budget was held on June 13, 2023, and the budget was formally adopted on the same night.

The total citywide adopted appropriation for FY 2023-24 is \$1.2 billion, with \$314.5 million of that amount in the General Fund. The table below provides a summary comparison by major fund type. The information provided here and throughout this budget document includes the actual expenditures for FY 2021-22, the adopted budget for FY 2022-23, the revised budget for FY 2022-23 (including all budget amendments approved by the City Council), and the adopted budget for FY 2023-24.

Citywide Appropriations

Fund	(a) Actual 2021-22	(b) Adopted 2022-23	(c) Revised 2022-23*	(d) Adopted 2023-24	(d) – (b) Changes From Prior Year
General Fund	\$ 252,737,920	\$ 280,497,560	\$ 290,157,864	\$ 314,485,272	\$ 33,987,712
Special Revenue Funds	100,914,589	128,897,563	154,074,760	145,322,171	16,424,608
Debt Service Funds	2,997,973	2,996,650	2,996,650	2,993,300	(3,350)
Capital Improvement Funds	18,383,824	44,092,238	53,731,908	21,390,000	(22,702,238)
Enterprise Funds	339,489,283	506,618,428	611,275,015	543,524,279	36,905,851
Internal Service Funds	112,744,693	133,298,873	136,704,906	145,064,184	11,765,311
All Funds	\$ 827,268,282	\$ 1,096,401,312	\$ 1,248,941,103	\$ 1,172,779,206	\$ 76,377,894

Notes:

* Excludes carryovers.

General Fund

Resources

The FY 2023-24 adopted General Fund resource estimates are \$336.4 million, inclusive of \$16.1 million in projected use of Measure S Unallocated Fund Balance, and \$20.4 million in projected use of American Rescue Plan Act (ARPA) funding.

The table below provides a summary of the General Fund revenues and resources by category for FY 2022-23 Adopted, FY 2022-23 Revised, and FY 2023-24 Adopted.

Category	Adopted FY 2022-23	Revised FY 2022-23	Adopted 2023-24	Variance	% Change
Property Taxes	\$ 76,960,571	\$ 76,960,571	\$ 80,318,537	\$ 3,357,966	4.4%
Sales Taxes	52,235,457	56,832,876	56,936,209	103,333	0.2%
Sales Taxes (Measure S)	17,523,710	21,721,746	34,154,000	12,432,254	57.2%
Utility Users Taxes	24,992,782	27,480,114	29,638,160	2,158,046	7.9%
Occupancy Taxes	7,970,457	8,600,000	9,965,000	1,365,000	15.9%
Licenses & Permits	9,498,746	10,498,746	10,090,543	(408,203)	(3.9%)
Revenue from Other Agencies	220,000	220,000	443,114	223,114	101.4%
Charges for Services	26,620,195	27,220,195	29,175,675	1,955,480	7.2%
Interfund Revenue	18,697,882	18,697,882	19,058,184	360,302	1.9%
Fines and Forfeitures	3,005,000	3,005,000	3,225,000	220,000	7.3%
Use of Money and Property	2,319,540	3,110,540	3,668,942	558,402	18.0%
Miscellaneous & Non-Operating	1,161,200	1,210,700	804,000	(406,700)	(33.6%)
Transfers from Other Funds	20,700,720	20,700,720	22,361,250	1,660,530	8.0%
Total Revenues	\$ 261,906,260	\$ 276,259,090	\$ 299,838,614	\$ 23,579,524	8.5%
Measure S Projected Unallocated Fund Balance	-	-	16,089,193	16,089,193	-
Econ Dev Assigned Fund Balance	617,215	-	-	-	-
ARPA Funds	17,974,084	17,974,084	20,447,921	2,473,837	13.8%
Total Resources	\$ 280,497,559	\$ 294,233,174	\$ 336,375,728	\$ 42,142,554	14.3%

Major revenue changes and assumptions for the adopted FY 2023-24 budget are summarized below.

Property Tax receipts are estimated to be approximately \$80.3 million, which is \$3.4 million, or 4.4%, above the prior year's revised estimate. The City continues to experience growth in its assessed property valuation, however, has seen an overall decrease in the number of home sales in calendar year 2022 compared to 2021, mainly due to rising concerns over higher interest rates and inflation. Thus, the City's property tax consultants have forecasted a modest and conservative growth in Property Taxes for FY 2023-24 and outward.

