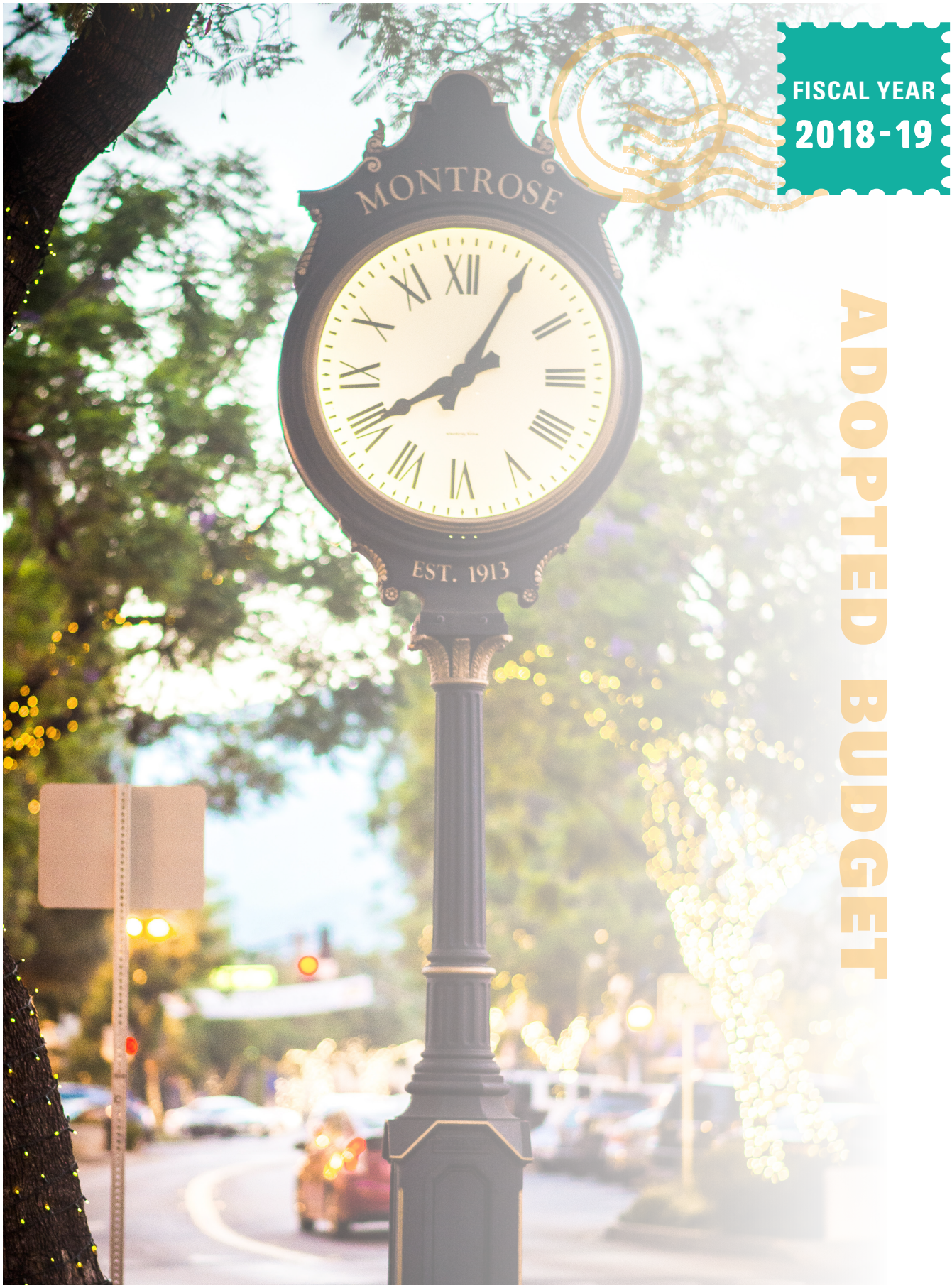


FISCAL YEAR
2018-19

ADOPTED BUDGET

BUDGET GUIDE

CITY OF GLENDALE
BUDGET GUIDE

BUDGET DOCUMENT ORGANIZATION

The Budget Document provides comprehensive budgetary information on the City of Glendale. Hard copies of the Budget Document may be purchased from the Administrative Services - Finance Department and an electronic version is also available on the City's website at www.glendaleca.gov. As noted in the Table of Contents, the Budget Document consists of the following sections:

- *Introductory Section* - This section includes the Community Profile which provides some facts and figures about the City of Glendale. Additionally, this section provides the overall Form of Government and Organizational Chart for the City.

- *Budget Message* - This section includes the City Manager's Budget Message which formally presents the budget to the City Council. It also outlines the total budgeted appropriations. The Budget Message provides the principles that were used to determine the budget priorities and outlines the City's strategic goals. Also considered are the challenges facing the City as well as the general economic outlook.

- *Budget Guide* – This section explains the organization of the budget document along with the budget and financial policies for the City. There is a brief discussion of the fund structures and their descriptions, the GANN Appropriations Limit, and copies of the adopted budget resolutions.

- *Resources & Appropriations* - This section contains information about the major Resources and Appropriations used in preparing the FY 2018-19 Budget.

- *Strategic Goals* - This section includes information about the City's accomplishments over the past year in relation to its long-term strategic goals. Performance Measures are provided in this section and are used as a tool by management to measure effectiveness of the City's operations and services in relation to the strategic goals.

- *Budget Summaries* - This section includes various schedules and reports which provide the financial plan adopted by City Council.

- *Department Budgets* – This section provides the mission and description of each department within the City's organizational chart. This section also highlights how each department's programs and services relate to the City's strategic goals. The operating budget, capital improvement projects, and staffing information are also included in this section for each division and/or program within that department.

- *Appendices* - This section includes the Glossary of Terms which provides the readers with the definition of the various budgetary and financial vocabularies, including acronyms, found throughout the Budget Document, and a description of all fund types. This section also contains a table of funds used by City Departments and additional Budget Adoption Resolutions for the Glendale Housing Authority.

