



City of Glendale

5850 West Glendale
Avenue
Glendale, AZ 85301

City Council Budget Workshop Agenda

City Council Workshop

Mayor Jerry Weiers
Vice Mayor Ian Hugh
Councilmember Jamie Aldama
Councilmember Samuel Chavira
Councilmember Ray Malnar
Councilmember Lauren Tolmachoff
Councilmember Bart Turner

Tuesday, February 16, 2016

9:00 AM

Council Chambers

Budget Workshop

One or more members of the City Council may be unable to attend the Workshop or Executive Session Meeting in person and may participate telephonically, pursuant to A.R.S. § 38-431(4).

CALL TO ORDER

WORKSHOP SESSION

- [16-045](#) FY15-16 MID-YEAR FINANCIAL REPORT
Staff Contact and Presenter: Vicki Rios, Interim Director, Finance and Technology
Staff Presenter: Lisette Camacho, Controller, Finance and Technology

Attachments: [FY15-16 Mid-Year Financial Report](#)
[POWERPOINT - BUDGET WORKSHOP - FY15-16 MID-YEAR FINANCIAL RE](#)
- [16-052](#) FY16-17 BUDGET WORKSHOP
Staff Contact and Presenter: Vicki Rios, Interim Director, Finance and Technology
Staff Presenter: Tom Duensing, Assistant City Manager
Staff Presenter: Terri Canada, Budget Administrator

Attachments: [POWERPOINT - BUDGET WORKSHOP - FY16-17 BUDGET WORKSHOP](#)

Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- discussion or consideration of personnel matters (A.R.S. § 38-431.03(A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. § 38-431.03(A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. § 38-431.03(A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. § 38-431.03(A)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. § 38-431.03(A)(5)); or
- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. § 38-431.03(A)(7)).

Confidentiality

Arizona statute precludes any person receiving executive session information from disclosing that information except as allowed by law. A.R.S. § 38-431.03(F). Each violation of this statute is subject to a civil penalty not to exceed \$500, plus court costs and attorneys' fees. This penalty is assessed against the person who violates this statute or who knowingly aids, agrees to aid or attempts to aid another person in violating this article. The city is precluded from expending any public monies to employ or retain legal counsel to provide legal services or representation to the public body or any of its officers in any legal action commenced for violation of the statute unless the City Council takes a legal action at a properly noticed open meeting to approve of such expenditure prior to incurring any such obligation or indebtedness. A.R.S. § 38-431.07(A)(B).



Legislation Description

File #: 16-045, **Version:** 1

FY15-16 MID-YEAR FINANCIAL REPORT

Staff Contact and Presenter: Vicki Rios, Interim Director, Finance and Technology

Staff Presenter: Lisette Camacho, Controller, Finance and Technology

Purpose and Policy Guidance

The purpose of this item is to provide Council with a FY 15-16 Mid-Year Financial Report for the major operating funds; thus providing information regarding the actual results of the city's revenue collections and expenditures through December 31, 2015, including budget to actual comparisons and an assessment of any foreseeable financial issues.

Background

December 31, 2015 marks the middle of the of the city's fiscal year. As part of the annual budget process, it is important to compare the actual financial results with the budgets and determine if adjustments to budgets or forecasts are necessary. Best financial practice calls for periodic analysis of the variances between the budget or forecast and the actual financial results. This variance analysis identifies any significant factors that may influence revenue collections and expenditure levels. The analysis also serves to improve future forecasts and identify any foreseeable financial issues so they can be proactively addressed.

Analysis

The attached report contains detailed results and analysis of the major operating funds. Overall, the results of the analysis for the major funds primarily show anticipated financial results for the fiscal year.

Staff will continue to monitor the actual results and prepare financial reports quarterly.

Previous Related Council Action

This analysis of revenues and expenditures is based on the budget for FY15-16 which was adopted by the Council on June 9, 2015.

An FY14-15 Mid-Year Financial Report was provided to Council on February 17, 2015.

An FY13-14 Mid-Year Financial Report was provided to the Council on March 4, 2014.

An FY13-14 Third Quarter Financial Report was provided to the Council on May 20, 2014, and an FY13-14 Fourth Quarter Financial Report was provided to the Council on October 21, 2014.

Community Benefit/Public Involvement

The community benefit of a mid-year financial report is to provide solid financial analysis which compares actual results to the budget. This helps identify any significant factors that may influence revenue and expenditure levels, improves future forecasts and budgets, and identifies any foreseeable financial issues so they can be proactively addressed.

Budget and Financial Impacts

This report is for information purposes only.



City of Glendale – Workshop Council Report February 16, 2016

Vicki Rios, Interim Director, Finance and Technology
Lisette Camacho, Controller, Finance and Technology

FY 15-16 MID-YEAR FINANCIAL REPORT

The first section of this report covers the General Fund which includes all sources of revenue not designated for a special purpose and expenditures to support general City services such as police; fire; parks, recreation, and library; city court; general administrative services; and contractual obligations such as the Arena and Camelback Ranch. The second section covers Special Revenue Funds which includes the Highway User Revenue Fund (HURF), and the Transportation, Police, and Fire Special Revenue Funds. The third section covers Enterprise Funds which consists of the Water and Sewer; Sanitation; and Landfill Enterprise Funds.

For each of the major operating funds, the actual revenues and expenditures recorded in the City's financial system through December 31, 2015 are compared to the budget adopted by the Council on June 9, 2015. As a general guideline at the mid-year point, revenues and expenditures are considered to be on target if they are close to 50% of the budgeted amount. For simplicity and budgetary comparison purposes, revenues may include transfers in from other funds and expenditures may include transfers out to other funds. In some funds the transfers in and out are labeled and presented separately. In other funds, transfers in and out are presented as either a net transfer in or out. The actual revenues and expenditures are also compared to the actual revenues and expenditures from the same time last year. It is important to note that the General Fund revenues and expenditures include the general fund sub-funds such as the Arena, Camelback Ranch, Zanjero, Civic Center and Stadium Events which are now budgeted in the General Fund beginning in FY15-16. This analysis identifies upward or downward trends in revenue and expenditures compared to the previous year. At the request of the Council, year-to-date revenues and expenditures for the past two years are also presented to show a three-year comparison. Significant trends and variances are analyzed in more detail to determine what factors may be influencing the results.

General Fund

The City's total General Fund revenue is \$109.8 million which is on target at 48% of the \$226.9 million annual budget. Revenues are \$11.2 million or 11% higher than revenues at the same time last year. Out of the \$11.2 million increase in revenues, \$8.3 million is due to the consolidation of the general fund sub-funds into the General Fund. The two largest components of General Fund revenues are City Sales Tax and State Shared Tax Revenues. Together these two revenue sources represent \$76.6 million or 70% of the general fund revenue at the mid-point of the year. General Fund City Sales Tax collections are \$48 million which is an increase of \$7.3 million or 18% over the same time last year. Approximately \$6.0 million of the increase is attributable to the consolidation of the sub-funds into the general fund. Without including the sub-fund revenues, city sales tax increased by \$1.3 million or 3%. General Fund Sales Tax collections are on target at 48% of the estimate for the year. It is important to note that these figures do not include sales

taxes for the holiday season or the impact of major special events which occurred in January. Those revenues will be collected during the third quarter and included in a later update. State Shared Revenues are \$28.5 million which is an increase of \$875,000 or 3% over last year and are on target at 49% of the annual budget. Other General Fund Revenues including Development Services Fees, Business License Fees, and Franchise Fees are \$3.3 million or 18% higher than they were at the same time last year and on target at \$21.2 million which is 47% of the annual budget. Out of the \$3.3 million increase in revenues, \$2.3 million is due to the consolidation of the sub-funds into General Fund.