Sales Tax revenues are estimated to be approximately \$56.9 million for Bradley Burns, with an additional \$34.2 million in Measure S Sales tax. While the revenue for this category has certainly recovered from the pandemic with the City experiencing healthy sales tax growth in the past year, it is projected that a slowdown in the upcoming fiscal year and the outer years is more than likely to occur, resulting in little to no growth in anticipated revenues for FY 2023-24. Thus, this category is only expected to grow by \$103 thousand, or 0.2%. It is important to note that for FY 2023-24, the entire Measure S Sales Tax revenue estimate has been included within the proposed revenues as well as the resource for the projected Measure S unallocated fund

balance, while the FY 2022-23 amount only reflects the Measure S Sales Tax portion that was used mostly to fund Measure S revenue supported recurring General Fund programs.

Utility Users Tax (UUT) is estimated to be approximately \$29.6 million, which is a 7.9% increase from the FY 2022-23 revised estimate. For FY 2023-24, an anticipated increase for Electric UUT was accounted for due to an expected increase in Electric operating revenues as a direct result of the Cost-of-Service Assessment (COSA) being completed by GWP. However, as in years past, the City anticipates a continued decline in telecommunication revenues based on a decrease in consumers’ usage of voice and text and increasing data usage (internet access and internet access-based apps). Data services have been deemed as exempt from taxation by courts in California and other jurisdictions nationwide. Cable revenue also continues to slowly decline as customers cancel traditional cable television services in favor of streaming services, which results in a lower bill and corresponding tax collection.

Occupancy Taxes receipts are estimated to be approximately \$10.0 million, which is a 15.9% increase from the prior year’s revised estimate. Hotel services have shown significant growth since the pandemic, resulting in the Transient Occupancy Tax (TOT) revenues, showing a month-over-month growth in recent quarters. Also, the City factored in the anticipated revenue to be received from the newly opened Holiday Inn Express & Suites hotel in Downtown Glendale within the FY 2023-24 estimated revenues.

ARPA was signed into law on March 11, 2021, guaranteeing direct financial relief to Local Governments. The total City of Glendale allocation was \$43.5 million. All funds received must be expended by December 31, 2024. Approximately \$23.1 million of the amount has been accounted for in FY 2021-22 and FY 2022-23. The FY 2023-24 General Fund adopted budget will be balanced with the final remaining allocation of the funds in the amount of \$20.4 million.

Appropriations

The FY 2023-24 adopted General Fund budget reflects an increase of approximately \$24.3 million when compared to the FY 2022-23 revised budget. The table below provides a summary of the FY 2022-23 adopted and revised appropriations, and the FY 2023-24 adopted appropriations for the General Fund, by category.

Category	Adopted FY 2022-23	Revised FY 2022-23*	Adopted 2023-24	Increase/ (Decrease)	% Change
Salaries & Benefits					
Salaries	\$ 102,449,097	\$ 99,317,534	\$ 110,835,963	\$ 11,518,429	11.6%
Overtime	10,954,250	10,832,487	11,486,526	654,039	6.0%
Hourly wages	8,423,453	8,390,803	8,512,605	121,802	1.5%
Benefits	32,102,663	32,102,663	33,836,274	1,733,611	5.4%
PERS Retirement	58,387,569	58,387,569	62,139,298	3,751,729	6.4%
PERS Cost Sharing	(3,567,519)	(3,567,519)	(3,414,452)	153,067	(4.3%)
Total Salaries & Benefits	\$208,749,513	\$205,463,537	\$223,396,214	\$ 17,932,677	8.7%
Maintenance & Operation					
Maintenance & Operation	68,466,674	73,134,362	75,056,075	1,921,713	2.6%
Capital Outlay	700,000	1,004,049	45,000	(959,049)	(95.5%)
Transfers Out	2,581,373	10,555,916	15,987,983	5,432,067	51.5%
Total General Fund Budget	\$280,497,560	\$290,157,864	\$314,485,272	\$ 24,327,408	8.4%

Notes:

* Excludes carryovers.

The net increase in the Salaries and Benefits category is approximately \$17.9 million. Of this, \$11.5 million is in salaries mainly as a result of approved Memorandum of Understanding Cost of Living Adjustments, normal step progression and reallocation of employees; \$3.9 million is in PERS costs (net of employee cost sharing); and a net increase of \$2.5 million in hourly wages, overtime, and other benefits. These costs are inclusive of \$8.0 million in estimated vacancy savings.

