City of Glendale

Budget Study Session #1

April 29, 2014

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Agenda

- FY 2013-14
  - 3rd Quarter Update
  - Year-End Projection
  - Proposed Budget Adjustments
  - Organizational Profile
- FY 2014-15
  - General Fund Forecast
  - Proposed General Fund Budget
  - Budget Calendar
- Questions & Comments

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FY 2013-14 3rd Quarter Update

As of March 31, 2014

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FY 2013-14 3rd Quarter Update

General Fund Resources

- Revenues received through March 31, 2014 are $95.3 million
  - Last year at this time revenue was $92.9 million
    - Compared to the same period last year, the revenues are approximately 2.6% higher
  - Increases noted in property, sales, and other taxes, charges for services and miscellaneous revenues
  - Miscellaneous revenue is higher due to $750k received for GSA for the Alex Theater renovation project and reimbursements per AB109 (State Budget Act of 2011: Public Safety Realignment)

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General Fund Resources

March 31, 2014 (In Thousands)

	Adopted Budget	Adjustment	Revised Resources	Actual Receipts	% Received
Property Taxes	$ 45,185	$ 600	$ 45,785	$ 26,449	57.8%
Sales Taxes	32,867	321	33,188	18,542	55.9%
Utility Users Taxes	27,600	-	27,600	18,581	67.3%
Occupancy & Other Taxes	9,090	-	9,090	4,461	49.1%
Licenses & Permits	6,455	1,200	7,655	6,315	82.5%
Revenue from Other Agencies	100	20	120	147	122.5%
Charges for Services	1,904	-	1,904	1,749	91.9%
Interfund Revenue	16,195	-	16,195	12,054	74.4%
Fines & Forfeitures	1,100	-	1,100	582	52.9%
Interest/Use of Money	3,385	-	3,385	2,504	74.0%
Misc & Non-Operating	1,095	-	1,095	1,610	147.0%
Transfers	23,657	-	23,657	2,287	9.7%
Subtotal:	$ 168,633	$ 2,141	$ 170,774	$ 95,281	55.8%
Use of Fund Balance	2,099	2,290	4,389	-	0.0%
Total Resources:	$ 170,732	$ 4,431	$ 175,163	$ 95,281	55.1%

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FY 2013-14 3rd Quarter Update

General Fund Expenditures

- Department expenditures are tracking as expected
  - Reported at the first quarter and mid-year, departments are on track to meet their budget; this remains unchanged at the third quarter
  - General Fund Expenditures are $126.1 million, 72.0% expended versus 71.5% last year
    - All Departments are forecasted to either meet or come in under budget by year end barring any unforeseen expenditures
    - All Departments are below the expected 75% expended mark

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General Fund Expenditures

March 31, 2014 (In Thousands)

	Adopted Budget	Adjustments*	Revised Budget	Actual Expended	% Expended
Administrative Services	$ 5,490	$ 95	$ 5,585	$ 3,596	64.4%
City Attorney	3,207	-	3,207	2,335	72.8%
City Clerk	1,153	-	1,153	628	54.5%
City Treasurer	643	-	643	449	69.8%
Community Development	9,225	454	9,679	6,545	67.6%
Com. Services & Parks	9,585	135	9,720	7,262	74.7%
Fire	40,072	1,473	41,545	30,671	73.8%
Human Resources	2,389	-	2,389	1,637	68.5%
Library, Arts & Culture	7,776	-	7,776	5,313	68.3%
Management Services	4,953	899	5,852	3,444	58.9%
Police	66,874	-	66,874	49,080	73.4%
Public Works	18,077	-	18,077	12,797	70.8%
Transfers	390	-	390	293	75.1%
Retirement Incentive	898	-	898	673	74.9%
Non-Departmental	-	1,375	1,375	1,375	100.0%
Total:	$ 170,732	$ 4,431	$ 175,163	$ 126,098	72.0%

* Includes Carryovers & Adjustments

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Cash Balances – All Funds

March 31, 2014 (In Thousands)

Major Funds:		
General Fund		$ 43,041
Housing Assistance Fund		1,682
Capital Improvement Fund		1,840
Sewer Fund		64,760
Electric Fund		139,545
Cash from Operations	67,297	
Cash from Bond Proceeds	56,793	
Transfer Reserve	15,455	
Water Fund		11,025
Cash from Operations	(14,621)	
Cash from Bond Proceeds	25,646	
Major Funds Total:		$ 261,893

Other Funds:	
Capital Projects Funds	$ 35,388
Debt Service Funds	26,133
Special Revenue Funds	17,635
Nonmajor Enterprise Funds	39,781
Internal Service Funds	93,451
Other Funds Total:	$ 212,388