General Fund expenditures are \$90.9 million which is slightly below target at 45% of the budget. The actual expenditures increased by \$15.4 million over the same time last year. This increase is primarily due to the consolidation of the general fund sub-funds into the General Fund and reclassification of Technology and Technology Projects as an Internal Service Fund to track internal services provided to city departments for telephone services, hardware and software replacement, and information technology services and support. Other funds, including the general fund pay for these services through premiums. Out of the 15.4 million increase in expenditures, \$9.7 million is attributable to the sub-funds and \$5.0 million is due to the technology premium charges to the General Fund. Transfers out are on target at 49% of the budget. General Fund operating expenses are running below target at only 42%.

General Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|----------------|
| City Sales Tax | \$ 34,664,032 | \$ 37,595,670 | \$ 40,781,295 | \$ 99,445,226 | \$ 48,046,422 | 48% |
| State Shared Revenues | 24,093,231 | 25,901,569 | 27,631,313 | 57,917,280 | 28,506,604 | 49% |
| Other Revenues | 14,995,876 | 17,340,361 | 17,963,842 | 45,380,565 | 21,216,268 | 47% |
| Transfers In | 92,000 | - | 12,221,209 | 24,144,445 | 12,072,233 | 50% |
| Total Revenues | 73,845,139 | 80,837,600 | 98,597,659 | 226,887,516 | 109,841,527 | 48% |
| Expenditures | (62,828,196) | (62,812,283) | (75,457,881) | (201,608,303) | (90,876,259) | 45% |
| Transfers Out | (6,359,823) | (14,803,530) | (13,830,045) | (21,817,014) | (10,633,047) | 49% |
| Total Expenditures and Transfers Out | (69,188,019) | (77,615,813) | (89,287,926) | (223,425,317) | (101,509,306) | 45% |
| Excess (Deficiency) | \$ 4,657,120 | \$ 3,221,787 | \$ 9,309,733 | \$ 3,462,199 | \$ 8,332,221 | |

Special Revenue Funds

Special revenue funds presented below include the Highway User Revenue Fund (HURF), Transportation Sales Tax Special Revenue Fund, Police Special Revenue Fund, and Fire Special Revenue Fund.

Highway User Revenue Funds (HURF)

Revenues in the Highway User Revenue Fund are up \$6.9 million which is an increase of \$344,000 or 5% over the prior year. Highway User Revenues are on target at 49% of the annual budget.

Expenditures in the fund are significantly lower than the target at only 27% of the annual estimate. The primary reason for this variance is the budgeted capital project expenditures of \$20.7 million in this fund which typically are spent unevenly throughout the year fiscal year. Capital expenditures at mid-year are \$4.8 million. In addition, operating expenses in the fund were lower than anticipated at only 42% of the annual estimate.

Highway User Revenue Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Highway User Revenues | \$ 5,730,339 | \$ 5,911,587 | \$ 6,541,991 | \$ 14,170,619 | \$ 6,885,941 | 49% |
| Transfers In (Net) | - | - | - | 1,000,000 | - | 0% |
| Total Revenues and Transfers In | 5,730,339 | 5,911,587 | 6,541,991 | 15,170,619 | 6,885,941 | 45% |
| Expenditures | (3,192,080) | (4,165,334) | (3,400,787) | (32,637,814) | (8,954,498) | 27% |
| Transfers Out (Net) | (94,060) | - | - | - | - | - |
| Total Expenditures and Transfers Out | (3,286,140) | (4,165,334) | (3,400,787) | (32,637,814) | (8,954,498) | 27% |
| Excess (Deficiency) | \$ 2,444,199 | \$ 1,746,253 | \$ 3,141,204 | \$ (17,467,195) | \$ (2,068,557) | |

Transportation Sales Tax Special Revenue Fund

Revenues in the Transportation Sales Tax Special Revenue Fund are \$13.1 million and 53% of the budget. Revenues are \$1.2 million or 8% lower than the same time last year. This variance is primarily due to a onetime reimbursement in FY14-15 of \$1.6 million from the State of Arizona for capital project costs that were less than initially anticipated. After adjusting for this one time reimbursement in the prior year, revenues increased \$390,000 or 3% from last year. Expenditures in this fund are below target at only 20% of the estimate due to budgeted capital project expenditures of \$20.1 million in this fund which typically are spent unevenly throughout the year and a reduction in debt service obligations as a result of refinancing transportation bonds in FY14-15. Capital expenditures at mid-year are \$1.1 million.

Transportation Sales Tax Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Revenues | \$ 10,653,062 | \$ 10,787,252 | \$ 13,826,407 | \$ 24,470,223 | \$ 12,627,110 | 52% |
| Transfers In (Net) | 755,107 | 225,000 | 450,000 | - | 450,000 | N/A |
| Total Revenues and Transfers In | 11,408,169 | 11,012,252 | 14,276,407 | 24,470,223 | 13,077,110 | 53% |
| Expenditures | (12,534,683) | (10,885,879) | (10,082,408) | (41,985,775) | (8,486,394) | 20% |
| Transfers Out (Net) | - | - | - | (100,000) | - | 0% |
| Total Expenditures and Transfers Out | (12,534,683) | (10,885,879) | (10,082,408) | (42,085,775) | (8,486,394) | 20% |
| Excess (Deficiency) | \$ (1,126,514) | \$ 126,373 | \$ 4,193,999 | \$ (17,615,552) | \$ 4,590,716 | |

Police Special Revenue Fund

Revenues in the Police Special Revenue Fund are \$7.3 million which is \$285,000 or 4% above the revenues at same time last year and on target at 48% of the annual budget. Transfers out in the

Police Special Revenue Fund are \$8.2 million which is on target at 50% of the budget. The deficiency is a budgeted draw down of fund balance. Due to the change in the method of accounting and budgeting for enhanced police services, there are no budgeted expenditures in this fund and all uses are accounted for as transfers to the General Fund.

Police Special Revenue Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|---------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Total Revenues | \$ 6,434,468 | \$ 6,470,144 | \$ 7,003,163 | \$ 15,045,955 | \$ 7,288,607 | 48% |
| Total Transfers Out | (5,782,498) | (6,675,335) | (8,275,385) | (16,305,055) | (8,152,528) | 50% |
| Excess (Deficiency) | \$ 651,970 | \$ (205,191) | \$ (1,272,222) | \$ (1,259,100) | \$ (863,921.00) | |

Fire Special Revenue Fund

Revenues in Fire Special Revenue Fund are \$3.6 million which is \$134,000 or 4% above the revenues at the same time last year and on target at 48% of the annual budget. Fire Special Revenue fund transfers out are \$3.9 million which is on target at 50% of the annual estimate. The deficiency is a budgeted draw down of fund balance. Due to the change in the method of accounting and budgeting for enhanced fire services, there are no budgeted expenditures in this fund and all uses are accounted for as transfers to the General Fund.

Fire Special Revenue Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|---------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Total Revenues | \$ 3,217,229 | \$ 3,245,560 | \$ 3,505,070 | \$ 7,576,332 | \$ 3,639,293 | 48% |
| Total Transfers Out | \$ (3,484,836) | \$ (3,320,425) | \$ (3,945,824) | \$ (7,839,390) | \$ (3,919,695) | 50% |
| Excess (Deficiency) | \$ (267,607) | \$ (74,865) | \$ (440,754) | \$ (263,058) | \$ (280,402) | |

Enterprise Funds

The funds presented below include the Water and Sewer, Sanitation, and Landfill Enterprise Funds.