As anticipated, the cost for PERS is one of the largest expense obligations for the City. To mitigate the continuously rising PERS costs, during the FY 2017-18 budget adoption, the City Council took a proactive step by voting to establish a Section 115 Pension Rate Stabilization Trust. 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 \$32.0 million of one-time surplus revenues. The total ending balance as of June 30, 2023, is \$37.0 million which provides a 2.95% average annual rate of return since inception. 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 Capital Outlay category, the total net decrease of approximately \$959 thousand is due to less planned equipment purchases in FY 2023-24 compared to prior year.

As for the Transfers category, there is a total net increase of approximately \$5.4 million. Of the \$16.0 million in transfers budgeted for FY 2023-24, \$8.6 million of it is for the transfer to the Measure S Capital Improvement Fund to fund various Capital Improvement projects. In addition, \$5.8 million of the amount is budgeted for a transfer to two Internal Service Funds; \$4.0 million to the Fleet Management Fund and \$1.8 million to the Building Maintenance Fund to help replenish the two funds.

General Fund Projected Ending Fund Balance & Reserve Percentage, June 30, 2024

The City’s projected ending General Fund unassigned & charter reserve fund balance as of June 30, 2024, is \$114.6 million, a reserve of 36.4% of the FY 2023-24 adopted appropriation of \$314.5 million. The City Council’s current General Fund Reserve policy is a minimum of 25% of the annual operating budget, with a target of 35%. The table below shows total resources and appropriations, along with the projected reserve fund balance.

FY 2023-24 General Fund Projected Reserve (In Thousands)

Total Resources	\$	336,376
Total Appropriations		314,485
Net Surplus / (Use of Fund Balance):	\$	21,891
Projected Ending Reserve, 06/30/2024	\$	114,628
Projected Reserve %		36.4%

Other Funds

Special Revenue Funds – For FY 2023-24, the adopted budget for the Special Revenue Funds reflects a net increase of \$16.4 million when compared to the FY 2022-23 Adopted Budget. This is primarily attributed to:

- Housing Assistance Fund - \$4.3 million increase for direct assistance
- Miscellaneous Grant Fund - \$5.6 million increase in projected revenues that will be applied towards direct assistance and contractual services for various projects such as the Verdugo Wash and Homeless Housing, Assistance and Prevention
- Parking Fund - \$1.6 million increase in contractual services, regulatory costs and more project appropriations for the Parking Structure Improvement and Elevator Replacement at Marketplace and Orange Parking Lots
- Measure R Local Return Fund - \$1.4 million increase in subsidy expenses
- Transit Utility Fund - \$2.4 million increase is primarily due to increases in contractual services which is offset by decreases in building and grounds repair costs as well as utility costs
- Electric Public Benefit Fund - \$1.3 million increase in public benefit programs

Capital Improvement Funds – As for the City's Capital Improvement Funds, there is a net decrease of \$22.7 million when compared to the FY 2022-23 Adopted Budget. This is primarily attributable to decreases in project appropriations relative to prior year in the following funds:

- General Fund Capital Improvement Fund - \$13.7 million less
- General Fund Capital Improvement Fund (Measure S) - \$8.6 million less

Enterprise Funds – The Enterprise Funds reflect a net increase of \$36.9 million when compared to the FY 2022-23 Adopted Budget. This is primarily attributable to:

- Sewer Fund - \$7.9 million increase in various project appropriations such as the Hyperion Wastewater System, Los Angeles/Glendale Water Reclamation Plant, and Wastewater Master Plan Implementation Program
- Electric Utility Funds - \$23.3 million increase in personnel costs, natural gas fuel, purchased power, carbon allowances, and in appropriations for capital improvement projects including: the Solar Design Built Program, Grayson Demolition & Site Improvements, Fiber Plan, Upgrade/Replace Advances Metering Infrastructure, and the Grayson Repower Services
- Water Utility Funds - \$3.9 million increase mainly in purchased water, utilities, personnel costs and major project appropriations such as the Pipeline Management Kenneth 2023, Well Installation - Foothill Well, and the SCADA Communication Improvement

Internal Service Funds – For the Internal Service Funds, there is a net increase of \$11.8 million when compared to FY 2022-23 Adopted Budget. This is primarily attributable to:

