



City of Glendale

Budget Study Session #1

April 30, 2024

FY 2024-25 Budget Adoption Calendar

Session #1 – Tuesday, April 30

- FY 2023-24 General Fund Projection
- General Fund Five-Year Forecast
- FY 2024-25 Proposed General Fund Budget
- Potential Future Revenue Enhancements

Session #2 – Tuesday, May 7

- Fee Study
- Potential Pension Refinancing and Infrastructure Bonds

Session #3 – Tuesday, May 14

- FY 2024-25 Proposed Citywide Budget – All Funds

Session #4 – Tuesday, May 21

- Follow-Up Items

Budget Hearing and Adoption - Tuesday, June 4



Agenda

- FY 2023-24 General Fund Projection
- General Fund Five-Year Forecast
- Proposed FY 2024-25 General Fund Budget
- Potential Future Revenue Enhancements
 - Transfer & Parcel Tax
 - Business License Tax
 - Cannabis Tax



City of Glendale

FY 2023-24 General Fund

Year-End Projection



FY 2023-24 General Fund Resources

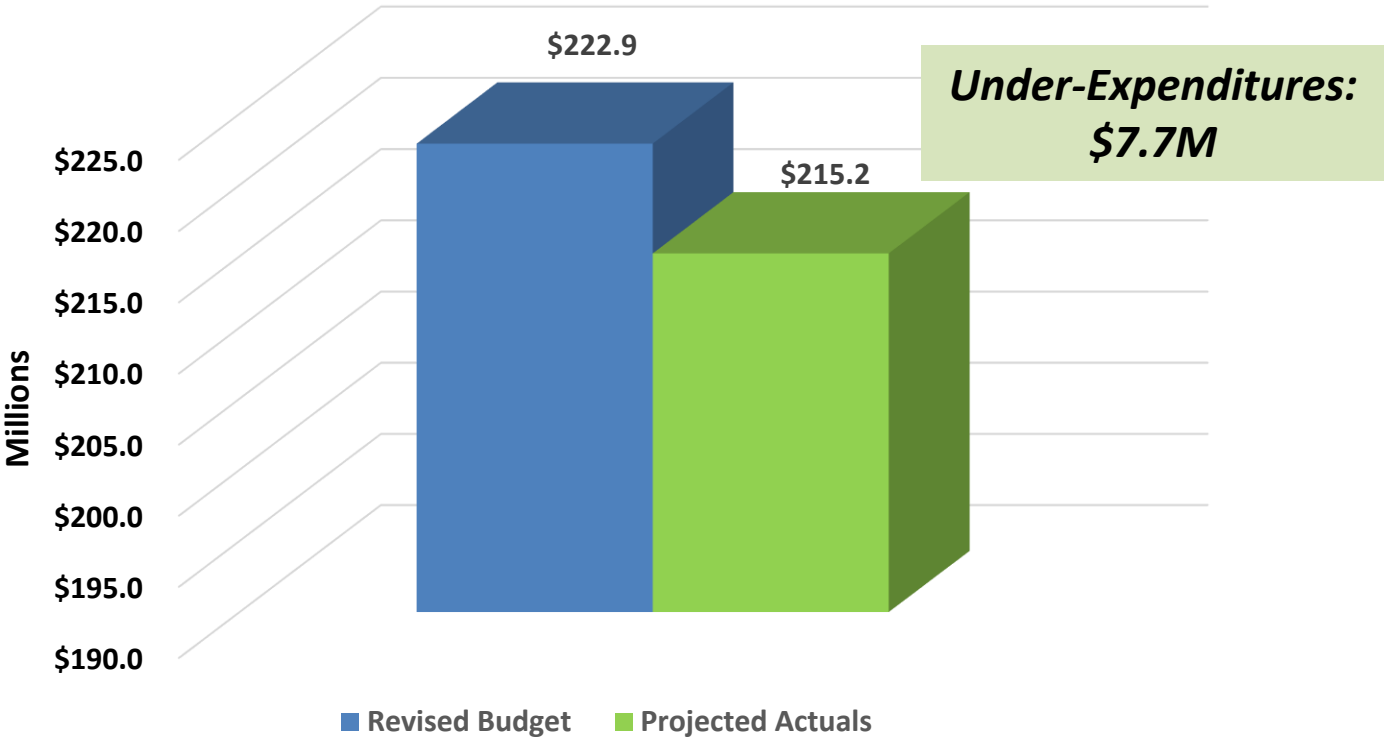
In Millions

Category	23-24 Revised	Final Estimate	Over/ (Under)	% Received
Property Taxes	\$80.3	\$81.4	\$1.1	101.4%
Sales Taxes	\$91.1	\$89.2	(\$1.9)	97.9%
Utility Users Taxes	\$31.5	\$30.6	(\$0.9)	97.1%
Occupancy Taxes	\$10.0	\$10.3	\$0.3	103.0%
Licenses & Permits	\$10.5	\$10.1	(\$0.4)	96.2%
Revenue from Other Agencies	\$0.4	\$0.6	\$0.2	150.0%
Charges for Services	\$34.8	\$35.4	\$0.6	101.7%
Interfund Revenue	\$19.1	\$19.1	\$0.0	100.0%
Fines & Forfeitures	\$3.2	\$3.2	\$0.0	100.0%
Interest/Use of Money	\$3.7	\$4.4	\$0.7	118.9%
Misc. & Non-Operating	\$0.8	\$1.0	\$0.2	125.0%
Transfers from Other Funds	\$22.4	\$21.2	(\$1.2)	94.6%
Total Revenues	\$307.7	\$306.5	(\$1.2)	99.6%
Final Measure S Fund Balance	\$18.7	\$18.7	\$0.0	100.0%
Total Resources	\$326.4	\$325.2	(\$1.2)	99.6%