Water and Sewer Enterprise Funds

Revenues in the Water and Sewer Enterprise Fund are \$44.5 million at the mid-point of the year. Water revenue at mid-year is at \$27 million which is in line with revenue levels in FY12-13 and FY13-14. This is an increase of \$951,000 or 4% over last year and are above target at 58%. Sewer revenues are \$16.1 million which is \$146,000 or 1% higher than last year. Sewer revenues are also on target at 49% of the annual budget. Combined revenues in the fund are above target at 55% of the annual estimate.

Expenditures in the water and sewer enterprise funds are \$770,000 or 2% lower than the previous year and below target at 29% of the annual estimate. This variance is primarily due to \$31.1 million in budgeted capital projects in this fund year which typically are spent unevenly throughout the year and a reduction in debt service obligations as a result of refinancing water and sewer bonds in FY14-15. Capital expenditures at mid-year are \$2.2 million.

Water and Sewer Enterprise Funds

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Water Revenues | \$ 27,850,020 | \$ 27,494,002 | \$ 26,059,211 | \$ 46,547,528 | \$ 27,010,307 | 58% |
| Sewer Revenues | 16,397,704 | 16,078,316 | 15,937,542 | 32,968,679 | 16,083,501 | 49% |
| Other Revenues | 711,164 | 809,065 | 1,105,840 | 1,683,280 | 1,451,966 | 86% |
| Transfers In (Net) | - | - | - | 225,000 | - | 0% |
| Total Revenues and Transfers In | 44,958,887 | 44,381,383 | 43,102,593 | 81,424,487 | 44,545,774 | 55% |
| Total Expenditures and Transfers Out | (30,635,955) | (37,006,320) | (32,056,318) | (108,389,305) | (31,286,603) | 29% |
| Excess (Deficiency) | \$ 14,322,932 | \$ 7,375,063 | \$ 11,046,275 | \$ (26,964,818) | \$ 13,259,171 | |

Sanitation Enterprise Fund

Combined revenues in the Sanitation Enterprise Fund are \$7.5 million which is substantially equivalent to the prior fiscal year and on target at 50% of the annual budget. Expenditures are \$147,000 or 2% lower than last year and below target at only 39% of the annual budget. This variance is primarily due to \$3.3 million in budgeted but unspent capital projects which will be spent unevenly throughout the year.

Sanitation Enterprise Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|--------------------------------------|----------------|----------------|----------------|-------------------|-------------------|----------------|
| Commercial Sanitation Revenue | \$ 1,994,419 | \$ 1,981,493 | \$ 2,046,533 | \$ 4,100,000 | \$ 2,126,344 | 52% |
| Residential Sanitation Revenue | 5,274,398 | 5,337,448 | 5,362,406 | 10,630,000 | 5,380,708 | 51% |
| Other Sanitation Revenue | 145,603 | 99,881 | 79,291 | 223,000 | 42,383 | 19% |
| Total Revenues | 7,414,420 | 7,418,822 | 7,488,230 | 14,953,000 | 7,549,435 | 50% |
| Total Expenditures and Transfers Out | (7,028,889) | (7,408,533) | (6,540,887) | (17,062,717) | (6,687,802) | 39% |
| Excess (Deficiency) | \$ 385,531 | \$ 10,289 | \$ 947,343 | \$ (2,109,717) | \$ 861,633 | |

Landfill Enterprise Fund

Revenues in the Landfill Enterprise Fund are \$5.2 million which is \$771,000 or 18% above the revenues at the same time last year and on target at 48% of the annual budget. The increase in revenue is due to an increase in tonnage from Peoria.

Expenditures in the fund are below target at only 29% of the annual amount. This variance is primarily due to \$11 million in budgeted capital projects which will typically be spent unevenly

throughout the year. Capital expenditures at mid-year are \$2.2 million. Landfill operating expenses are also below target at only 35%.

Landfill Enterprise Fund

| Item Description | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Budget FY15-16 | Actual FY15-16 | % of Budget |
|-------------------------|------------------------|------------------------|------------------------|---------------------------|---------------------------|------------------------|
| Total Revenues | \$ 4,301,801 | \$ 4,370,315 | \$ 4,400,142 | \$ 10,796,290 | \$ 5,170,984 | 48% |
| Total Expenditures | (3,604,285) | (3,128,122) | (3,972,950) | (21,002,201) | (6,123,284) | 29% |
| Excess (Deficiency) | \$ 697,516 | \$ 1,242,193 | \$ 427,192 | \$ (10,205,911) | \$ (952,300) | |

Summary

Overall, revenue analysis for the major operating funds show consistent financial results when compared to the budget. Expenditures either remained on track or were less than budgeted due primarily to unspent capital projects funding. Staff will continue to monitor the actual results and prepare a financial analysis quarterly.

CITY COUNCIL WORKSHOP

*FY 15-16 Mid-Year Financial Report
Major Operating Funds*

February 16, 2016

Overview

- ◎ Report on actual results of the major operating funds
 - General Fund
 - Special Revenue Funds
 - HURF
 - Transportation Sales Tax
 - Public Safety Sales Tax (Police & Fire)
 - Enterprise Funds
 - Water and Sewer
 - Sanitation
 - Landfill

Basis of Analysis

- ⦿ Actual results through December 31, 2015
- ⦿ Compared to current budget
 - Adopted June 9, 2015
- ⦿ Items are “on target” if they are near 50% of the budget
- ⦿ Compared actual results of this year to the results at the same time last year
 - General fund revenues and expenditures include the sub-funds
- ⦿ Three years of data presented

Analysis

- ⦿ Overall positive financial results for the year through December 2015
- ⦿ Staff will continue to monitor fund performance

General Fund

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|----------------------------|----------------------|---------------------|---------------------|-----------------------------|----------------------|-------------------|
| Revenues | | | | | | |
| City Sales Tax | \$ 34,664,032 | \$37,595,670 | \$40,781,295 | \$99,445,226 | \$48,046,422 | 48% |
| State Shared Rev | 24,093,231 | 25,901,569 | 27,631,313 | 57,917,280 | 28,506,604 | 49% |
| Other Revenue | 14,995,876 | 17,340,361 | 17,963,842 | 45,380,565 | 21,216,268 | 47% |
| Transfers In | 92,000 | 0 | 12,221,209 | 24,144,445 | 12,072,233 | 50% |
| Total Revenues | \$ 73,845,139 | \$80,837,600 | \$98,597,659 | \$226,887,516 | \$109,841,527 | 48% |
| Expenditures | | | | | | |
| Expenditures | \$ (62,828,196) | \$(62,812,283) | \$(75,457,881) | \$(201,608,303) | \$(90,876,259) | 45% |
| Transfers Out | (6,359,823) | (14,803,530) | (13,830,045) | (21,817,014) | (10,633,047) | 49% |
| Total Expenditures | (69,188,019) | (77,615,813) | (89,287,926) | (223,425,317) | (101,509,306) | 45% |
| Excess (Deficiency) | \$ 4,657,120 | \$ 3,221,787 | \$ 9,309,733 | \$ 3,462,199 | \$8,332,221 | |