CITY OF GLENDALE
BUDGET GUIDE

BUDGET POLICIES & PROCEDURES

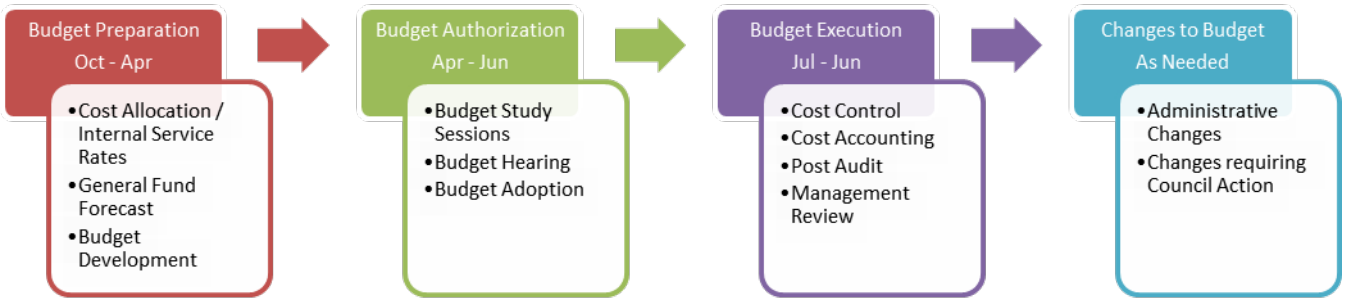
As the financial plan of action for the City government, the annual budget is an important document, and the process of preparing that plan of action is one of the most significant jobs performed by City personnel during the year. The budget is more than just the financial plan for raising and spending money to operate the city government. It determines the quality and quantity of governmental services, and the method of distributing costs to the various segments of the community through collection of taxes and fees. It defines the services to be rendered by the departments, the level of these services and capital outlays and projects for the upcoming fiscal year.

The proposed budget is compiled from detailed information furnished by the various departments and includes estimates of revenues and expenditures for the ensuing year. These estimates are required to be as nearly uniform as possible and shall include the following:

- An estimate of the expenses for each department.
- Expenditures of corresponding items for the prior and the current fiscal years, including adjustments due to transfers between appropriations plus an estimate of expenditures to complete the current fiscal year.
- Such information as may be required by the City Council or as the City Manager may deem advisable to submit.
- The recommendations of the City Manager as to the amounts to be appropriated, with reasons therefore, in such detail as the City Council may direct. The City Council shall have power to revise, correct or modify said proposed budgets.

The Charter also provides that the City Council hold a public hearing to solicit public input on the proposed budget. It is the City's policy to adopt the budget on or before June 30.

The annual budget process is a year-long continuing process. The main phases to the budget process include *Budget Preparation*, *Budget Authorization*, *Budget Execution*, and *Changes to the Adopted Budget* as shown below.



CITY OF GLENDALE
BUDGET GUIDE

I. Budget Preparation

Budget Preparation includes determining the objectives and needs of the organization, evaluating courses of action, and determining the means of attaining these objectives. It identifies the key work activities and projects to be done in the ensuing year and the funds to be made available for the said year. It includes determining goals, major projects, services provided, and proposed program changes. It then requires estimating the resources required to achieve the various activities identified for the upcoming year.

The following calendar highlights the significant milestones for preparing the FY 2018-19 Adopted Budget:

October - February	Cost Allocation / Internal Service Rates
February 8	Budget Kick-off Meeting
February 14	*1st Budget Document Deadline* Fee Schedules Capital Outlay Requests Equipment Replacement Requests Personnel Requests Unfunded Needs Requests Capital Improvement Project Requests
March 14	Discussion of CIP Projects & Budget
April 11	General Fund / Department Review
May 1	*Budget Study Session #1* FY 2017-18 Third Quarter General Fund Update FY 2018-19 Proposed General Fund Budget Revenue Estimates and Opportunities Organizational Profile Summary of All Funds By Type Department Dashboards
May 8	*Budget Study Session #2* FY 2018-19 Proposed Rate Plans GWP Public Benefit Programs & Proposed Budget COSA and Proposed Rate Plans for Water and Electric COSA and Proposed Rate Plan for Wastewater
May 15	*Budget Study Session #3* Capital Improvement Program Proposed Citywide Fee Schedule Changes
May 22	Public Hearing
June 12	Budget Adoption

CITY OF GLENDALE
BUDGET GUIDE

The process of developing the budget furnishes Department Heads and the City Manager with an opportunity to review departmental work programs, to propose changes in services, to recommend revisions in organization structure, to hear and discuss budget requests, and provide feedback regarding City operations.

1. *Cost Allocation / Internal Service Rates* - It is the City's policy to recover certain General Fund costs via a formal cost allocation plan. The premise behind the formal cost allocation plan is to identify those costs associated with services provided by the central service departments within the General Fund to receiving departments outside the General Fund and recover said costs. Without a formalized cost allocation plan, the General Fund would subsidize these costs. For the receiving departments, a portion, if not all of these departments are funded outside the General Fund and reside in Special Revenue Funds, Enterprise Funds or Internal Services Funds. The main source of revenue for these non-General Fund departments is user fees and/or charges for services. Through the cost allocation plan, all departments are able to better identify the true cost of the services they provide, which includes indirect and direct costs, and adjust their fees and charges accordingly. The cost allocation plan provides for a defensible, rational method on which to base these user fees or potential fee increases, and is an essential step for establishing any fee or charge that is subject to Proposition 218.

   It is also the City's policy to fund internal service funds via rates charged to receiving departments for the use of their services. During each budget process, the following internal service rates are reviewed and adjusted as needed:

   - Fleet / Equipment (Fund 601)
   - Information Services (Funds 603, 604 & 660)
   - Building Maintenance (Fund 607)
   - Unemployment Insurance (Fund 610)
   - Liability Insurance (Fund 612)
   - Workers Compensation Insurance (Fund 614)
   - Dental Insurance (Fund 615)
   - Medical Insurance (Fund 616)
   - Vision Insurance (Fund 617)
   - Vacation and Comp (Fund 640)
   - Sick Leave (Fund 641)
   - Post Employment Benefits (Fund 642)

2. *General Fund Forecast* - As part of the annual budget process, it is the City's policy to prepare a General Fund Forecast for the next five years. Generally, estimates should be conservative and based on a variety of information such as:

   - Historical patterns
   - Industry experts and forecasts from consultants when applicable
   - Annual forecasts and updates from California Public Employees' Retirement System (PERS)
   - Applicable Memorandum of Understandings with the various employee bargaining groups
   - Department Heads and Management in regards to changes or new programs that may have a budgetary impact

   The City's General Fund Forecast is further discussed in the Budget Message section.