Grand Total: $ 474,281

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FY 2013-14 General Fund

Year End Projection

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FY 2013-14 General Fund

Year End Projection (In Thousands)

	Revised Budget	Forecast	Variance
Revenue	$ 170,774	$ 170,774	$ -
Expenditures			
Salary & Ben	135,554	132,787	(2,768)
M&O	38,150	36,444	(1,706)
Capital Outlay	320	320	-
CIP	748	20	(728)
Transfers	390	390	-
Expenditures	175,163	169,961	(5,202)
Addition to / (Use of) Fund Balance	$ (4,389)	$ 813	$ (5,202)

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FY 2013-14 General Fund

Fund Balance Projection (In Thousands)

	Unassigned & Charter Reserve	Total Fund Balance
Beginning Balance, 7/1/2013	$ 60,310	$ 62,889
Increase/(Decrease) in Fund Balance	813	813
Projected Ending Fund Balance, 6/30/2014	$ 61,123	$ 63,702
Projected Reserve Percentage*	35.8%	N/A

* Based on adopted appropriation of $170.7 million. Current policy is floor of 30% with a target of 35%

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FY 2013-14 3rd Quarter
Proposed Budget Adjustments

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FY 2013-14 3rd Quarter
Proposed Budget Adjustments

- General Fund - $340,000
  - Funding for June 3, 2014 Special Elections
  - City Clerk's Contractual Services Account

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Organizational Profile

As of March 31, 2014

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Organizational Profile

FY 2013-14 3rd Quarter Update

	Adopted FY 2012-13*	Adopted FY 2013-14
▪ Total Population (Per Department of Finance)	193,111	193,652
▪ Total City Employees (FTE) Budgeted	1,605	1,588
• Total General Fund FTE	896	905
▪ Total Adopted Budget	$697,482,401	$737,941,725
• Total General Fund Adopted Budget	$165,498,883	$170,731,906
▪ Residents served per FTE	120	122
• Residents served per FTE (General Fund)	215	214
▪ Total Budget per capita	$3,612	$3,811
• General Fund Budget per capita	$857	$882

*Includes General Fund & GWP Balancing Strategies

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Organizational Profile

Tri-City Comparison

	FY 2013-14 Adopted Budget		
	Glendale	Burbank	Pasadena
▪ Total Population (Per Department of Finance)	193,652	104,982	140,020
▪ Total City Employees (FTE) Budgeted	1,588	1,391	2,145
• Total General Fund FTE	905	952	937
▪ Total Adopted Budget	$737,941,725	$647,966,130	$677,891,276
• Total General Fund Adopted Budget	$170,731,906	$149,474,906	$202,662,000
▪ Residents served per FTE	122	75	65
• Residents served per FTE (General Fund)	214	110	149
▪ Total Budget per capita	$3,811	$6,172	$4,841
• General Fund Budget per capita	$882	$1,424	$1,447

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Organizational Profile
June 30, 2013
Outstanding Debt (in Thousands)

COPs (GPD Facility)	$ 48,900
Revenue Bonds	195,905
Claims Payable	43,650
Landfill Closure / Liability	39,635
Compensated Absences	22,147
Post Employment Benefits	57,997
Other	17,180
Total Outstanding Debt	$ 425,414

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Organizational Profile
June 30, 2013
Liquidity Ratios (in Thousands)
Tri-City Comparison

	Glendale	Burbank	Pasadena
Total Current Assets	$ 434,212	$ 272,890	$ 236,458
Total Current Liabilities	$ 78,189	$ 56,486	$ 72,874
Total Inventories	$ 6,907	$ 11,014	$ 20,201
Current Ratio	5.55x	4.83x	3.24x
Quick Ratio	5.47x	4.64x	2.97x

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Organizational Profile
June 30, 2013
Debt Ratios (in Thousands)
Tri-City Comparison

	Glendale	Burbank	Pasadena
Total Assets	$ 2,100,297	$ 762,711	$ 1,029,076
Total Liabilities	$ 470,822	$ 263,589	$ 369,622
Total Net Assets	$ 1,630,918	$ 499,375	$ 658,842
Debt Ratio	22%	35%	36%
Debt to Equity Ratio	29%	53%	56%

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Organizational Profile
FY 2013-14 3rd Quarter Update

	Adopted FY 2012-13*		Adopted FY 2013-14	
Public Safety	$ 134,355,491	19.9%	$ 130,131,085	18.3%
Public Works, Utilities & Transit	376,552,237	55.6%	406,345,956	57.3%
Community Development	42,671,834	6.3%	42,392,779	6.0%
Quality of Life	41,060,697	6.1%	38,039,162	5.4%
Administration & Internal Service	82,080,947	12.1%	92,701,619	13.1%
Total Operational Expenditures**	$ 676,721,206	100.0%	$ 709,610,601	100.0%