General Fund

- ◎ Revenues on target at 48% of budget
 - Does not include holiday sales which will be reported in January
- ◎ Revenue increased by \$11.2 million
 - \$8.3 million is due to the consolidation of sub-funds into General Fund
 - Out of the \$7.3 million increase in sales tax revenue, \$6.0 million is attributable to the sub-funds
 - State shared revenue increased by \$875,000
- ◎ Expenditures increased by \$15.4 million
 - \$9.7 million is due the consolidation of the sub-funds into the General Fund and \$5.0 million is due to the technology premium charges to the general fund.
 - Expenditures are at 45% of budget

HURF

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|----------------------------|--------------------|--------------------|--------------------|-----------------------------|----------------------|-------------------|
| Revenues | \$5,730,339 | \$5,911,587 | \$6,541,991 | \$14,170,619 | \$6,885,941 | 49% |
| Transfers In | 0 | 0 | 0 | 1,000,000 | 0 | 0% |
| Total Revenues | 5,730,339 | 5,911,587 | 6,541,991 | 15,170,619 | 6,885,941 | 45% |
| Expenditures | (3,192,080) | (4,165,334) | (3,400,787) | (32,637,814) | (8,954,498) | 27% |
| Transfers Out | (94,060) | | | | | |
| Total | (3,286,140) | (4,165,334) | (3,400,787) | (32,637,814) | (8,954,498) | 27% |
| Excess (Deficiency) | \$2,444,199 | \$1,746,253 | \$3,141,204 | \$ (17,467,195) | \$(2,068,557) | |

HURF

- ⦿ Revenue increased by \$344,000
 - Revenues at 49% of annual budget
- ⦿ Expenditures are low at only 27% of budget
 - Capital projects budget of \$20.7 million but only \$4.8 million expended at mid-year
 - Operating expenditures lower than budget at 42%

Transportation Sales Tax

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---------------------|----------------|----------------|----------------|-----------------------------|--------------|-------------------|
| Revenues | \$10,653,062 | \$10,787,252 | \$13,826,407 | \$24,470,223 | \$12,627,110 | 52% |
| Transfers In (Net) | 755,107 | 225,000 | 450,000 | 0 | 450,000 | NA |
| Total Revenues | 11,408,169 | 11,012,252 | 14,276,407 | 24,470,223 | 13,077,110 | 53% |
| Expenditures | (12,534,683) | (10,885,879) | (10,082,408) | (42,085,775) | (8,486,394) | 20% |
| Excess (Deficiency) | \$ (1,126,514) | \$126,373 | \$4,193,999 | \$ (17,615,552) | \$4,590,716 | |

Transportation Sales Tax

- ⦿ Revenues are at 53% of the annual budget
 - \$1.2 million lower than last year
 - One time reimbursement of capital project cost of 1.6 million in FY14-15 from the State of Arizona
- ⦿ Expenditures are 20% of the annual budget
 - Budgeted \$20.1 million in capital projects but only expended \$1.1 million at mid-year
 - Typically expenses are incurred unevenly throughout the year

Public Safety - Police Special Revenue

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---------------------|----------------|----------------|----------------|-----------------------------|-------------|-------------------|
| Revenues | \$6,434,468 | \$6,470,144 | \$7,003,163 | \$15,045,955 | 7,288,607 | 48% |
| Transfers Out | (5,782,498) | (6,675,335) | (8,275,385) | (16,305,055) | (8,152,528) | 50% |
| Excess (Deficiency) | \$651,970 | \$(205,191) | \$(1,272,222) | \$(1,259,100) | \$(863,921) | |

Public Safety - Police Special Revenue

- ◎ Revenue is at 48% of the annual budget
 - \$285,000 or 4% higher than last year

- ◎ Transfers out are at 50%
 - Under new accounting method, all uses of this fund are accounted for as transfers

Public Safety - Fire Special Revenue

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---------------------|----------------|----------------|----------------|-----------------------------|-------------|-------------------|
| Revenues | \$3,217,229 | \$3,245,560 | \$3,505,070 | \$7,576,332 | \$3,639,293 | 48% |
| Transfers Out | (3,484,836) | (3,320,425) | (3,945,824) | (7,839,390) | (3,919,695) | 50% |
| Excess (Deficiency) | \$(267,607) | \$(74,865) | \$(440,754) | \$(263,058) | \$(280,402) | |

Public Safety - Fire Special Revenue

- ◎ Revenue is at 48% of the annual budget
 - \$134,000 or 4% higher than the same time last year
- ◎ Transfers out are at 50%
 - Under new accounting method, all uses of this fund are accounted for as transfers

Water & Sewer

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---|----------------------|---------------------|----------------------|-----------------------------|---------------------|-------------------|
| Revenues | | | | | | |
| Water Revenues | \$ 27,850,020 | \$27,494,002 | \$26,059,211 | \$46,547,528 | \$27,010,307 | 58% |
| Sewer Revenues | 16,397,704 | 16,078,316 | 15,937,542 | 32,968,679 | 16,083,501 | 49% |
| Other Revenue | 711,164 | 809,065 | 1,105,840 | 1,683,280 | 1,451,966 | 86% |
| Transfers In | 0 | 0 | 0 | 225,000 | 0 | 0% |
| Total Revenues | \$ 44,958,887 | \$44,381,383 | \$43,102,593 | \$81,424,487 | \$44,545,774 | 55% |
| Total Expenditures and Transfers Out | | | | | | |
| | \$ (30,635,955) | \$(37,006,320) | \$(32,056,318) | \$(108,389,305) | \$(31,286,603) | 29% |
| Excess (Deficiency) | \$ 14,322,932 | \$ 7,375,063 | \$ 11,046,275 | \$ (26,964,818) | \$13,259,171 | |

Water and Sewer

- Water Revenue is \$951,000 or 4% higher than last year
- Sewer Revenue is 49% of the annual budget
- Expenditures are 29% of the annual budget
 - \$31.1 million in budgeted capital expenditures which are spent unevenly throughout the year
 - Reduction in debt service obligations as a result of refinancing the water and sewer bonds in FY14-15

Sanitation

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---|----------------|----------------|----------------|-----------------------------|----------------|-------------------|
| Total Revenues | \$ 7,414,420 | \$7,418,822 | \$7,488,230 | \$14,953,000 | \$7,549,435 | 50% |
| Total Expenditures and Transfers Out | \$ (7,028,889) | \$(7,408,533) | \$(6,540,887) | \$(17,062,717) | \$ (6,687,802) | 39% |
| Excess (Deficiency) | \$ 385,531 | \$ 10,289 | \$ 947,343 | \$ (2,109,717) | \$861,633 | |

Sanitation

- ◎ Sanitation revenue is at 50% of the budget
 - Substantially the same as last year
- ◎ Expenditures are 39% of the annual budget
 - \$3.3 million in budgeted but unspent capital expenditures which are spent unevenly throughout the year

Landfill

| | FY12-13 YTD | FY13-14 YTD | FY14-15 YTD | Full-year FY16 Budget | FY16 YTD | % of budget |
|---------------------|----------------|----------------|----------------|-----------------------------|----------------|-------------------|
| Total Revenues | \$ 4,301,801 | \$4,370,315 | \$4,400,142 | \$10,796,290 | \$5,170,984 | 48% |
| Total Expenditures | \$ (3,604,285) | \$(3,128,122) | 3,972,950 | 21,002,201 | \$ (6,123,284) | 29% |
| Excess (Deficiency) | \$ 697,516 | \$ 1,242,193 | \$ 427,192 | \$ (10,205,911) | \$(952,300) | |

Landfill

- ⦿ Landfill revenue is at 48% of the annual budget.
 - Revenues are \$771,000 higher than last year
- ⦿ Expenditures are 29% of the annual budget
 - \$11 million in budgeted capital expenditures which will be spent unevenly throughout the year
 - \$2.2 million in capital expenditures at mid-year

Summary

- ✓ Major funds met or exceeded 50% revenue targets
- ✓ Expenditures at or below 50%
- ✓ Staff continues to monitor fund performance



Legislation Description

File #: 16-052, Version: 1

FY16-17 BUDGET WORKSHOP

Staff Contact and Presenter: Vicki Rios, Interim Director, Finance and Technology

Staff Presenter: Tom Duensing, Assistant City Manager

Staff Presenter: Terri Canada, Budget Administrator

Purpose and Policy Guidance

The purpose of this item is to provide Council with information relative to the FY16-17 budget process and seek Council policy guidance and input on the development of the FY16-17 budget.