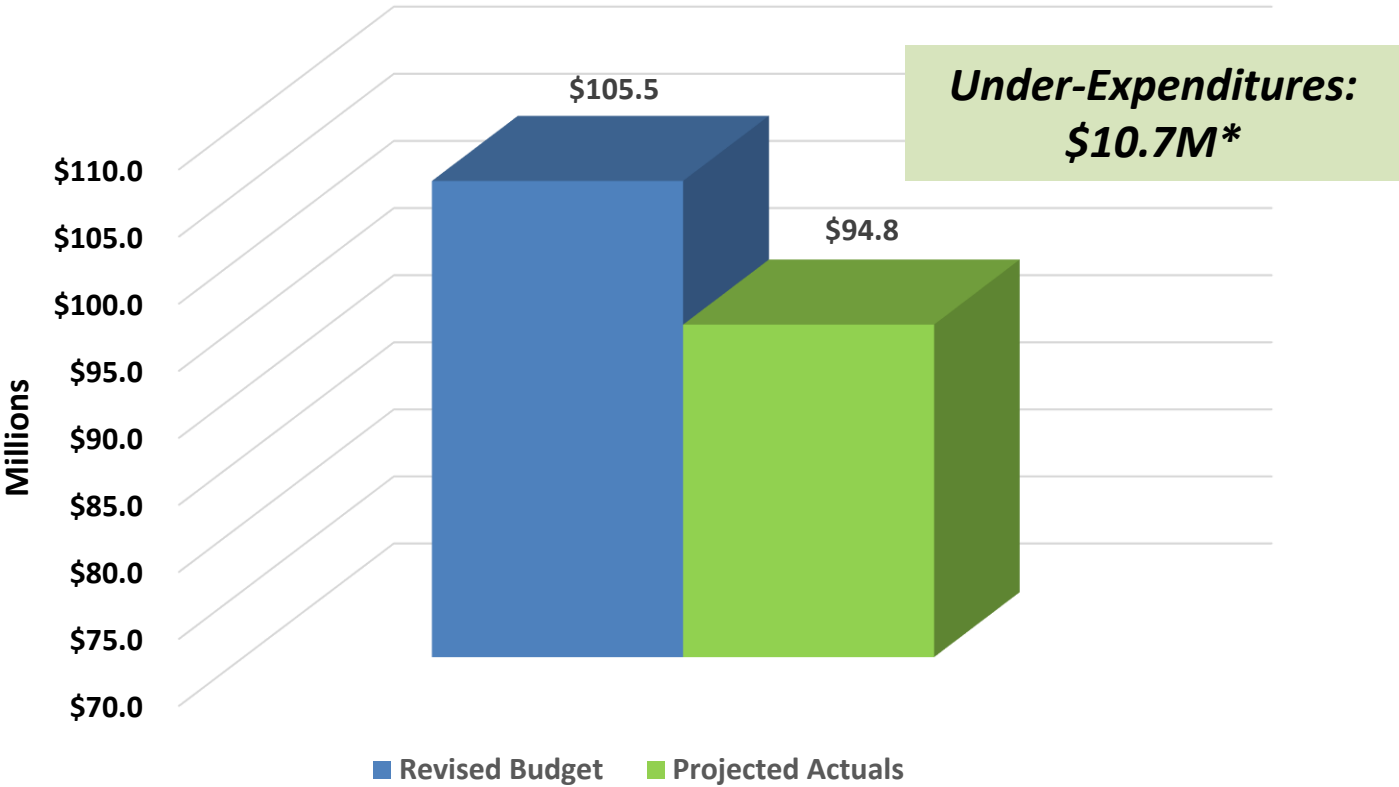
FY 2023-24 General Fund Expenditures

Salaries & Benefits



FY 2023-24 General Fund Expenditures

Maintenance & Operation, Capital & Transfers



*Includes projected carryovers of \$5.2 million

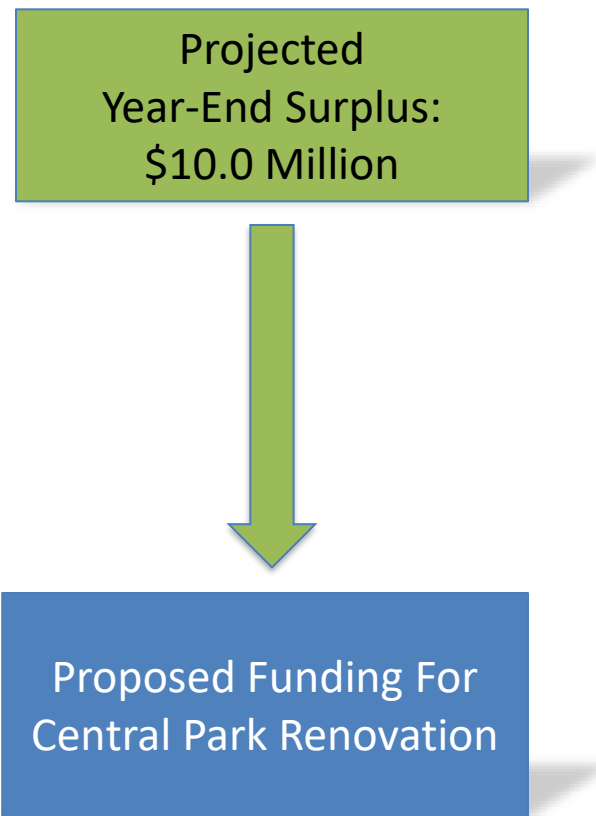


FY 2023-24 General Fund Year-End Projection

Category (In Millions)	Final Projection
Revenues	\$306.5
Final Measure S Fund Balance	\$18.7
Resources	\$325.2
Expenditures	\$310.0
Subtotal	\$15.2
Projected Carryover	(\$5.2)
Net Surplus/(Use)	\$10.0



FY 2023-24 General Fund Year-End Projection



FY 2023-24 General Fund Ending Fund Balance

Category (In Millions)	Final Projection
Resources	\$325.2
Expenditures	\$310.0
Subtotal	\$15.2
Projected Carryover	(\$5.2)
Central Park Renovation	(\$10.0)
Net Surplus/(Use)	\$0.0
Projected Ending Reserve	\$123.2
Reserve %	38.5%