* Includes General Fund & GWP Balancing Strategies

** Excludes transfers

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Organizational Profile

FY 2013-14 3rd Quarter Update

Total Personnel Appropriation – All Funds
Four-Year Comparison (in millions)

	Adopted FY 2010-11	Adopted FY 2011-12	Adopted FY 2012-13*	Adopted FY 2013-14	% Change from 12-13
Total City Salaries & Benefits	$228.6	$240.3	$218.7	$216.8	(0.8%)
Total City Operating Costs (not including transfers & capital improvement)	$663.6	$678.0	$630.9	$651.4	3.3%
Personnel v. Operating Costs All Funds	34.5%	35.4%	34.7%	**33.3%****	(4.0%)
Employee Count	1,899	1,873	1,605	1,588	(1.1%)

* Includes General Fund & GWP Balancing Strategies

** Meets target of 35%

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Organizational Profile

FY 2013-14 3rd Quarter Update

Total Personnel Appropriation – General Fund
Four-Year Comparison (in millions)

	Adopted FY 2010-11	Adopted FY 2011-12	Adopted FY 2012-13*	Adopted FY 2013-14	% Change from 12-13
Salaries & Benefits	$ 136.3	$ 142.2	$ 131.4	$134.2	2.1%
Maintenance & Operation / ISF Charges	36.6	32.7	33.4	35.8	7.2%
Capital Outlay	0.1	0.1	0.2	0.3	50.0%
Cost Savings Target	(2.1)	(7.7)	(0.6)	-	100.0%
Annual Appropriations Fund (not including transfers)	$ 170.9	$ 167.2	$ 164.4	$170.3	3.6%
Personnel v. M&O General Fund	79.8%	85.0%	79.9%	**78.8%****	(1.4%)
Employee Count	1,030	998	896	905	(1.0%)

* Includes General Fund Balancing Strategies

** Does not meet target of 75%

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Organizational Profile

FY 2013-14 3rd Quarter Update

Total Personnel Appropriation – All Funds
Management v. Non-Management (in millions)

	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Adopted FY 2013-14
Total Salaries* (w/o benefit roll-up)	$146.5	$143.2	$129.8	$129.3
Management Salaries	$28.7	$28.3	$25.4	$24.6
Non-Management Salaries	$117.8	$114.9	$104.4	$104.7
Management Salary Ratio	19.6%	19.8%	19.6%	**19.0%****

* Includes General Fund & GWP Balancing Strategies

** Meets target of 20%

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Organizational Profile

FY 2013-14 3rd Quarter Update

Average Benefit Load - All Employees*

Benefit	2011-12 Safety	2011-12 Non-Safety	2012-13 Safety	2012-13 Non-Safety	2013-14 Safety	2013-14 Non-Safety
Accrued Time	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%
Employee Insurances	12.17%	15.47%	12.27%	14.96%	12.20%	16.30%
Employer Costs	14.25%	6.31%	19.75%	11.21%	17.31%	10.76%
Retirement	30.31%	15.66%	30.38%	15.73%	31.79%	16.18%
Retirement Cost Share	(2.75%)	(2.20%)	(2.75%)	(2.20%)	(2.87%)	(2.20%)
Total	59.18%	40.44%	64.85%	44.90%	63.63%	46.24%

* Data based on weighted average

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Organizational Profile

FY 2013-14 3rd Quarter Update

Fiscal Year	Authorized Positions
2002-03	1,835
2003-04	1,829
2004-05	1,881
2005-06	1,995
2006-07	1,974
2007-08	1,986
2008-09	1,942
2009-10	1,904
2010-11	1,899
2011-12	1,873
2012-13	1,605*
2013-14	1,588

*Includes General Fund & GWP Balancing Strategies

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General Fund Forecast

FY 2014-15 to FY 2021-22

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General Fund Forecast

Future Challenges

- Operating Costs
  - On-going Salaries & Benefits + Maintenance & Operating Costs
- Pension Costs
  - Significant increases expected within the next five years
- General Fund Capital Improvement
  - Current funding is 1% of Sales Tax Revenue
- Internal Service Funds
  - Workers' Compensation , Information Technology, Fleet Replacement
- Other Post Employment Benefits
  - Implied subsidy for retirees has created an unfunded liability of $214 million