- Fleet Management Fund - \$8.1 million increase is primarily due to an increase in capital equipment purchases
- Building Maintenance Fund - \$2.0 million increase primarily due to new appropriation for such projects like the Cubicles & Office Buildout of the Permit Services Center, Fire Sprinkler Head Replacements at Various Facilities and Flooring Replacement Citywide
- Liability Insurance Fund - \$2.4 million increase in excess insurance premium

- RHSP Benefits Fund - \$2.8 million decrease due to a one-time transfer that was made to the Liability Insurance Fund prior fiscal year
- Wireless Fund - \$2.4 million increase due to repairs to buildings and grounds, and purchases of radios for Fire, Police, and non-safety departments

Effects of Economy^[1]

With it being a few years since the pandemic, the numbers for various sectors are now steadily bouncing back to what their levels were before such a catastrophic period in time for the economy. With the continued rate of inflation and the slowdown of consumer consumption in some markets, the economic outlook has its peaks and valleys, and through it all we try to maintain a positive outlook and plan accordingly for the City's future.

For the housing sector, less demand for home sales can be attributed to higher interest rates and inflation while the median home price has remained steady in most markets. In Glendale, the median home price has increased by approximately \$141 thousand, or 11.7%, with the average median price being almost \$1.4 million. The total taxable assessed value also increased for both Glendale and the County with Glendale's increasing by 5.4% and County, by 7.0%

Diving into a more detailed look at some of the industries that contribute to our economy, the automotive and transportation industry has experienced a decline. Due to the high demand the last few years and the supply chain disruptions that were experienced, it led to consumers having to pay well above the ticket price of a vehicle. This in turn meant higher revenue generated from the purchase of new and used vehicles. However, with the supply being more readily available in today's market, the expectation is for buyers to have more of a leverage when negotiating the purchase price of vehicles. For the County, we have already seen the effects, with a \$3.6 million decrease in quarter one of Calendar Year 2023 compared to the same period the year prior. However, in Glendale the market has remained steady with the net increase being \$44 thousand, or 1.1% year over year.

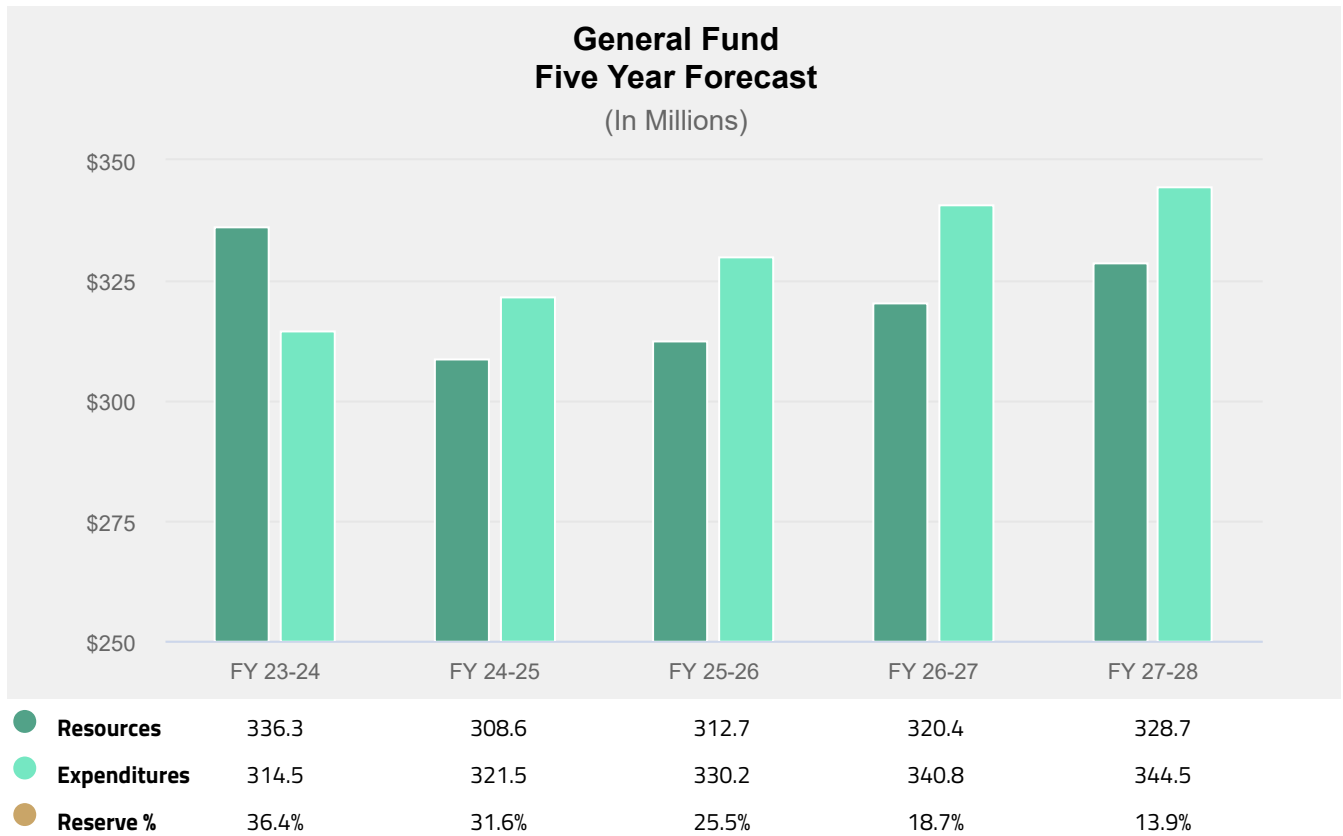
In other areas such as the restaurants and hotels category there is a slight uptick, all while experiencing a slowdown of restaurant sales. A possible contributing factor for the slowdown may be due to many restaurants increasing the prices of menu items; a direct result of inflation increasing the price of goods. Leading to consumers opting for the option to get takeout food versus dining in. In comparison to the same quarter last year, the percent change for the County is about a 10.0% increase or approximately \$7.0 million. Our City has made it a point to provide more diverse eateries to choose from along with providing more al fresco dining. The net increase of the restaurants and hotels category for Glendale is 9.2% or \$114 thousand. This increase further confirms that Glendale is viewed as being a desired central location in Los Angeles that offers tourists a vast array of places to have fun, take in history and eat delicious food while contributing to the increase in hotel occupancy and tourism.