Background

At the December 15, 2015 City Council Workshop, staff presented the Five-Year Financial Forecasts for the General Fund and other major operating funds of the city. The forecasts served as the initial step toward the development of the FY16-17 annual budget. As a review, the forecasts serve two purposes: 1) provide a long-term view of current year budget decisions affecting the City and 2) provide an estimate of the fund balance and sensitivity to revenue and expenditures changes over the forecast period. Best forecasting practice calls for realistic, yet conservative revenue estimates coupled with realistic service and staffing levels. During the planning process for the FY16-17 Budget, staff will be seeking policy guidance and input from the council on various budgetary items. Also during this process, staff will advise Council of the potential impacts of budgetary decisions on the long-term financial forecasts.

Analysis

This is the first Budget Workshop seeking Council feedback. Staff will present Council with the Budget Workshop calendar, provide an overview of the budget process, and initiate discussion on Council policy guidance and input. In addition, staff will provide information related to the impact of changing the current Council policy of implementing the maximum increase allowable for the primary property tax. This topic is a Council Item of Special Interest.

The City's Annual Budget can be broken down into four major components; revenues, operations, capital and debt service. Budget discussions will continue through a series of budget workshops scheduled for March and April to present, review, and discuss each component of the annual budget. The workshops will conclude with two full day sessions in April. At Council's direction, additional budget workshops may be scheduled, or currently scheduled workshops may be cancelled depending upon the need.

General Fund

The December 15th forecast identified ongoing revenues are sufficient to cover ongoing operating

expenditures throughout the five-year period. However, it is important to note that the detailed budget requests could impact the operating expenditures and revenue adjustments could also be made throughout the process. Currently, the ongoing General Fund expenditures assume an increase in police and fire public safety retirement cost, continuation of remaining service levels, continuation of contractual obligations, including management of the Arena, moderate revenue growth and controlling operating costs. The forecast also assumed annual salary and benefit cost increases for both represented and non-represented work groups. These assumptions will be reviewed in greater detail during the process.

Other Operating Funds

Overall, the Enterprise Funds are forecasted to remain relatively stable. The financial results of the Enterprise

Funds are significantly influenced by the capital outlay spending and financing. Annual revenues are sufficient to cover ongoing operating expenses and meet capital planning needs through available ending fund balance. Enterprise funds, most notably the Water and Sewer Fund, are capital intensive in nature. Prudent capital planning in all the enterprise funds will be required to ensure 1) the funds remains financially stable, 2) capital maintenance needs are addressed timely to avoid future maintenance issues, and 3) the City continues to comply with debt covenants driven by the fund's capacity to repay debt service.

The Special Revenue Funds are forecasted to remain relatively stable, with modest increases in revenue growth. For the Transportation and Highway User Revenue Funds, care should also be taken to manage the capital outlay for these funds.

Capital Improvement Plan

Capital improvement projects are non-routine capital expenditures that generally cost more than \$50,000 and result in the purchase of equipment, acquisition of land, design and construction of new assets, or the renovation, rehabilitation or expansion of existing capital assets. Capital projects usually have an expected useful life of at least five years.

Each year, a CIP is developed which is the roadmap for creating, maintaining, and paying for Glendale's present and future infrastructure needs. The CIP outlines project costs, funding sources, and estimated future operating costs associated with each capital improvement. The plan is designed to ensure that capital improvements will be made when and where they are needed, and that the city will have the funds to pay for and maintain them. Although the CIP is a ten-year plan, the FY16-17 capital projects are the only year that is eventually appropriated. The remaining nine years are for planning purposes and funding is not guaranteed to occur in the year planned. City Council makes the final decision about whether and when to fund all projects.

Critical to developing a CIP is the impact of the respective enterprise and special revenue funds. The City's practice has been to present a plan that is financially balanced over the first five years of the ten-year CIP plan. As stated previously, prudent capital planning is required to ensure 1) the respective funds remains financially stable, 2) capital maintenance needs are addressed timely to avoid future maintenance issues, and 3) the City continues to comply with debt covenants driven by the fund's capacity to repay debt service.

Staff anticipates the first review of the Capital Improvement Plan (CIP) to be March 15, 2016.

Previous Related Council Action

On December 15, 2015, the General Fund and Major Operating Funds Five-Year Financial Forecast was presented at Council Workshop and initiated the FY16-17 budget process.

Community Benefit/Public Involvement

The community benefit of the City's budget process, policy direction, and budgetary decisions demonstrates sound financial decisions are made through a transparent and public process. Ultimate budgetary decisions align with the strategic direction of the City and provide the public with information on service provided and Council priorities.

Budget and Financial Impacts

Budget and financial impacts are based on Council feedback.

* Council Workshop
FY 16-17 Budget
Discussion

February 16, 2016

*Budget Overview

FY16-17

(July 1, 2016 - June 30, 2017)

- Fiscal Year 2016-2017 (FY16-17)
- State Budget Law Requirements
- Calendar
- Process
- Budget Components
- Property Tax Discussion
- Future Budget Discussion Items
- Next Steps

*Legal Requirements

State Budget Law

Funds

State Imposed Expenditure Limitation

Property Tax Levy Limitation

Timeline/Date Requirements

- *Tentative Budget Adoption on or before third Monday in July each fiscal year. Sets the maximum “limits” for expenditures*
- *Final Budget Adoption the first Monday in August. With at least 14 days between the adoption of the final budget and adoption of the tax levy*
- *Final Tax Levy the third Monday in August*
- *Publication Notices including State Auditor General Forms*

| Item | Date |
|--|--------------------------|
| Financial Forecast | December 15, 2015 |
| <i>Council Workshop</i> | <i>February 16, 2016</i> |
| Council Workshop - Revenue Discussions | March 1, 2016 |
| Council Workshop - CIP | March 15, 2016 |
| Council Workshop | April 5, 2016 |
| Council Workshop (All Day) - Departmental Presentations | April 19, 2016 |
| Council Workshop (All Day) - Departmental Presentations | April 21, 2016 |
| Council Workshop | May 3, 2016 |
| Voting Meeting - Tentative Budget Adoption | May 24, 2016 |
| Voting Meeting - Final Budget Adoption/Property Tax Levy | June 14, 2016 |
| Voting Meeting - Property Tax Adoption | June 28, 2016 |