*Council Reserve Policy is a floor of 25% with a target of 35%



City of Glendale

General Fund

Five-Year Forecast



General Fund Five-Year Forecast

FY 2024-25 Proposed Budget

Without Proposed Fee Study Revenues

\$ In Millions	24-25	25-26	26-27	27-28	28-29
Resources	\$314.7	\$324.8	\$333.7	\$333.3	\$342.2
Section 115 Trust	0.0	0.0	5.0	5.0	5.0
Total Resources	\$314.7	\$324.8	\$338.7	\$338.3	\$347.2
Appropriations	\$315.6	\$326.6	\$339.5	\$348.4	\$361.0
Capital Improvement	10.0	10.0	10.0	10.0	10.0
Total Appropriations	\$325.6	\$336.6	\$349.5	\$358.4	\$371.0
Net Change	(\$10.9)	(\$11.8)	(\$10.8)	(\$20.1)	(\$23.8)
Ending Reserve*	\$112.3	\$100.5	\$89.7	\$69.6	\$45.8
	34.5%	29.9%	25.7%	19.4%	12.3%

*Council Reserve Policy is a floor of 25% with a target of 35%



General Fund Five-Year Forecast

FY 2024-25 Proposed Budget

With Proposed Fee Study Revenues

\$ In Millions	24-25	25-26	26-27	27-28	28-29
Resources	\$314.7	\$324.8	\$333.7	\$333.3	\$342.2
Section 115 Trust	0.0	0.0	5.0	5.0	5.0
Proposed Citywide Fees	4.0	4.0	4.0	4.0	4.0
Total Resources	\$318.7	\$328.8	\$342.7	\$342.3	\$351.2
Appropriations	\$315.6	\$326.6	\$339.5	\$348.4	\$361.0
Capital Improvement	10.0	10.0	10.0	10.0	10.0
Total Appropriations	\$325.6	\$336.6	\$349.5	\$358.4	\$371.0
Net Change	(\$6.9)	(\$7.8)	(\$6.8)	(\$16.1)	(\$19.8)
Ending Reserve*	\$116.3	\$108.5	\$101.7	\$85.6	\$65.8
	35.7%	32.2%	29.1%	23.9%	17.7%

*Council Reserve Policy is a floor of 25% with a target of 35%



City of Glendale

FY 2024-25 General Fund

Proposed Budget



FY 2024-25 Proposed General Fund Revenues

In Millions

Category	23-24 Final Estimate	24-25 Proposed	Increase/ (Decrease)	% Change
Property Taxes	\$81.4	\$84.0	\$2.6	3.2%
Sales Taxes	\$89.2	\$91.1	\$1.9	2.1%
Utility Users Taxes	\$30.6	\$32.7	\$2.1	6.9%
Occupancy Taxes	\$10.3	\$10.8	\$0.5	4.9%
Licenses & Permits	\$10.1	\$11.3	\$1.2	11.9%
Revenue from Other Agencies	\$0.6	\$0.4	(\$0.2)	(33.3%)
Charges for Services	\$35.4	\$38.9	\$3.5	9.9%
Interfund Revenue	\$19.1	\$19.7	\$0.6	3.1%
Fines & Forfeitures	\$3.2	\$3.3	\$0.1	3.1%
Interest/Use of Money	\$4.4	\$3.8	(\$0.6)	(13.6%)
Misc. & Non-Operating	\$1.0	\$1.2	\$0.2	20.0%
Transfers from Other Funds	\$21.2	\$21.5	\$0.3	1.4%
Total Revenues	\$306.5	\$318.7	\$12.2	4.0%

*Includes proposed fee study revenues



FY 2024-25 Proposed General Fund Expenditures

In Millions

Category	23-24 Adopted	24-25 Proposed	Increase/ (Decrease)	% Change
Salaries & Benefits	\$223.4	\$231.1	\$7.7	3.4%
Maintenance & Operation	\$75.1	\$80.0	\$4.9	6.5%
Capital Outlay	\$0.05	\$0.1	\$0.05	100%
Transfers Out	\$16.0	\$14.4	(\$1.6)	(10.0%)
Total Expenditures	\$314.5	\$325.6	\$11.1	3.5%