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General Fund Forecast

Revenue Assumptions

- Council approved projects included in revenue estimates
  - Includes all future "pipeline" projects
- Assumes no voter approved revenue enhancements
- Does not include potential new tax revenue from new business relocating to Glendale (i.e. new Auto Dealerships, Retail, Restaurants, etc)
- Total General Fund Revenues expected to increase annually by an average of 2.4% through FY 2021-22
- Average annual growth for major revenue categories:
  - Property Tax – 3.1%
  - Sales Tax – 4.6%
  - Utility Users' Tax – 1.5%
  - Building Permits – 5.2%
  - Other Licenses & Permits – 3.5%
  - Charges for Services – 3.1%
  - Continued reduction of Electric transfer of $250k annually to a floor of 10%

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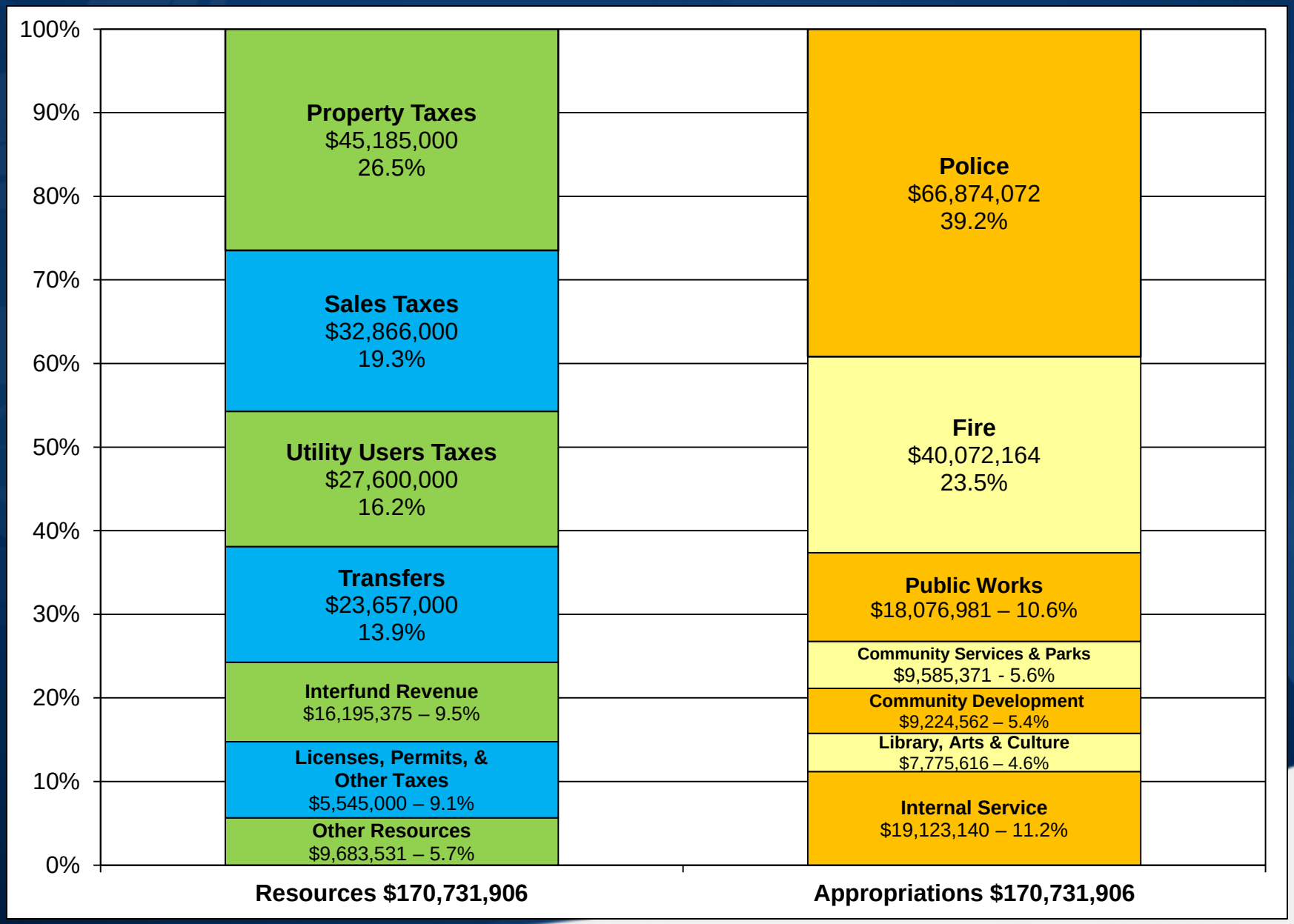
FY 2013-14 General Fund

Resources vs Appropriations



General Fund Forecast

Appropriation Assumptions (1 of 15)

- Salaries
  - Includes annual step increases estimated at approximately $800k fully loaded
  - One scheduled COLA (3.5%) for GFFA in FY 2015-16 estimated at $1.3 million fully loaded
- Medical Benefits
  - 10% annual increase for the next five years based on estimate received from insurance broker
  - Assumes 50% cost share w/ employee groups
- PERS is a major cost driver
- Focus on “total compensation” cost