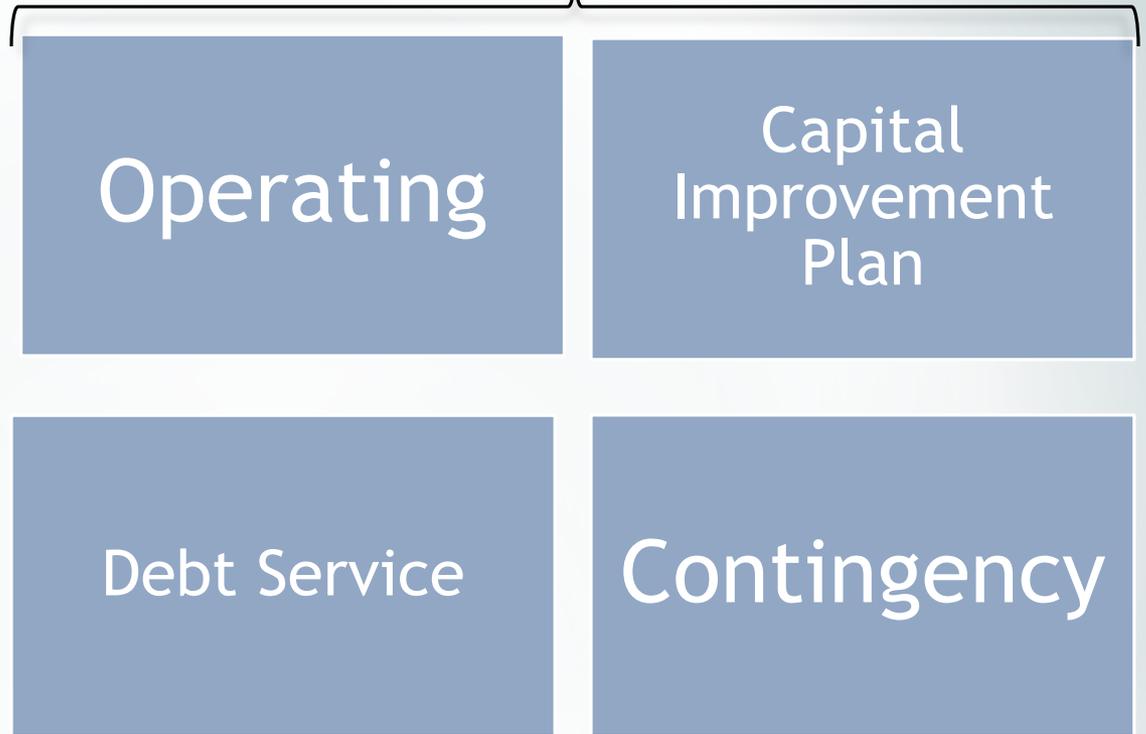
*Budget Calendar



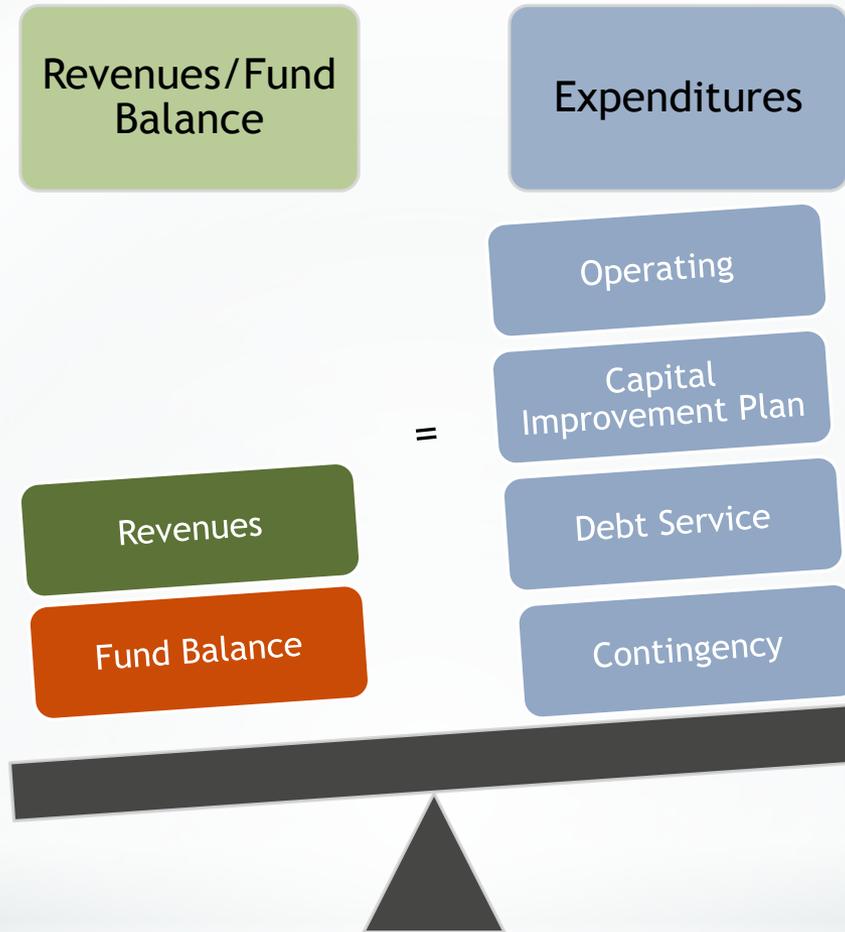
*Budget Process

Expenditures

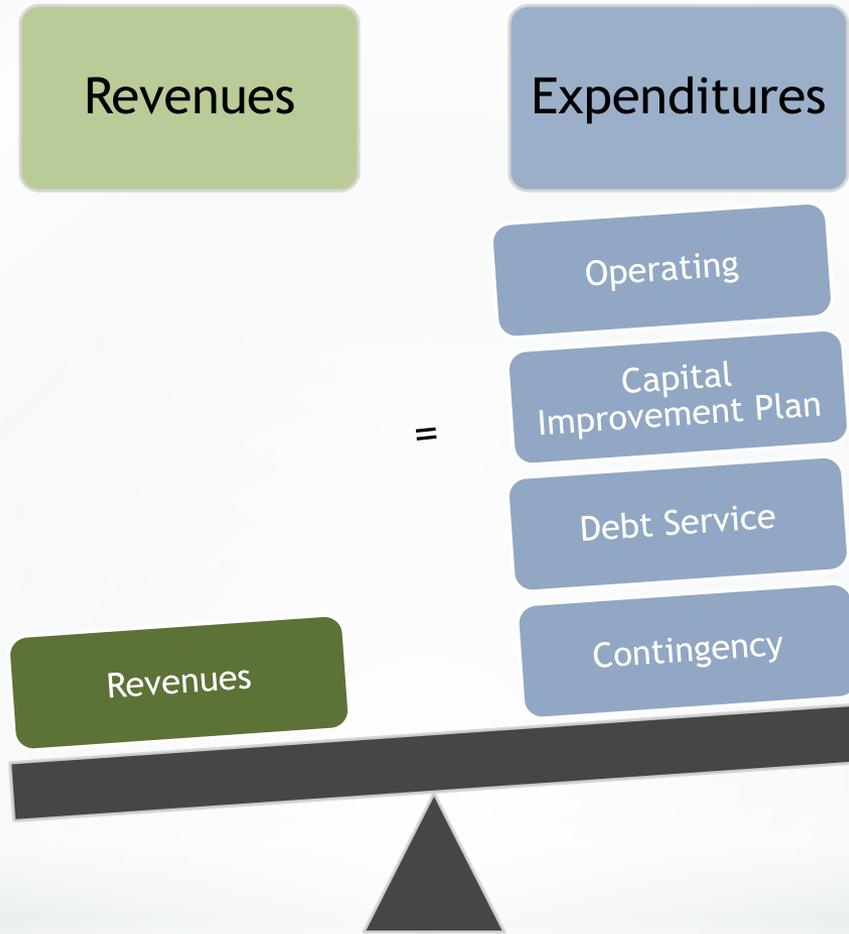