FY 2024-25 General Fund Ending Fund Balance

Category	Projection
Resources	\$318.7
Appropriations	<u>\$325.6</u>
Net Surplus/(Use)	(\$6.9)
Plus Beginning Reserve	<u>\$123.2</u>
Projected Ending Reserve	\$116.3
Reserve %	35.7%

*Council Reserve Policy is a floor of 25% with a target of 35%



Potential Future Revenue Enhancements

- Transfer Tax
- Parcel Tax
- Business License Tax
- Cannabis Tax



City of Glendale

Property Transfer and Parcel Taxes

**Presented By: HDL Coren & Cone
Nichole Cone, Vice President**



Potential Property Tax Options

Tax	Type	Description	Voter Requirement
Property Transfer Tax	General Tax	Revenue for any government purpose	Majority Voter Approval
Parcel Tax for funding of public safety, roads, libraries, parks, etc.	Special Tax	Revenue is restricted for certain purposes	2/3 Voter Approval

Real Property Transfer Tax

- General Tax – Majority Voter Approval
 - Only an option for Charter cities
 - Tax on the price of the property when sold or transferred
 - Applies to all non-government parcels sold and some long-term leases. There can also be exemptions for low-income housing parcels
 - City can determine its own rates, tiers, methodology
 - Current rate in Glendale is \$1.10 per \$1,000 of sales price
 - City receives \$0.55 per \$1,000 and LA County receives \$0.55 per \$1,000
 - If an additional tax is passed, LA County will receive \$1.10 and the City will receive the rate(s) as passed

Model #1 – Santa Monica Model Using Glendale Data from FY 2022/23

Current Transfer Tax		
Rate	Glendale	County Portion
\$1.10 per \$1,000	\$800k	\$800k

Scenario with City of Santa Monica Rate Structure				
Transfer Value	Rate	# of Sales	Glendale Portion	County Portion (\$1.10 per \$1k)
\$0 to <\$5 million	\$3.00 per \$1,000	947	\$3.6m	\$1.3m
\$5 million to <\$8 million	\$6.00 per \$1,000	13	\$0.5m	\$0.1m
\$8 million & Over	\$56.00 per \$1,000	10	\$7.9m	\$0.2m
		Total	\$12.0m	\$1.6m

Model #2 – Culver City Marginal Model Using Glendale Data from FY 2022/23

Current Transfer Tax		
Rate	Glendale	County Portion
\$1.10 per \$1,000	\$800k	\$800k

Scenario with City of Culver City Rate Structure				
Transfer Value	Rate	# of Sales	Glendale Portion	County Portion (\$1.10 per \$1k)
\$0 to <\$1.5 million	\$4.50 per \$1,000	687	\$2.8m	\$0.7m
\$1.5 million to <\$3 million	\$15.00 per \$1,000	225	\$3.0m	\$0.5m
\$3 million to <\$10 million	\$30.00 per \$1,000	51	\$4.1m	\$0.3m
\$10 million & Over	\$40.00 per \$1,000	7	\$3.5m	\$0.1m
	Total	970	\$13.4m	\$1.6m

Model #3 – Alternate Marginal Model Using Glendale Data from FY 2022/23

Current Transfer Tax		
Rate	Glendale	County Portion
\$1.10 per \$1,000	\$800k	\$800k

Scenario with Alternate Marginal Structure				
Transfer Value	Rate	# of Sales	Glendale Portion	County Portion (\$1.10 per \$1k)
\$0 to <\$2 million	\$0.55 per \$1,000	832	\$0.5m	\$1.0m
\$2 million & Over	\$10.00 per \$1,000	138	\$2.9m	\$0.6m
	Total	970	\$3.4m	\$1.6m

Secured Parcel Tax

- 2/3 Voter approval needed
- The tax must be for a specific purpose. Common special taxes are for library, public safety, parks, ambulance services, etc.
- Applies to all non-exempt parcels. Some parcels may be taxed at different rates based on their benefit.
- A parcel tax cannot be value-based.
 - Flat taxes are an option.
 - Most popular option is a characteristics-based tax. The Assessor-supplied use code, lot or living square footage, and unit count are all common options.