3. *Budget Kickoff* - As directed by the City Manager, it is the City's policy to have an annual budget kickoff meeting with all Department Heads and Budget Officers to review the assumptions for the upcoming budget process. The purpose of this meeting is to provide guidelines that will assist the various Departments in the preparation of their respective budgets. Information presented at this meeting may include items such as revenue estimates, personnel expenditures, maintenance & operation expenditures, capital outlay, and relevant forecasts.

The budget calendar is reviewed at the budget kickoff meeting. The budget calendar sets forth the chronological sequence of events in the budget preparation process, which culminates with the adoption of the budget by the City Council in June.

4. *Budget Development* - After the Budget Kickoff, Departments and Budget Officers, are tasked with preparing their respective budgets for the upcoming years taking into account the assumption and guidelines presented at the kickoff. The budget is comprised of the following components:

   a. *Revenue Estimates* - Projection for recurring revenues, new revenues, user fees (increased, decreased, or new fees), Citywide Fee Schedule, one times revenues, and grant funding.

   b. *Salaries & Benefits* - Personnel data pre-calculated with salaries and benefits information generated from the payroll system including step increases, changes in Memorandum of Understanding (MOU) from various employees groups and internal service rates for benefits, and any other budget assumptions. Departments are responsible for planning and budgeting for upcoming personnel needs including overtime and hourly wages. New full-time personnel requests require the approval of the City Manager and City Council.

   c. *Maintenance & Operation* - In preparing estimates of requirements for maintenance and operation, it is especially important that figures be well justified on the basis of projected conditions for the ensuing year, rather than relying too heavily on experience from the prior year. Changes in the following conditions, among others, should be considered: general economic conditions, changes in level of service, effect of population or geographical growth, adjustments in utility rates and postage rates, increasing maintenance costs due to aging equipment, adjustments in subscription or membership fee and travel allowance due to location of conferences, rent increases or decreases, special non-capital equipment items, and other non-recurring expenses.

   d. *Capital Outlay* - Tangible assets having a unit cost equal to or in excess of $5,000 or more, and a utility which extends beyond the current year are considered to be "capital" items. Examples of capital items include but are not limited to the following: equipment, vehicles, furniture & fixtures, computer hardware and software.

   e. *Capital Improvement Program* - The Capital Improvement Program is primarily a tool for the long-range planning and programming of the City's capital improvement needs. It provides a method for identifying and funding the needs of all City Departments. Capital improvements are projects of large size, fixed nature, or long life, which provide new or additional public facilities or services. Also included in this broad definition of the term are major replacements and reconstructions; items of large equipment such as fire trucks, furniture and other equipment when purchased as a part of the initial projects; and acquisition of land needed for projects within and beyond the immediate five-year period. There are two distinct components of the City's Capital Improvement Program: General Fund Capital Improvements and All Other Capital Improvements.

      General Fund Capital Improvements are funded via a transfer from the General Fund which is based on a specified percentage of Sales Tax revenue that can fluctuate based on budgetary needs. The other major funding for General Fund Capital Projects is the “tipping fee” received from the Scholl Canyon Landfill. The projects are accounted for in the Capital Improvement Fund 401.

Departments submit their Request for Capital Improvement Projects to provide an overview of the project, its funding sources, anticipated project expenditures, and impact on annual operating & maintenance costs. As part of the budget process, an annual meeting is conducted to present all new requests along with previously approved projects, all to be reviewed by the City Manager, Department Heads, and Budget Officers. The goal is to ensure and reaffirm that funding is available for (1) projects appropriated in previous budget years, and (2) new projects approved during the budget process.

During this meeting, the projects are presented on a ten year plan basis, with the "Future Years" column representing the accumulation of years six through 10. When the budget is adopted by the City Council, only that year's proposed budget is approved and authorized. The years beyond are included for informational and planning purposes so that Council may also take into consideration the needs in future years. The process of evaluation is repeated each year with authorization for one year, and a general guide for the next nine years. In this way, the City government has an automatic annual review of its General Fund Capital Program, and there is assurance that every project undertaken is carefully evaluated in relation to all other needs, so that funding will be properly allocated to provide public benefit.

In regards to *Capital Improvements for All Other Funds***,** each Department is responsible for planning and budgeting for upcoming capital needs. Major improvements are funded from a variety of sources including grants, charges for services, development impact fees and bond proceeds. During the budget process, Departments are also responsible for reviewing all existing projects and making adjustments or closing projects as needed.

II. Budget Authorization

Budget authorization is concerned with public hearings and final enactment of the budget, which includes the authorization of funds, possible increases of fees and user charges, and the adoption of necessary resolutions to effectuate the budget's plan. Presentation of the budget to the City Council provides the City Manager an opportunity to explain proposed municipal programs to the Council and to focus attention on problems, services and programs that require Council action or support for implementation. In reviewing the budget, the City Council has an opportunity to evaluate the adequacy of proposed operating programs, to establish the level of municipal services to be rendered, to determine basic organizational and personnel staffing patterns, and to review the efficiency of work methods. The needs of one service can be compared with needs of others, and the desirability of proposed services and programs can be weighed against the taxes or charges required to finance them.

1. *Budget Study Sessions* - After the Budget is prepared for review, it is the City's policy to conduct annual budget study sessions that usually occur in April and May of each year. Topics that will usually be presented include the General Fund forecast, proposed departmental budgets for the upcoming year, proposed capital improvement projects for the upcoming year, and proposed new fees and increases to existing fees. The purpose of these meetings is to inform the community of the programs, services, and projects to be funded in the upcoming year. In addition, this affords the City Council an opportunity to review the proposed budget, ask questions, and prioritize programs and services. Lastly, the public study sessions provide a public forum for the City to conduct its fiscal affairs in an open and transparent manner which is consistent with the City's strategic goals of Fiscal Responsibility and an Informed and Engaged Community.