Revenues



***Budget Components**

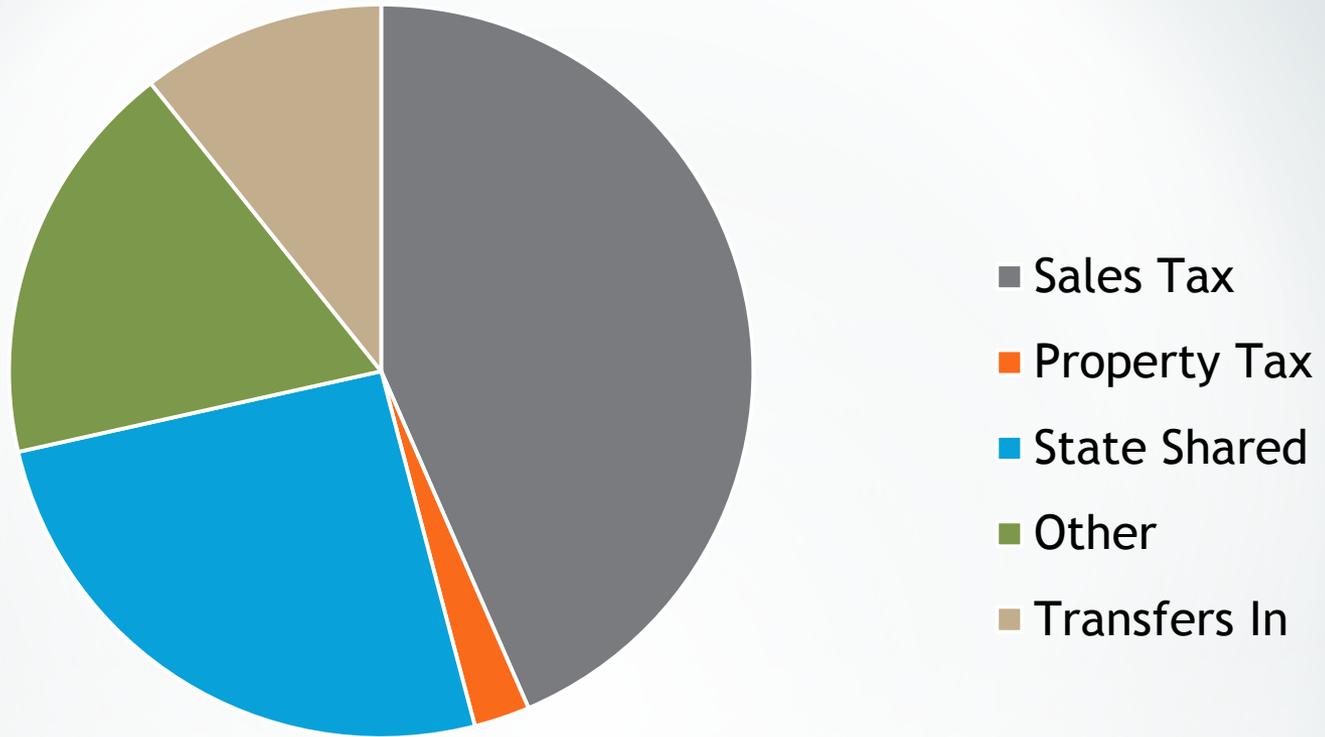


*Balanced Budget



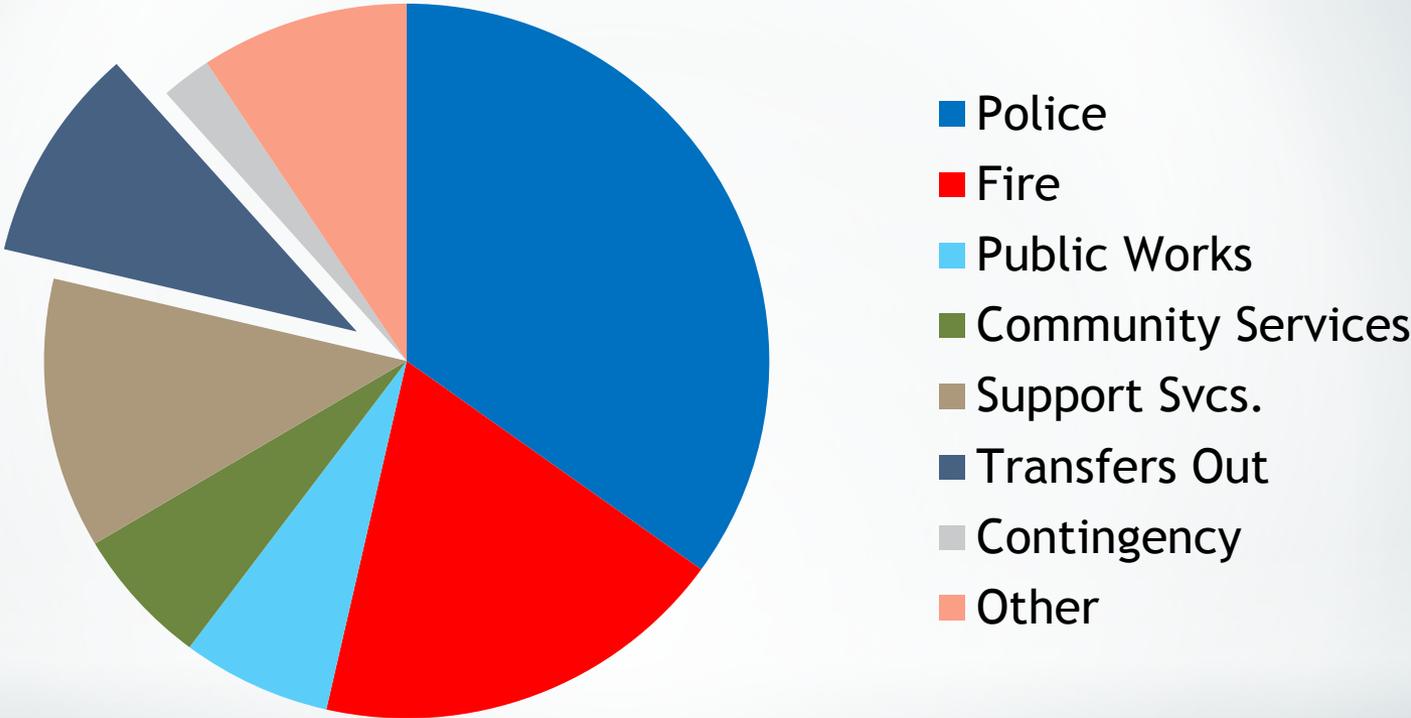
*Balanced Budget (No Use of Fund Balance)