Scenario #1 – Flat Rate Per Use Category

Use Category	Count	Tax Per Parcel	Total Tax Per Category
Commercial	2,119	\$69.03	\$146,277
Cross-Reference	82	\$69.03	\$5,661
Industrial	618	\$69.03	\$42,661
Institutional	187	\$69.03	\$12,909
Miscellaneous	1	\$69.03	\$69
Recreational	53	\$69.03	\$3,659
Residential - Multi-Unit	5,849	\$69.03	\$403,763
Residential - Single-Family Attached	9,709	\$ 11.51	\$111,704
Residential - Single-Family Detached	23,321	\$ 11.51	\$268,312
Vacant	1,757	\$ 11.51	\$20,215
		Total:	\$1,015,228
		Less Delinquencies:	\$1,000,000

Scenario #2

Characteristic Based

Use Category	Rate Type	Count	Tax	Total Tax Per Category
Commercial	Flat	2,119	\$91.03	\$192,893
Cross-Reference	Flat	82	\$9.90	\$812
Industrial	Flat	618	\$101.85	\$62,944
Institutional	Flat	187	\$54.29	\$10,152
Miscellaneous	Flat	1	\$81.22	\$81
Recreational	Flat	53	\$57.47	\$3,046
Residential - Multi-Unit	Units	43,089	\$8.95	\$385,787
Residential - Single-Family Attached	Flat	9,709	\$10.45	\$101,442
Residential - Single-Family Detached	Flat	23,321	\$10.45	\$243,655
Vacant	Flat	1,757	\$8.21	\$14,416
			Total:	\$1,015,228
			Less Delinquencies:	\$1,000,000

Questions & Comments



City of Glendale

Business Tax

**Presented By: HDL Companies
Eric Meyers, Operations Director**





The Basis of the Tax

- The business tax is imposed on the privilege of transacting or carrying on a business.
- It cannot be imposed on net income.
- It is imposed for the purpose of generating revenue and not recouping the costs of regulatory activities.

Five Key Components of A Business License Tax

1. The taxable activity.
2. The measure of the taxable activity.
3. The rate.
4. The classification.
5. The results.



Major Types of Measurements Pros & Cons

Measure	Pro	Con
Per Employee	<ul style="list-style-type: none">• Maybe less volatile than gross receipts	<ul style="list-style-type: none">• Higher burden on businesses with more labor inputs (like restaurants) that have already seen their costs of goods sold increase.• Doesn't capture per-employee productivity gains from technology.
Square Footage	<ul style="list-style-type: none">• Fixed amount for calculation	<ul style="list-style-type: none">• Can be tricky to calculate.• Tends to miss the business activity occurring at other than floor level.• Is limited to only businesses with a location in the city, reducing the tax base.
Unit	<ul style="list-style-type: none">• The units of input may already be tracked	<ul style="list-style-type: none">• Does require pro-ration and have a low relation to the amount of activity.
Flat Rate	<ul style="list-style-type: none">• Easy to calculate	<ul style="list-style-type: none">• No clear relationship to the amount of taxable activity.
Gross Receipts	<ul style="list-style-type: none">• Closer relationship to the amount of business• Can include alternative measures for the cost of operations	<ul style="list-style-type: none">• Increase in the volatility of revenues since they are pegged to the outputs of the business activities.• In some cases, may be harder to calculate.• Under State law, it cannot be based on net income.



Jurisdictions Comparison Summary

Jurisdiction Name	Est. Population	Population Density	Estimated Businesses	Tax Schedule General	Annual Revenue
Pasadena	134,211	6,040	19,000	Base + Per Employee	\$5.9 Million
Burbank	103,920	6,198	16,000	Base + Per Employee	\$2.7 Million



Pasadena Model Rates Applied to Glendale Data

Categories	# of Businesses	Base Rate	Unit Rate	Unit Type	Est # of Employees	Estimated Revenue
General Business Tax	1,855	186.82	\$37.08	Employee	27,599	\$1,301,120
Professional Business Tax	432	496.15	\$247.44	Employee	1,631	\$510,894
Service Business Tax	5,620	186.82	\$37.08	Employee	37,467	\$2,230,815
Theater Tax	12	--	\$2.51	Seat	72	\$5,120
General Contractor	72	997.13	--	Per Business	170	\$71,793
Specialty Contractor	90	748.19	--	Per Business	135	\$67,337
Hotel Motels	60	183.73	\$19.84	Rooms over 3	2,061	\$115,469
Non Residential Rental < 1,000 SqFt	165	100.69	--	Per Business	165	\$16,614
Non Residential Rental > 1,000 SqFt	1,170	100.69	\$19.84	Per 1,000 Sq. Ft.	2,796	\$521,364
Total:						\$4,840,526