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General Fund Forecast

Appropriation Assumptions (2 of 15)

- Salaries
  - Salary surveys indicate that non-safety positions are below market
    - Based on 11 city comparison
    - GCEA, GMA, IBEW & Executives have gone without positive salary adjustment since 2008
  - Safety salaries hover near market average
    - GPOA has not had COLA since 2011
    - GFFA deferred COLA several years until FY 13-14; due 3.5% in FY15-16
  - All employees participate in some form of salary offset toward pension cost
  - Current weighted percentage of total comp: 60%

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General Fund Forecast

Appropriation Assumptions (3 of 15)

- Benefits (Medical benefits, employment costs, etc)
  - Aggressive pricing has eased impact – will it last?
  - 50% cost share with employees is the new normal
  - Impact of health care reform on current and retired employees?
  - Current weighted percentage of total comp: 26%

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General Fund Forecast

Appropriation Assumptions (4 of 15)

- PERS
  - Rates are approaching historic highs, plateauing in “out years”
  - PERS Board appears determined to correct past failures in a fixed timeframe
  - Cost-containment
    - Near-term: Employee Cost Sharing
    - Long-term: Two-tier Benefit Structure; PEPRA
    - OPEB Liability equals “implied subsidy” only
  - Current weighted percentage of total comp: 14%

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General Fund Forecast

Appropriation Assumptions (5 of 15)

- PERS Safety

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Rate	31.79%	34.97%	37.1%	41.39%	44.73%	48.07%	51.41%	52.65%	52.65%
Amount (Millions)	$13.7	$14.6	$15.9	$18.0	$19.8	$21.5	$23.3	$24.1	$24.2

- PERS Miscellaneous

	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Rate	16.83%	17.46%	19.00%	21.50%	23.65%	25.80%	28.05%	28.7%	28.7%
Amount (Millions)	$5.2	$5.5	$6.1	$7.1	$8.0	$8.9	$9.8	$10.2	$10.2

- In FY 2013-14 the General Fund PERS cost, net of employee cost sharing, is $18.9 million
  - Forecasted to increase by $15.5 million to a total net cost of $34.4 million by FY 2021-22
  - Without employee cost sharing, the City's PERS cost would be $37.3 million in FY 2021-22 – **a $2.9 million annual savings**

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General Fund Forecast

Appropriation Assumptions (6 of 15)

	PERS Cost	Cost Sharing	Net PERS Cost	Appropriation	% of Budget
FY 2013-14*	$21,052,594	$2,198,165	$18,854,429	$169,334,721	11.1%
FY 2014-15*	$22,775,837	$2,690,111	$20,085,726	$174,503,654	11.5%
FY 2015-16*	$24,749,482	$2,779,110	$21,970,372	$181,752,866	12.1%
FY 2016-17*	$27,927,401	$2,798,565	$25,128,836	$188,030,478	13.4%
FY 2017-18*	$30,558,064	$2,818,155	$27,739,909	$192,778,059	14.4%
FY 2018-19*	$33,224,188	$2,837,883	$30,386,305	$198,892,287	15.3%
FY 2019-20*	$35,965,493	$2,857,748	$33,107,745	$203,574,472	16.3%
FY 2020-21*	$37,082,024	$2,877,752	$34,204,272	$206,146,551	16.6%
FY 2021-22*	$37,341,598	$2,897,896	$34,443,702	$207,876,048	16.6%

*Projected

**Ten year average % of PERS cost to General Fund expenditures: 9.1%

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General Fund Forecast

Appropriation Assumptions (7 of 15)

CalPERS Historical Rates

	Safety %	Non-Safety %
1976	29.70	12.21
1981	36.07	19.81
1986	32.49	20.01
1991	19.07	11.62
1996	10.95	9.54
2001	0.00	0.00
2006	24.58	9.95
2011	25.06	11.67
2012	30.31	15.66
2013	30.38	15.73
2014	31.79	16.18
2015	34.97	17.46
39 year average	22.70	11.89
2016*	37.10	19.00
2017*	41.39	21.50
2018*	44.73	23.65
2019*	48.07	25.80
2020*	51.41	28.05

*Projected Rates

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General Fund Forecast

Appropriation Assumptions (8 of 15)

- Potential Separation from PERS?
  - Would require Charter Amendment
  - Current unfunded liability is approximately $238 million
  - PERS would revalue the liability at a lower discount rate likely pushing unfunded liability much higher – est. at ***$578 million***
    - Payment for entire unfunded liability would be due upon demand from PERS
  - City would be at competitive disadvantage in the labor market
  - Private sector model would likely not yield significant savings