2. *Budget Hearing* - In accordance with the Charter, the City conducts a public budget hearing in which members of the community may comment on any aspect of the proposed budget. After hearing such comments, Council has the ability to amend the proposed budget in any manner they deem appropriate. As required by the Charter, public notice will be published at least ten days prior to the public hearing.

3. *Budget Adoption* - In accordance with the Charter, City Council must adopt the budget on or before June 30 of each year. Specifically, the City Council, by resolution, shall adopt the annual budget for the upcoming fiscal year.

III. Budget Execution

Budget execution includes more than the traditional concept of assuring that the goals, service levels, and program changes are accomplished. It also ensures that plans and programs are accomplished within budgetary limits and are carried out in an effective, efficient, and timely manner. It also includes:

1. *Cost Control* - The reduction of costs and increase in efficiency and economy through placing the responsibility for cost containment on the individual manager.

2. *Cost Accounting* - The maintaining of records of labor distribution and expenditures to provide full costs in connection with services and programs. These costs are a recurring factor for decision-making and setting the appropriate level of cost recovery.

3. *Post Audit* - The performance of a verification of the propriety of the manner in which funds are expended.

4. *Management Review* - Entails a comparison of actual performance to projected goals, service levels, and program changes.

It is the Departments' responsibility to operate within the budget provided, unless compelling and unforeseen circumstances require a supplementary appropriation. More than occasional exceeding of appropriations due to unusual circumstances is evidence of lax administration. Departments shall make every effort to keep within budget appropriations, and if to do so would mean a serious cutback or curtailment of services, the City Manager should be advised of the circumstances. Absence of unusual circumstances, good budgeting and administration should prevent budget over-expenditures.

IV. Changes to the Adopted Budget

The budget is not a static guideline for city spending but rather a dynamic document subject to constant scrutiny, revision, and adjustment. While every effort is made to adopt an accurate budget, it is comprised of management's best estimates at a particular point in time. As such, the adopted budget may need revision from time to time as new information and actual receipts and expenditures come to fruition during the year. As specified in the City's Charter, the budget may be amended or supplemented during the year by 3/5 vote of the City Council via a Resolution of Appropriation. Some budget adjustment actions may be made administratively as defined in the budget policy which is consistent with the City's Charter.

THE ACCOUNTING SYSTEM & BASIS OF BUDGETING, FINANCIAL POLICIES, BUDGETARY CONTROLS, & INVESTMENT PORTFOLIO

Accounting System & Basis of Budgeting

The City of Glendale's accounting records are maintained in full accordance with Generally Accepted Accounting Principles (GAAP), as established by the Government Accounting Standards Board (GASB). Government fund types (General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds), are maintained via a modified accrual basis of accounting. Proprietary fund types (Enterprise and Internal Service Funds) are maintained via full accrual accounting basis.

The City Council is required to adopt an annual budget resolution by June 30 of each fiscal year for the General Fund, Special Revenue Funds, and Debt Service Funds. The budgets are presented for reporting purposes, on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. Under this method, revenues are recognized in the period they become measurable and available, while expenditures are recorded when liability is incurred.

The City Council annually adopts the Capital Improvement Program for the capital projects funds. The City of Glendale budget presents the Capital Improvement Projects on a ten-year plan basis, while City Council only approves and authorizes one year of appropriations for the Capital Improvement projects. Unspent Capital Improvement Projects in the prior years' budget is carried forward into the new fiscal year. Therefore, an annual budget comparison on multi-year projects is impractical.

The City Council also adopts budgets for the Enterprise and Internal Service funds annually. However, all proprietary fund types are accounted for on a cost of service (net income), or "capital maintenance" measurement basis.

The City uses an "encumbrance system." Under this procedure, encumbrance accounting is used to the extent necessary to assure effective budget control and accountability and to facilitate effective cash planning and control.

Financial Policies

The City Council has adopted the following financial policies as a primary guide for the preparation of the City's annual budget:

I. The City will maintain a balanced operating budget for all governmental funds with ongoing resources equal to or greater than ongoing expenditures.

II. The City will prepare and maintain a multi-year General Fund Forecast on an annual basis. Forecasts for other funds will be prepared by the appropriate department on an as needed basis. Forecasts for revenues and expenditures should be conservative and based on a variety of factors that shall include but not be limited to the following: (1) historical trends; (2) anticipated external factors that could have a significant impact on revenues and expenditures; (3) input from City personnel and economic forecasts from recognized agencies and publications; (4) new fees or increase to existing fees enacted for the upcoming year; and (5) professional judgment by the forecaster.

III. Resources for the Capital Improvement Program shall be:

A. All of the Scholl Canyon Royalty Fees. For FY 2018-19, 100% of sales tax revenues will be deposited to the General Fund with a 2.00% transfer of these revenues to the Capital Improvement Fund (401).

B. The Gas Tax Fund whose resources shall consist of all Gas Tax revenues.

C. The resources for the Scholl Canyon Landfill Post-Closure fund will consist of a transfer of $4,560,000 from the Capital Improvement Fund (401).

D. The Parks Mitigation Fee Fund (405), Library Mitigation Fee Fund (407), and Parks Quimby Fund (408) will derive their resources from Parks and Library Mitigation Fees (AB 1600), Parks Quimby Fee, and fund balance from prior years.

IV. Any transfers from the Capital Improvement Fund to the General Fund will be determined each year during the Budget process. There is no transfer for FY 2018-19.

V. The City shall self-insure against future claims and limit the total loss per incident by purchasing the appropriate excess liability coverage when deemed cost effective to do so.

VI. The City shall establish Internal Service Funds on an as needed basis for a variety of functions and services that are collectively shared by departments citywide including employee benefits, insurance, information services (technology), and fleet maintenance and acquisition.

A. All Internal Services Funds shall be self-supporting via a rate that is allocated to the user departments. The particular methodology may be unique to each Internal Service Fund and costs will be allocated in a reasonable manner as deemed appropriate by the Director of Finance.