Burbank Model Rates Applied to Glendale Data

Categories	# of Businesses	Base Rate	Unit Rate	Unit Type	Est # of Employees	Estimated Revenue
Manufacturing, Wholesaling, Retailing	1855	\$112.85	\$6.75	Employee	27,599	\$383,105
Business Services	4175	\$112.85	\$10.55	Employee	34,975	\$796,089
Professions and Related Occ.	658	\$112.85	\$13.70	Employee	2,298	\$96,723
Unclassified	1085	\$112.85	\$10.55	Employee	1,663	\$128,535
Contractors	162	N/A	0.001	Gross Receipts (Max: \$530)	305	\$60,288
Apartments	126	N/A	\$11.30	Per Unit	189	\$12,814
Hotels and Motels	60	N/A	\$22.60	Per Unit	2,061	\$135,600
Commercial Rental	1355	\$112.85	\$2.25	Per 100 Sq. Ft.	3,006	\$495,662
Total:						\$2,108,816

Questions & Comments



City of Glendale

Cannabis Retail Tax

**Presented By: HDL Companies
Mark Lovelace, Senior Advisor**



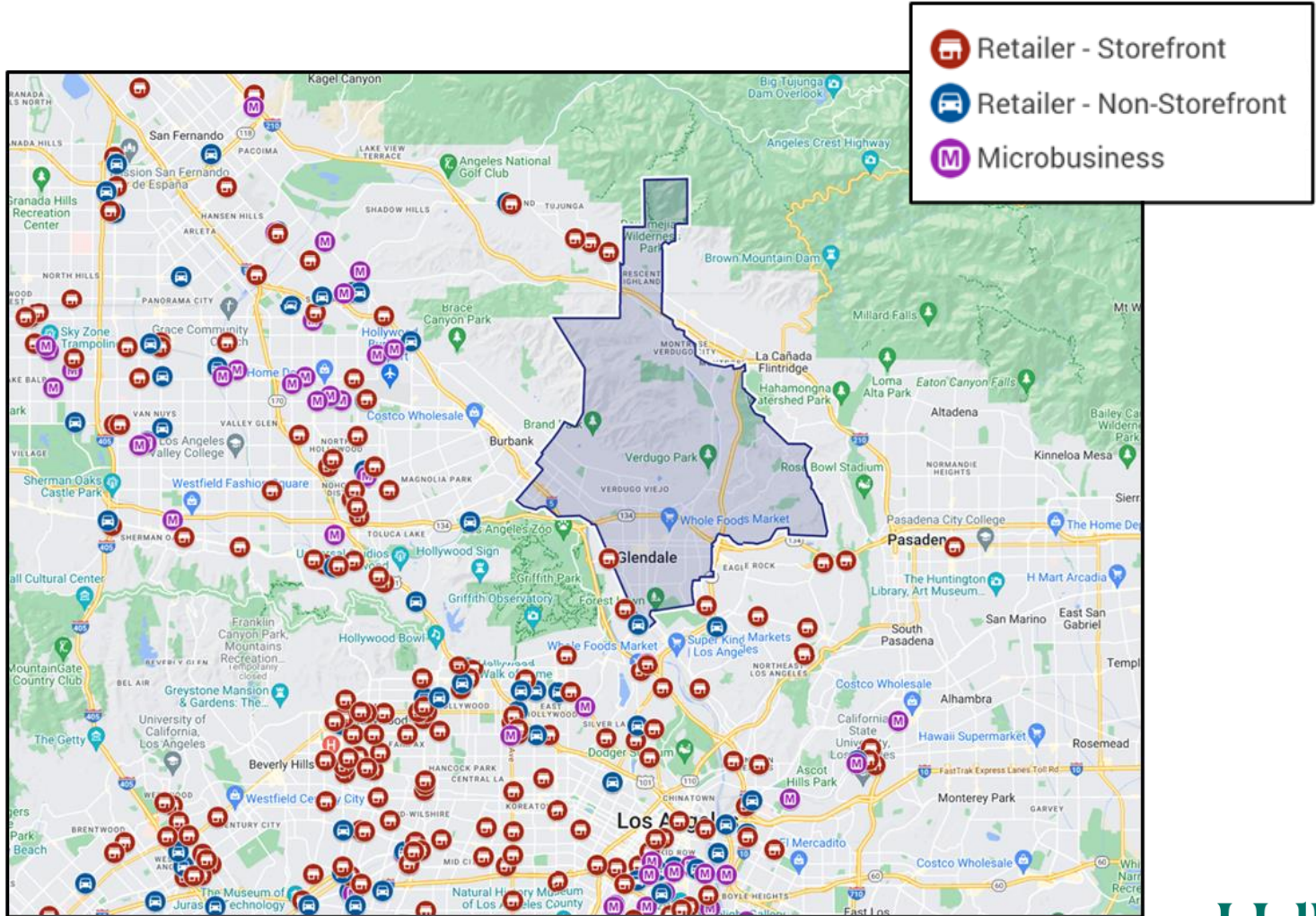


Background

- The City of Glendale currently prohibits cannabis businesses.
- This analysis seeks to develop estimates for the amount of revenue that may be generated through a retail cannabis tax.
- All revenues from a cannabis tax would be available for general City expenses.



Cannabis Retailers in the Glendale Region





Cannabis Taxes/Fees in the Region

Cannabis Retailers and Tax Rates in the Glendale Area				
City	Retail; Maximum	Retail; Current	# of Retailers	Notes
Los Angeles County	6.0%	4.0%	0	County program still in development
Los Angeles (City)	5.0% / 10.0%	5.0% / 10.0%	554	Different rates for Medicinal / Adult use
Long Beach	8.0% / 12.0%	6.0% / 8.0%	38	Different rates for Medicinal / Adult use
Pasadena	4.0%	4.0%	3	