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General Fund Forecast

Appropriation Assumptions (9 of 15)

- PERS benefit reality check:
  - 2039 City of Glendale pensioners
  - Highest annual pension: $211,151
  - Lowest annual pension: $3.36
  - Average annual pension: $38,658
  - Median annual pension: $28,017
  - Pensions are allocated among respective employer agencies. For example, a pensioner could receive an amount different than listed here (depending on where they worked); however, this is the City of Glendale's share of the pension paid.
  - Average Safety Pension: $52,913
  - Average Miscellaneous Pension: $27,950

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General Fund Forecast

Appropriation Assumptions (10 of 15)

- Total Compensation Equation
  - Salary + Benefits + Retirement
  - 60% + 26% + 14% = 100%
  - Reflects cost share with employee associations
- How do we sustain our value proposition?
  - Focus on priorities
    - Citizen Satisfaction Survey
  - Invest strategically in the organization
    - Long-term versus short-term outcomes
    - Maintain perspective and avoid distractions
  - Do more with less
    - Role of technology, outsourcing and network collaboration
    - Attract the best talent – Five Tool Players
- Comprehensive Compensation Strategy

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General Fund Forecast

Appropriation Assumptions (11 of 15)

Principles of Compensation Management

I. The City shall seek to balance the Council priorities of Fiscal Responsibility and Exceptional Customer Service by attracting and employing quality city personnel within a sustainable financial structure.

II. All elements of employee compensation must be funded and secured, and based on the City's ability to pay.

III. The City shall periodically endeavor to calibrate compensation for classifications at the average of comparable cities in the defined market. However, the City may establish select compensation classifications more competitively within the market, based on department mission, program priority, and market forces.

- The City shall pay average market salary and expect exceptional execution and performance

IV. In addition to consideration of market comparisons, the City shall also endeavor to analyze internal organizational equity within comparable job classifications and amongst the respective bargaining units.

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General Fund Forecast

Appropriation Assumptions (12 of 15)

Principles of Compensation Management (Con't)

V. Merit compensation increases and/or bonus consideration shall be based solely on employee performance and on the City's ability to pay in a non-discriminatory fashion.

VI. In order to sustain the defined-benefit model, employees shall participate in funding retirement costs to the maximum extent possible.

VII. The City's PERS program participation will reflect sustainable actuarial horizons.

VIII. The City's total General Fund workforce costs should not exceed 75% of net operating expenses on an annual basis.

IX. The City's total management costs should not exceed 25% of its total personnel costs, ensuring a trim and efficient organizational structure.

X. Employee time accruals will be monitored and utilized to ensure that separating employees' payouts are minimized.

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General Fund Forecast

Appropriation Assumptions (13 of 15)

- Workers' Compensation Insurance
  - Fund balance deficit is $16.8 million as of June 30, 2013
  - Assumes one-time increase of approximately $1.5 million in FY 2014-15
  - Compensation Insurance Fund balance deficit projected to be eliminated by FY 2021-22

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General Fund Forecast

Appropriation Assumptions (14 of 15)

- Fleet/Equipment Replacement
  - Funding is increased by $700k starting in FY 2014-15 with 13% annual increases through FY 2018-19
  - By FY 2018-19 replacement cost for Fire, Police, Community Services & Parks, and Public Works (General Fund) will be fully funded
- Information Services Infrastructure
  - Funding is increased by $1 million starting in FY 2015-16 with modest increases in future years
  - Necessary to replace aging Information Services infrastructure (i.e. servers, routers, switches, computers, etc)
  - Additional funding will be needed

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General Fund Forecast

Appropriation Assumptions (15 of 15)

- General Fund Capital Improvement Program
  - Current funding is 1% of sales tax
  - Increase by .25% annually starting in FY 2015-16 with a cap of 2.0%
- Base Line Expenditures
  - Includes all other Salaries & Benefits, M&O
  - Expected to grow by .75% annually based on historical expenditure patterns

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General Fund Forecast

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Resources	$ 172.8	$ 177.8	$ 182.5	$ 187.6	$ 193.4	$ 198.8	$ 202.5	$ 206.3
Appropriations								
Base Line	170.3	171.8	172.7	172.6	173.5	174.3	175.2	176.1
PERS	1.7	3.7	6.9	9.5	12.2	14.9	16.0	16.3
CIP	0.0	0.1	0.2	0.4	0.5	0.6	0.6	0.6
ISF's	2.0	4.7	6.4	8.4	10.2	11.3	11.8	12.3
COP's	0.5	0.5	0.8	0.8	1.0	1.0	1.0	1.0
OPEB	0.0	0.8	1.0	1.3	1.5	1.5	1.5	1.5
Total Appropriations	$ 174.5	$ 181.6	$ 188.0	$ 193.0	$ 198.9	$ 203.6	$ 206.1	$ 207.8
Net Surplus / (Deficit)	$ (1.7)	$ (3.8)	$ (5.5)	$ (5.4)	$ (5.5)	$ (4.8)	$ (3.6)	$ (1.5)
Potential GRA Loan Repayment	1.2	1.8	4.7	5.0	4.4	4.4	4.4	4.4
Net Surplus / (Deficit)	$ (0.5)	$ (2.0)	$ (0.8)	$ (0.4)	$ (1.1)	$ (0.4)	$ 0.8	$ 2.9
Percent of Revenue	-0.3%	-1.1%	-0.4%	-0.2%	-0.6%	-0.2%	0.4%	1.4%