B. Rates for all Internal Service Funds shall be annually reviewed and adjusted, if needed, to ensure current and future claims and capital acquisition and/or replacement relative to each Internal Service Fund are funded. Except as otherwise noted, the goal is to avoid funding on a “pay-go” basis for major capital acquisition and/or replacement in these funds.

C. If a fund balance deficit exists in a given Internal Service Fund, a rate will be developed that will amortize the deficit over a fixed period of time as determined by the City Manager. The goal is to eliminate fund balance deficits as soon as reasonably possible.

D. The City will strive to maintain adequate cash, not less than the claims payable, in each self-insurance Internal Service Fund.

E. To the extent possible, all costs associated with an Internal Service Fund’s purpose shall be paid for out of said fund and allocated to user departments based on a pre-determined methodology.

F. Costs associated for the maintenance, replacement, and acquisition of the City’s fleet and other heavy equipment shall be centralized in the Fleet / Equipment Management Fund (601). Fleet rates will be reviewed and developed annually and will be allocated to the appropriate departments. For governmental funds, the fleet charge shall include a maintenance and

operation component, and a capital replacement component. For proprietary funds, the fleet charge shall consist of a maintenance and operation component only. Proprietary funds will fund their capital replacement through their own unreserved fund balance.

G. All costs associated with the acquisition and maintenance of information services (i.e. software, computer hardware, etc.) shall be paid from the appropriate ISD Funds.

VII. The City will continue to fund all City governmental capital improvements on a "pay-as-you-go" or cash basis, but recognize that there may be times when an alternate financing strategy may be appropriate. Each strategy (General Obligation Bonds, Certificates of Participation, and Lease-Back arrangements, etc.) needs to be considered in light of the specific project and the consequences of each financing strategy.

A. Whenever possible, the City shall use special assessment, revenue, or other self-supporting bonds instead of general obligations bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.

B. The City shall not use long-term debt for current operations.

C. The City shall maintain good communications with bond rating agencies regarding its financial conditions. The City shall comply with all bond coverage ratios, covenants and disclosure requirements.

VIII. The City will continue to fund post-employment liabilities on a "pay-as-you-go" or cash basis as the expense is paid out.

IX. The City will not leverage borrowed money for purposes of increased investment return nor to increase its borrowing capacity.

X. The City will continue to comply with all the requirements of Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) statements. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* recommends an adoption of a formal comprehensive fund balance policy to serve as the framework upon which consistent operations may be built and sustained.

A. *Non-spendable Fund Balance* – At the end of each fiscal year, the City will report the portion of the fund balance that is not in spendable form as Non-spendable Fund Balance on the financial statements.

B. *Restricted Fund Balance* – The restricted fund balances are restricted for specific purposes by third parties or legislative action.

C. *Committed Fund Balance* – The committed fund balances include amounts that can be used only for specific purposes determined by the formal action of the City Council, as they are the highest level of decision-making authority. Council must have at least a 3 to 2 vote to pass a resolution for the specific purpose. These committed amounts cannot be used for any other purpose unless the City Council remove or change the specified use through the same type of formal action taken to establish the commitment.

D. *Assigned Fund Balances* – The City Manager or his/her designee is authorized by the City Council to assign fund balance in the "Assigned" category, which is comprised of amounts intended to be used by the City for specific purposes but are not restricted or committed.

E. *Unassigned General Fund, Fund Balance* – The City will strive to maintain a General Fund Reserve (including the Charter required reserve) of 35% and not less than 25% of the budget.

XI. The City will pursue cost recovery for services funded by governmental funds incorporating defined budgets, specific goals, and measurable milestones.

XII. The City will pursue collection activities that will yield the highest amount of revenue that is due to the City while minimizing the costs incurred to do so.

XIII. The City will continue to maintain an Investment Committee whose primary purpose is to serve in an advisory role. The Investment Committee will function under its own prescribed procedures as defined by its adopted charter.

XIV. The City will continue to maintain an Audit Committee whose primary purpose is to serve in an advisory role. The Audit Committee will function under its own prescribed procedures as defined by its adopted charter.

Budgetary Controls

On at least a monthly basis, Budget staff review actual expenditures against the authorized annual budget. The budgetary controls are setup at the fund level within each department. City Manager may authorize transfer of appropriation within different functions at the fund level. The system is setup to control expenditures against budget at two levels within each fund:

Appropriation Level-system checks actual transaction against category level spending within each fund (Salaries & Benefits, Maintenance & Operation, Capital Outlay, and Capital Improvement).

Project Ledger Level-system checks actual transaction against the project budget within the system. There is a one-to-one relationship between the project and the budget. Hence, even if funding is available within the total appropriation for a said fund, if the project itself does not have enough appropriation, the system will generate a budget control error and stop the transaction from going through.

Having the above budgetary controls in place insures that all transactions processed within the system are within the City Council authorized budget for the fiscal year. Additionally, for the General Fund, a quarterly budget update report is presented to Council. These reports provide the details on how departmental expenditures are tracking and summarize the adjustments that have been approved by City Council post budget adoption. This process further insures that all supplemental adjustments made to the citywide budget post budget adoption have been authorized by City Council. Furthermore, on an annual basis, external auditors review the budget and verify that adjustments made to the budget after adoption are supported by Resolutions of Appropriation.

Investment Portfolio

The City follows the "Prudent-Man Rule" of investing. This rule provides that the Treasurer, who is responsible for investing the City's money, must act as a prudent man or woman would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and avoid speculative

investments. Specifically, the City's portfolio is invested with the following objectives: (1) Safety - protect, preserve, and maintain cash and investments; (2) Liquidity - maintain short-term securities which can be converted to cash if necessary and invest all securities with active secondary or resale markets; (3) Yield - yield should become a consideration only after the basic requirements of safety and liquidity have been met.

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.

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.

FUND STRUCTURE AND DESCRIPTIONS

The City of Glendale's adopted budget consists of the following Fund types:

General Fund

The General Fund is the primary fund of the City. The General Fund provides City services that the general public typically associates with local government, such as parks, libraries, public safety, and

general administrative support. The General Fund collects all general revenues not specifically levied or collected for other City funds or expenditures.