Baldwin Park	0.5% / 4.0%	0.5% / 4.0%	0	Different rates for Medicinal / Adult use
Commerce	5.0% + \$52K	5.0% + \$52K	6	Development agreements instead of a tax
Montebello	Varies	Varies	14	Development agreements; amount varies
Maywood	10.0%	10.0%	6	
El Monte	9.0%	5.0%	6	
Pomona	6.0%	6.0%	4	
West Hollywood	7.5%	7.5%	15	
HdL Recommended	4.0% - 6.0%	4.0% - 6.0%	N/A	



Cannabis Retail Tax Revenue Projections

Revenue Projections for Cannabis Retailers	
	Estimate
Population of Glendale	189,221
Population of surrounding area	336,921
Total population of service area	526,142
Leakage to retailers in nearby cities	60%
Service area population adjusted for leakage	210,457
Percentage of population that uses cannabis	13%
Number of cannabis users	27,359
Average transaction amount	\$73
Transaction frequency (per month)	2
Monthly gross receipts	\$3,994,470
Annual gross receipts	\$47,933,641
Leakage to illicit market (30%)	\$14,380,092
Adjusted annual gross receipts	\$33,553,549
Cannabis Business Tax: 4.00%	\$1,342,142
Cannabis Business Tax: 6.00%	\$2,013,213
Bradley-Burns 1.0% Local Sales Tax	\$335,535
0.75% Transaction and Use Tax (Measure S, 2018)	\$251,652
Total:	\$1.9 million to \$2.6 million



IF THE MEASURE PASSES

- City under no obligation to allow cannabis businesses
- Tax measure would provide protection in the event the state requires the City to allow cannabis retailers
- The Council could adjust the tax rates as it sees fit, up to the maximum rate
- If the City wanted to allow some types of cannabis businesses, the City would have a great deal of control over the time, place and manner of regulations

Questions & Comments