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General Fund Forecast
"The Good, the Bad and the Ugly"

- The Good
  - Glendale is stable, progressive and approaching structural balance
  - Fiscal discipline allows Glendale to weather the worst of storms
- The Bad
  - At current levels, no new programming
  - At current levels, risk of losing key personnel
  - At current levels, Glendale wades through a long slog
- The Ugly
  - State of California continues to burden cities
  - Potential loss of GRA loan repayment is a tremendous – though not unprecedented – challenge (ERAF cost $124 million)

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General Fund Forecast
Alternatives

- Option #1 – "maintain the status quo"
  - Work through existing construct addressing small, consecutive deficits
  - Pro's
    - Maintain status quo as projected deficits are manageable
    - Know what the City's current service levels are
    - Continue to streamline through attrition and re-fill positions on a selective basis
    - Organizational performance ratios are within/close to established targets
  - Con's
    - Employee morale could decline
    - Will eventually be at a competitive disadvantage to attract & retain a skilled labor force
    - Assumes no new programming

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General Fund Forecast
Alternatives

- Option #2 – "finding a new path"
  - Continued reorganization featuring severance/retirement incentive for miscellaneous & management employees
    - Civil Service system impacts options and scope
    - Hold positions vacant to pay for incentive (6 month minimum)
  - Increased PERS cost-sharing offset by salary range increases
    - Approach market averages
  - Develop and implement OPEB strategy
    - Help mitigate future medical increases and protect balance sheet

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General Fund Forecast
Alternatives

- Option #2 – “finding a new path”
  - Pro’s
    - Establishes new framework for City’s compensation strategy
    - Provides opportunity to make organizational investments
    - Mandates that the City continue to evolve its priorities and processes
  - Con’s
    - Impact is uncertain
    - Impact will be more noticeable to residents and businesses
    - Employee groups may interpret prioritization as “favoritism”
    - Networks and collaborations are more volatile and offer less control

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FY 2014-15 General Fund

Proposed Budget

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FY 2014-15 General Fund
Proposed Budget (1 of 4)

- Property & Sales Tax forecasted to increase 3.8% and 5.6% respectively over last year's original estimate
- Building permits is expected to grow at 7.7% relative to last year's original estimate
- Overall General Fund revenues expected to grow at 2.5%
  - Little or negative growth expected in other categories such as UUT (0.5%), Franchise Tax (1.0%), Charges for Services (-1.7%), and Fines & Forfeitures (-13.6%)
  - Continued reduction of the Electric Transfer of $250k

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FY 2014-15 General Fund
Proposed Budget (2 of 4)

- Salaries & Benefits increase of $2.7 million
  - No Cost of Living Adjustments
  - PERS increase of $1.7 million offset by increase employee Cost Sharing by $500k for a net increase of $1.2 million
    - GFFA cost share to increase to 3.5% on 1/1/15
  - Workers Comp increase of $1.5 million
    - Fund Balance deficit is $16.8 million as of June 30, 2013
    - Will be amortized over 8 years
  - Minor increase to medical/dental/vision
  - Other benefits held constant

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FY 2014-15 General Fund
Proposed Budget (3 of 4)

- Maintenance & Operation increase of $710k
  - Increase of approximately $653k (13%) for the Fleet / Equipment Management Fund
  - Increase of approximately $350k for contractual obligations
  - Slight increase to Liability Insurance of $144k
  - Offset by reductions in discretionary M&O and Information Services Department (ISD) Service Charge by a total of $437k
    - Reduction in ISD Service Charge is one-time as several completed projects were removed from the service charge
    - Expected to increase in future years to fund critical infrastructure needs

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FY 2014-15 General Fund
Proposed Budget (4 of 4)