Special Revenue Funds

The Special Revenue Funds consist of those "restricted receipts" which may not be used for general municipal purposes. They are restricted by Local Ordinance, State or Federal Statute, to be used for specific purposes. These groups of funds represent services funded primarily by other levels of government and not "traditionally" provided by local government. Should the funding for most of these programs be eliminated, it is likely that the services would also be eliminated. As a result of AB 1x26, the Glendale Redevelopment Agency (GRA) was dissolved effective February 1, 2012. All of the Redevelopment related Special Revenue Funds became obligations of the Successor Agency and their budgets will no longer be included in the City's budget book.

Debt Service Funds

These funds are intended to account for the resources allocated toward debt service. The City of Glendale's General Fund has no outstanding general obligation (GO) debt. Its long-term debt in the Debt Service Fund is comprised of governmental activities such as the Police Facility Certificates of Participation (COPs) which is the only active fund remaining in this section for FY 2018-19.

For historical purpose, other debt services in prior years include the capital lease for the Municipal Services Building (MSB) construction (last payment was made in FY 2013-14), the Glendale Redevelopment Agency's tax allocation bonds and a loan payable for low-to-moderate income housing projects. Due to the passage of AB 1x26, which resulted in the dissolution of the GRA in February 2012, the GRA's tax allocation bonds and the loans payable for low-to-moderate income housing projects became obligations of the Successor Agency and their budgets will no longer be included in the City's budget book.

Capital Improvement Program (CIP)

The Capital Improvement Program in the General Fund includes funding for a variety of City projects from parks development to library renovation, facility modification, and other various street and infrastructure improvement projects. The Capital Improvement Program (CIP) consists of several funds including the General Fund CIP (Fund 401), Gas Tax CIP (Fund 402), Scholl Canyon Landfill Post-Closure (Fund 403), Parks Mitigation Fee (Fund 405), San Fernando Road Corridor Tax Share (Fund 406), Library Mitigation Fee (Fund 407), Parks Quimby Fee (Fund 408), CIP Reimbursement (Fund 409), San Fernando Corridor Tax Share Fund (Fund 410), and various funds across multiple departments. These funds provide the resources for the governmental Capital Improvement Projects.

Enterprise Funds

Enterprise Funds' primary sources of revenues are charges for services and reflect characteristics that are more commonly associated with businesses. Enterprise Funds are considered self-supporting and rely on their income sources to fund their operation. The City's largest Enterprise Funds are the Electric, Water and Sewer funds. Other Enterprise funds include Refuse Disposal and Verdugo Communication.

Internal Service Funds

The Internal Service Funds are proprietary funds, serving only the City of Glendale. These funds consist of the Fleet/Equipment Management, Joint Helicopter Operation, ISD Infrastructure, ISD Applications, ISD Wireless, Building Maintenance, and all of the City's self-insurance funds. All of these funds derive their

resources from expensing the Governmental and Enterprise budgets and are already included within the City budget. They are presented for informational and memorandum control purposes.

GANN APPROPRIATION LIMIT

On November 6, 1979, California voters passed Proposition 4, commonly referred to as the "Gann Initiative." The Gann Initiative established constitutional limits on the amount of tax revenue that may be appropriated by California governmental agencies in a given fiscal year. This limit is initially calculated using actual appropriations from a base year and then adjusted annually using a growth factor which takes into account changes in population and the cost of living. Statutes clarifying the provisions of the Gann Initiative are now codified in article XIIIB of the California Constitution which provides the formula for calculating local government spending limits. In addition to Article XIIIB, the Revenue and Taxation Code, Section 7910, requires each local governmental unit to establish its appropriations limit by the beginning of each fiscal year. In June 1989, California voters passed Proposition 111 which further improved procedural transparency for local governments setting annual appropriations limits. Among other things, Proposition 111 revised the base year used in calculating the Gann Appropriations Limit from 1979 to 1987 and simplified the formula used for calculating annual adjustments.

Each year, local governments must adjust their Appropriations Limit using two variables: the change in the cost of living and the change in population. California state law allows a public entity to choose among different methods for calculating these two variables. A local government that is not a school or a college district may choose to define the cost of living in either of two ways: (1) the change in California's per capita personal income, or (2) the change in the jurisdiction's local assessment roll from the preceding year that is due to the addition of local non-residential new construction. Local governments also have two options for defining the change in population: (1) the percentage change in population within the City, or (2) the percentage change in population within the county where the city is located. To ensure consistency and accuracy among jurisdictions, the Department of Finance is required to post an annual newsletter by May 1st that provides the percentage change in California's per capita personal income as well as data on population change throughout the state. The City of Glendale utilizes this newsletter in computing its annual Appropriations Limit.

In calculating the City of Glendale's FY 2018-19 Gann Appropriations Limit, staff has elected to use the change in California's per capita personal income and the change in the City of Glendale's population for the period of January 2017 to January 2018. During this period, the change in California's per capita personal income was 3.67 percent and the change in the City's population was 1.90 percent. These percentages are each converted to ratios using a state-mandated formula and then multiplied together to obtain an appropriations increase factor. The increase factor for FY 2018-19 is 1.15 (rounded to the nearest tenth). The Appropriations Limit for the upcoming year is finally calculated by multiplying this factor by the Appropriations Limit of the prior fiscal year. Based on staff's calculation, the FY 2018-2019 Appropriations Limit for the City of Glendale is $307,052,768. The City's total proposed appropriation subject to the Gann Initiative spending limit is $154,045,587. Therefore, the City's Proposed FY 2018-19 Budget is in compliance with State of California spending limits as established in article XIIIB of the California Constitution. The attached resolution will authorize the new Appropriations Limit for next fiscal year as required by the California Constitution and applicable State Law.