^[1]Data obtained in this section is from the HdL Companies California Forecast and HdL 2022-23 Property Data

Five-Year Financial Forecast

In recent years, forecasting has taken a crucial role in Glendale’s budget planning, prompting us to make appropriate budget adjustments during the year to successfully meet upcoming challenges. During the FY 2023-24 budget study sessions, a Five-Year General Fund Forecast was presented to the City Council. As always, many variables were taken into consideration including but not limited to historical trends, economic forecasts, and use of consultants for major revenue sources such as property and sales taxes. Based on this information, revenue estimates are conservative and assume no future voter-approved revenue increases or potential new tax revenue from new businesses relocating to Glendale. Expenditure estimates are equally conservative, factoring in potential increases for major cost drivers such as PERS and medical benefits, and incorporating future funding needs for Capital Improvement projects, internal services, and future additional labor costs. While for FY 2023-24 the General Fund is fairly balanced with the use of ARPA funds, the City is faced with some potential fiscal challenges in the outer years, with the projected General Fund reserve dipping below the Council set reserve policy of 25% in FY 2026-27 and onward. Recognizing these challenges, during the budget study sessions, discussions were held to brainstorm potential budget balancing strategies including new revenue sources, which would be used to help fund and support a balanced General Fund budget for the upcoming years. While these potential balancing strategies were not accounted for in the FY 2023-24 Adopted budget, Council requested for staff to analyze the various strategies and their outcomes and bring back a report as part of a future financial update.

Below is a graph that depicts the City’s most recently updated five-year forecast:



Conclusion

With that said, the FY 2023-24 budget for the City of Glendale is balanced with projected resources available to support all projected expenditures and a fund balance that remains in line with the City Council's policy. This budget serves as the City Council's financial policy and planning document for providing the Glendale community with City services. In turn, it also serves as the City's financial plan for the year. This budget is, therefore, reflective of the City Council priorities and staff's continuous efforts 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.

Together we have all created a desirable community in which people seek to live, work, and play. The sustained strength that Glendale leadership exemplifies, coupled with the dedication and talent of our incredible staff, continue to yield great accomplishments for Glendale that we should be proud of.

My appreciation to the Finance Department's Budget Team as well as to all the departments who have worked tirelessly to put together this fiscal year's budget. Again, tremendous thanks to the Mayor and City Council members for the continued leadership throughout this year's budget process.

As a result of the efforts of many individuals, the FY 2023-24 adopted budget as presented is balanced and addresses the various needs of our dynamic community within the context of the challenges that face us in the year ahead.

Respectfully submitted,



Roubik Golianian, City Manager