- Transfer of $500k added to budget to fund the repayment of the Certificates of Participation (COP's)
- General Fund Capital Improvement remains at 1% of Sales Tax
  - Increase of $17k for a total of $347k transferred to CIP Fund 401
- Increase of $10k for Nutritional Meals
- Economic Development shifted to Economic Development Fund 215
  - Staffing costs and programming costs funded by additional property tax as a result of AB1x 26
- One time use of Fund Balance ~ $7 million
  - $2 million for Information Technology Data Center upgrade
  - $5 million for Central Library renovation
    - Funds repaid through former GRA 2011 bonds

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FY 2014-15 General Fund

Proposed Resources

Starting Revenue Estimate:		$ 170,773,769
Adjustments:		
Cost Allocation	$ 327,228	
Decrease in Transfer from Electric Fund	(250,000)	
Property Tax/VLF Backfill	1,080,000	
Sales Tax	1,513,000	
GRA Loan Repayment	1,200,000	
Utility Users Tax	146,000	
Occupancy/Franchise/Property Transfer Tax	250,000	
Building Permits & Licenses	(730,000)	
All Other Revenues (net)	(303,894)	3,232,334
Proposed Revenue Estimate:		$ 174,006,103
Use of Fund Balance – Current Year		495,424
Subtotal – Current Year Resources:		$ 174,501,527
One-Time Use of Fund Balance		
Data Center Upgrade		2,000,000
Central Library Renovation		5,000,000
FY 2014-15 Proposed Resources:		$ 181,501,527

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FY 2014-15 General Fund

Proposed Appropriations

Starting Budget:		$ 170,731,906
Salaries & Benefits Increase / (Decrease):		
Salaries	$ (759,150)	
PERS Retirement	1,731,310	
PERS Cost Sharing	(493,359)	
All Other Salaries & Benefits	762,504	1,241,305
ISF Rates Increase / (Decrease):		
Workers' Compensation Insurance	$ 1,482,529	
Liability Insurance	144,048	
Fleet/Equipment Rental Charge	653,189	
ISD Service Charge	(282,354)	1,997,412
M&O / Capital Outlay / Transfers		530,904
Subtotal – Current Year Appropriations:		$ 174,501,527
One-Time Appropriations		
Data Center Upgrade		2,000,000
Central Library Renovation		5,000,000
FY 2014-15 Proposed Appropriations:		$ 181,501,527

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FY 2014-15 General Fund
Proposed Budget

	FY 2014-15 Recurring	One-Time Projects	FY 2014-15 Proposed Budget
Revenues	$ 174,006,103	$ -	$ 174,006,103
Appropriations	174,501,527	7,000,000	181,501,527
Use of Fund Balance	$ (495,424)	$ (7,000,000)	$ (7,495,424)

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FY 2014-15 General Fund

Fund Balance Projection (In Thousands)

	Unassigned & Charter Reserve	Total Fund Balance
Projected Beginning Balance, 7/1/2014	$ 61,123	$ 63,702
Increase/(Decrease) in Fund Balance	(7,495)	(7,495)
Projected Ending Fund Balance, 6/30/2015	$ 53,628	$ 56,207
Projected Reserve Percentage*	30.7%	N/A

* Based on proposed recurring appropriation of $174.5 million.
Current policy is floor of 30% with a target of 35%.

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Conclusions

- Glendale remains operationally balanced
  - Reliance upon one-time savings, use of fund balance, GRA loan repayment and/or use of General Fund reserves
- Proposed FY 2014-15 General Fund Deficit = $495k
  - Short term options include personnel actions, use of fund balance, program cuts
  - Short term fixes represent Option 1 – maintaining the status quo
- Adopt an organization strategy revolving around targeted reductions and investments
  - Option 2 – Long range transition of the organization
  - Balances market dynamic with ability to pay; provides flexibility to meet service expectations

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Recommendations & Next Steps

- Staff recommends Option 2
  - Develop and implement severance/retirement incentive for miscellaneous & management employees
    - Hold positions vacant to pay for incentive (6 month minimum)
  - Increased PERS cost-sharing offset by salary range increases
    - Approach market averages
  - Develop and implement OPEB strategy
    - Help mitigate future medical increases and protect balance sheet
- Commence meet & confer with employee associations

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Budget Calendar

- April 29, Budget Study Session #1
  - FY 2013-14 Update, Year End Projection & Adjustments
  - Organizational Profile
  - General Fund Forecast
  - FY 2014-15 Proposed General Fund Budget
  - Budget Calendar
- May 6, Budget Study Session #2, 9am to Noon
  - Council Priorities
  - Summary of Appropriations
  - Review of Departmental Budgets

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Budget Calendar

- May 13, Budget Study Session #3, 9am to Noon
  - Proposed New Fees & Increases
  - Capital Improvement Program
  - GWP Capital Improvement Program
  - Budget Wrap Up
- May 20, Budget Hearing, 6pm
- June 3, Budget Adoption, 6pm

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Questions

&

Comments

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