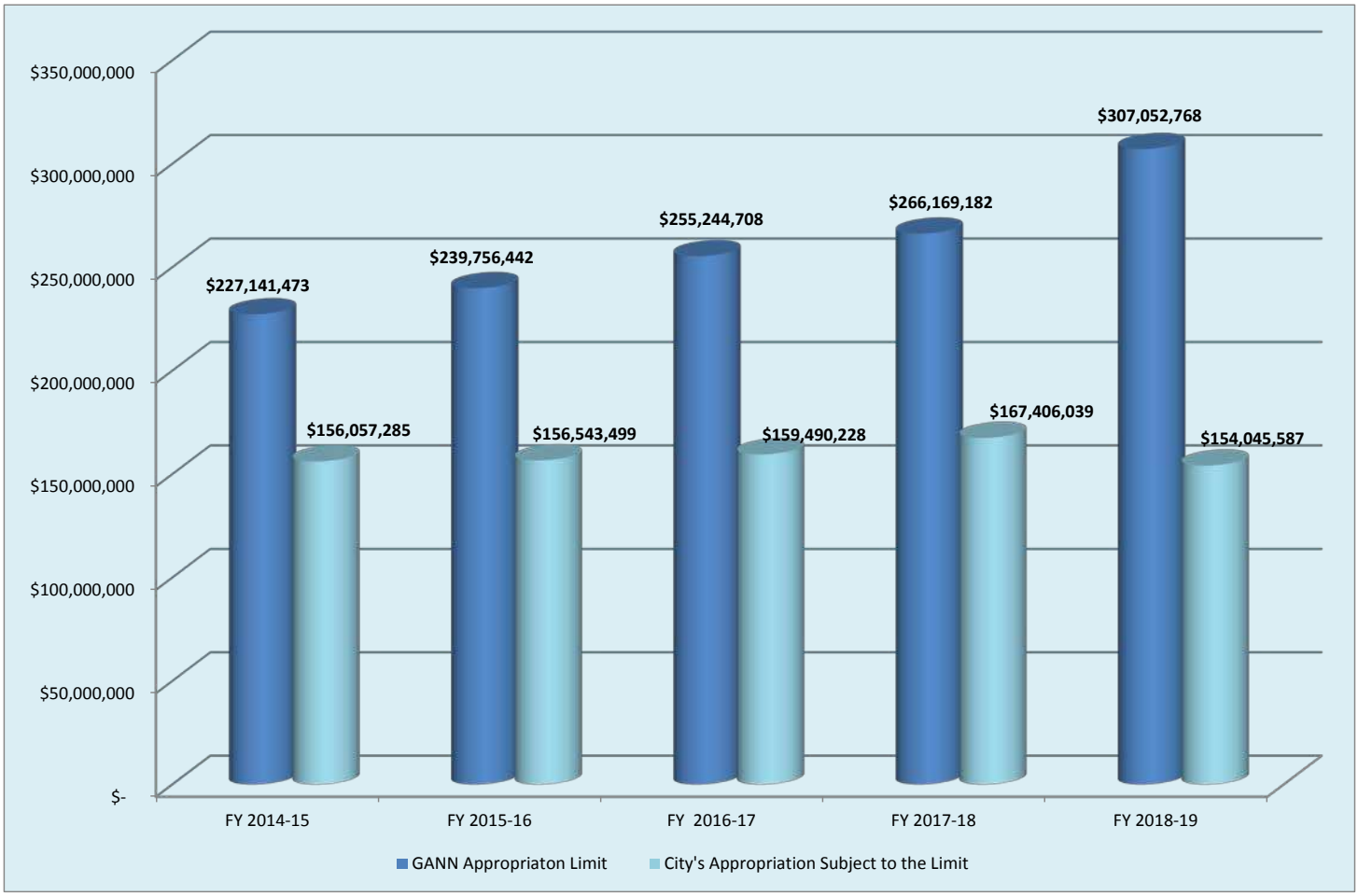
CITY OF GLENDALE
BUDGET GUIDE

GANN APPROPRIATIONS LIMIT
FISCAL YEAR 2018-19 PROPOSED BUDGET

	Fiscal Year 2017-18 Appropriations Limit:	**$266,169,182**
Population Growth:		
January 1, 2017 City Population (Revised Estimate):	201,705	
January 1, 2018 City Population (Estimate):	205,536	
Option 1) *City Population Growth:*	1.90 %	
Option 2) *County Population Growth:*	0.51 %	
(Note: City elects to use City Population Growth)		
Cost of Living Adjustment:		
Option 1) *The change in the City's local assessment roll from the preceding year that is due to the addition of local non-residential new construction:*	13.21%	
Option 2) *Per Capita Income Growth (Per California Department of Finance):*	3.67%	
(Note: City elects to use the change in the City's local assessment roll due to non-residential construction)		
Calculation of Increase Factor for FY 2018-19:		
(a) City Population Growth Converted to a Ratio [(1.90 + 100)/100] :	1.0190	
(b) City Local Assessment Growth (non-residential) Converted to a Ratio [(3.67 + 100)/100]	1.1321	
(c) Increase Factor for FY 2018-19 (a)*(b) :	**1.1536**	
	Fiscal Year 2018-19 Appropriations Limit:	**$ 307,052,768**
	Fiscal Year 2018-19 Appropriations Subject to Limitation: (proceeds of taxes less state mandated exclusions)	**$ 154,045,587**
	Total Under/(Over):	**$ 153,007,181**

Below is a historical chart of the annual appropriation limit for the past five years and the City's appropriations subject to the limit.

City of Glendale GANN Appropriations Limit
Five – Year Comparison
Fiscal Years Ended 2015-2019



Adopted
06/12/18
Najarian/Agajanian
All Ayes

RESOLUTION NO. 18-98

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE
ADOPTING APPROPRIATIONS LIMIT FOR THE CITY OF GLENDALE

WHEREAS, California State law requires the adopting of an annual appropriations limit for the City of Glendale, and

WHEREAS, the Finance Section has calculated the appropriations limit for the Fiscal Year 2018-19 and in doing so has elected to use the change in the City of Glendale's population and the change in the City of Glendale's local assessment roll from the preceding year that is due to the addition of local non-residential new construction, and

WHEREAS, the Finance Section will retain these working papers on file for a period of fifteen (15) days as required under the law,

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE THAT THE COUNCIL does hereby adopt the appropriations limit for the Fiscal Year 2018-19 of $307,052,768.

Adopted this 12th day of June, 2018.

Mayor

ATTEST: For: Ardy Kassakhian

City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, certify that the foregoing Resolution No. 18-98 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 12th day of June 2018, and that the same was adopted by the following vote:

Ayes: Agajanian, Devine, Gharpetian, Najarian, Sinanyan
Noes: None
Absent: None
Abstain: None

For: Ardy Kassakhian

City Clerk

APPROVED AS TO FORM

CITY ATTORNEY

DATE 6/15/18

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Adopted
06/12/18
Najarian/Gharpetian
Noes: Agajanian, Devine

RESOLUTION NO. 18-99

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA REDUCING THE PERCENTAGE OF OPERATING REVENUE OF THE GLENDALE WATER AND POWER DEPARTMENT TO BE TRANSFERRED FROM GLENDALE WATER AND POWER (ELECTRIC) TO THE GENERAL RESERVE FUND FOR FISCAL YEAR 2017-18

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

WHEREAS, Section 22, Article XI of the City Charter provides that at the end of each fiscal year an amount equal to twenty-five percent (25%) of the operating revenue of the Glendale Water and Power Department for each year, hereinafter referred to as "revenue", excluding receipts from water or power supplied to other cities or utilities at the wholesale rates, shall be transferred from the Glendale Water and Power Surplus Fund to the General Reserve Fund; provided that the Council may annually, at or before the time for adopting the General Budget for the ensuing fiscal year, reduce said amount or wholly waive such transfer, if, in its opinion, such reduction or waiver is necessary to insure the sound financial position of said Glendale Water and Power Department, and it shall so declare by resolution; and

WHEREAS, prior to the time for adopting the General Budget for the fiscal year 2018-19, the Council has considered the matter and determined that the transfer should again be suspended for the Water Works Enterprise and decided that it should be reduced to $20,160,000 of said revenue for the Electric Works Enterprise and that such reduction is necessary to insure the sound financial position of the Glendale Water and Power Department.

WHEREAS, Section 15, Article XI of the City Charter provides that in any fiscal year in which the total balance in the General Reserve Fund exceeds fifty percent (50%) of the total amount of the anticipated ad valorem tax receipts for that year, the Council may appropriate such excess for any City purpose without returning the same to the General Reserve Fund.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

1. The amount of operating revenue to be transferred from Glendale Water and Power Surplus Fund for the fiscal year 2017-18 shall be continued to be suspended of said Water Works, and that such suspension is necessary to insure the sound financial position of the Glendale Water and Power Department.

2. Ten percent (10%) of Electric Works operating revenue for the 2017-18 fiscal year (estimated at $20,160,000) shall be transferred from the Electric Works Revenue Fund to the Glendale Water and Power Surplus Fund and further transferred to the General Reserve Fund for fiscal year 2017-18, and that such reduction from 25% to 10% of operating revenues is necessary to insure the sound financial position of the Glendale Water and Power Department.

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3. If the total balance in the General Reserve Fund prior to said transfer of Electric Works operating revenue exceeds fifty percent (50%) of the total amount of the anticipated ad valorem tax receipts for fiscal year 2017-18, then the amount so transferred to the General Reserve Fund pursuant to Section 2 above shall be transferred from the General Reserve Fund to the General Budget Fund.

Adopted this 12th day of June, 2018.

Mayor

ATTEST: For: Ardy Kassakhian

City Clerk

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, do hereby certify that the foregoing Resolution No. 18-99 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 12th day of June, 2018 and that the same was adopted by the following vote:

Ayes: Gharpetian, Najarian, Sinanyan

Noes: Agajanian, Devine

Absent: None

Abstain: None

For: Ardy Kassakhian

City Clerk

APPROVED AS TO FORM

CITY ATTORNEY

DATE 6/1/18

Adopted
06/12/18
Najarian/Gharpetian
Noes: Devine

RESOLUTION NO. 18-100

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA ADOPTING A GENERAL BUDGET, ENTERPRISE BUDGETS, AND OTHER MISCELLANEOUS BUDGETS FOR THE FISCAL YEAR 2018-19

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

SECTION 1: The proposed City Budget is hereby approved and adopted as the Budget of the City, for fiscal year 2018-19.

SECTION 2: The amount of $227,786,018 shall constitute the General Fund appropriation for fiscal year beginning July 1, 2018.

SECTION 3: The amount of $111,398,466 shall constitute the Special Revenue Funds appropriation for the fiscal year beginning July 1, 2018.

SECTION 4: The amount of $2,619,909 shall constitute the Debt Service Funds appropriation for the fiscal year beginning July 1, 2018.

SECTION 5: The amount of $28,433,000 shall constitute the Capital Improvement Funds appropriation for the fiscal year beginning July 1, 2018.

SECTION 6: The amount of $399,248,497 shall constitute the Enterprise Funds appropriation for the fiscal year beginning July 1, 2018.

SECTION 7: The amount of $117,774,674 shall constitute the Internal Service Funds appropriation for the fiscal year beginning July 1, 2018.

SECTION 8: The number of authorized classified and unclassified budgeted salaried positions is 1,588.

SECTION 9: The Director of Finance is authorized to make such other revisions, individual appropriation line-items, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the changes specified in this resolution.

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RESOLUTION NO. 18-100

SECTION 10: The Director of Finance is authorized to make such revisions, as permitted by the Charter, necessary in order to implement changes in expenditures due to final negotiations of City of Glendale employee associations Memorandums of Understanding.

SECTION 11: The City Manager or his/her designee is authorized by the City Council to assign fund balance in the "Assigned" category, which is comprised of amounts intended to be used by the City for specific purposes but are not restricted or committed. The financial policies of the City will also be updated to reflect this delegation or authority.

SECTION 12: The City Clerk shall certify to the adoption of this Resolution.

Adopted this 12th day of June, 2018.

Mayor

ATTEST: For: Ardy Kassakhian

City Clerk

CITY OF GLENDALE
DATE 5/30/2018
APPROVED AS TO FINANCIAL PROVISION FOR $ 887,260,564

Director of Finance

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, do hereby certify that the foregoing Resolution No. 18-100 was adopted by the Council of the City of Glendale, California, at a regular meeting held on the 12th day of June, 2018, and that the same was adopted by the following vote:

Ayes: Agajanian, Gharpetian, Najarian, Sinanyan
Noes: Devine
Absent: None
Abstain: None

For: Ardy Kassakhian

City Clerk

APPROVED AS TO FORM

CITY ATTORNEY

DATE 6/7/18