Revenues - General Fund



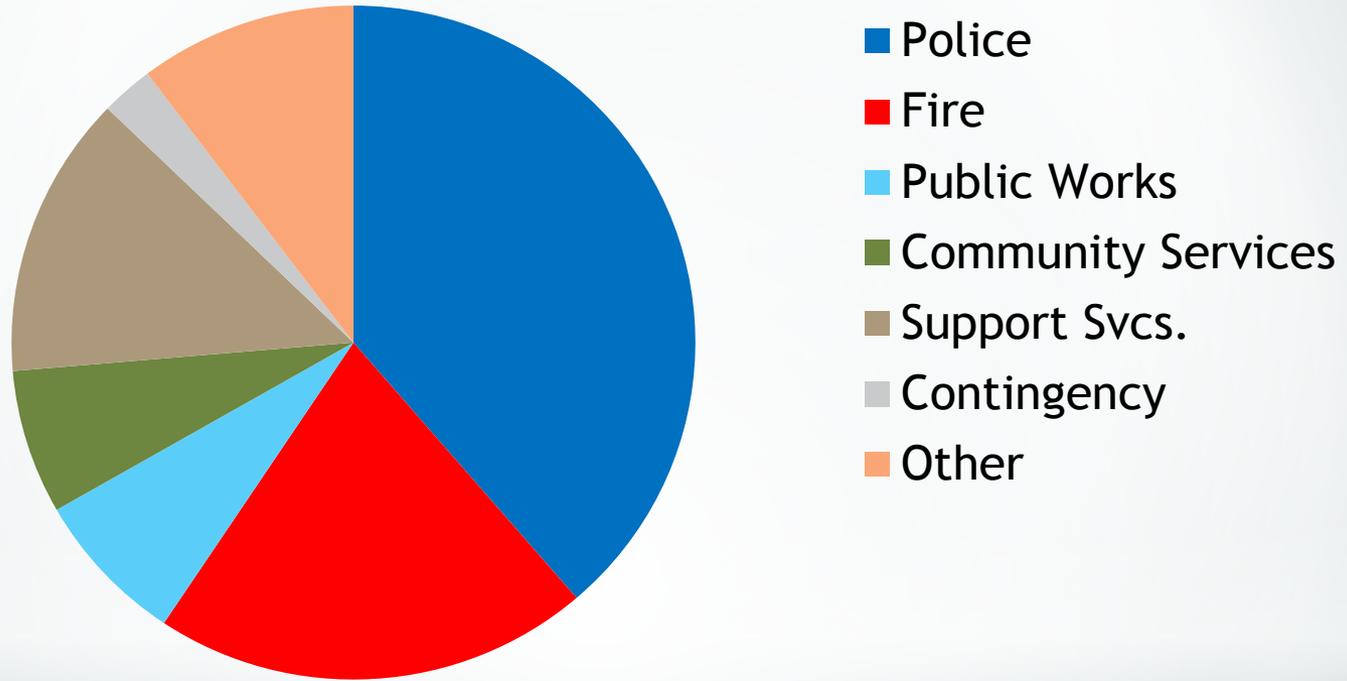
***Where does the
money come from?**

Expenditures - General Fund



*Where does the money go?

Expenditures - General Fund (Without Transfers Out)



*Where does the
money go?

Key Initiatives FY16-17

- * Considerations of the impact of the following:
 - * Police and Fire service delivery analysis
 - * Compensation and classification study
 - * PSPRS contribution rates
 - * Sales tax rate assessment
 - * Primary Property Tax
 - * Western Area Branch Library operating costs - \$600,000
 - * Arena management proposals
 - * Regional Wireless Consortium (RWC)
 - * Vehicle Replacement
 - * Transition to ADOR sales tax collections
 - * HB2026 - Residential Rental - Potential revenue impact

Key Policies FY16-17

- *Fund balance policy

- * General Fund Total Committed/Assigned Fund Balance = 25%

- * Enterprise Funds Total Minimum Restricted = 10%

- * Other Funds Minimum Restricted = 10%

- * Trust Funds at the 75% confidence level

- *Property Tax

- * Will be set each year at the maximum allowable amount

Property Taxation

- **History**
- **Legal Limits**
- **Public Notification**



*Property Tax Bill

General Fund Revenue

| Category | Total | % |
|--------------------------------------|-----------------------|-------------|
| City Sales Tax | \$ 98,695,608 | 48.7% |
| Property Tax | 5,529,882 | 2.7% |
| State Shared - Income Tax | 27,297,178 | 13.5% |
| State Shared - Sales Tax | 21,659,358 | 10.7% |
| State Shared - Motor Vehicle In Lieu | 8,960,744 | 4.4% |
| Intergovernmental - TO | 1,400,000 | 0.7% |
| Franchise Fees | 4,400,061 | 2.2% |
| Arena Revenue | 7,056,276 | 3.5% |
| Permits, Fees & Licenses | 6,832,806 | 3.4% |
| Recreation & Library Revenue | 1,665,898 | 0.8% |
| Court Revenue | 2,763,580 | 1.4% |
| Other Revenue | 6,385,600 | 3.1% |
| Staff Admin. Chargeback | 9,700,000 | 4.8% |
| Interest | 396,080 | 0.2% |
| Total General Fund Revenue | \$ 202,743,071 | |

| | FY15-16 | | FY16-17 (analysis) | | |
|----------------|------------------|----------------------|--------------------------|----------------------|-------------------|
| | Actual | | Assumes 2% Levy Increase | | |
| | Rate | Levy | Rate | Levy | Increase |
| <i>Primary</i> | \$ 0.4896 | \$5,529,882 | \$ 0.4996 | \$5,640,480 | \$ 110,598 |
| Secondary | 1.7067 | 19,268,783 | 1.7067 | 19,268,783 | 0 |
| Total | \$ 2.1965 | \$ 24,798,665 | \$ 2.2063 | \$ 24,909,263 | \$ 110,598 |

- Primary - Levy increased by 2% or No Levy Increase
- Secondary (Voter Approved) - No levy increase
 - Simple example, assumes no new construction & no increase in assessed valuation

*Property Taxes

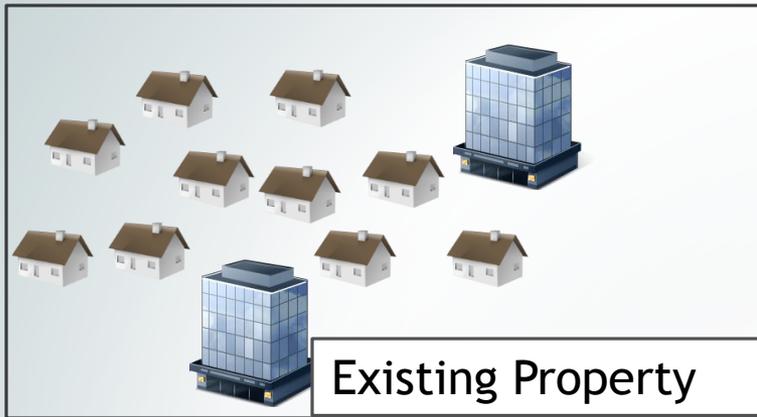
| | 2014 | | 2015 | 2016 | |
|--------------------------------------|------------|--------------------|------------|------------|-----------|
| Assessed Value (P & S) | \$ 171,500 | —————> | \$ 180,075 | \$180,075 | |
| Full Cash Value | | | \$ 217,600 | \$217,600 | |
| Property Tax Levy Calculation | | | | | |
| | 2015 | | 2016 | | |
| | Rate | Levy | Rate | Levy | \$ Change |
| Schools/Education (75%) | | \$ 1,956.43 | tbd | tbd | |
| Glendale Primary (3%) | \$ 0.4898 | \$ 88.20 | \$ 0.4996 | \$ 89.96 | \$ 1.76 |
| Glendale Secondary (11%) | \$ 1.7067 | \$ 307.35 | \$ 1.7067 | \$ 307.35 | \$ 0.00 |
| County (8%) | | \$ 245.07 | tbd | tbd | |
| Special Districts (3%) | | \$ 120.37 | tbd | tbd | |
| Total | | <u>\$ 2,717.42</u> | | <u>tbd</u> | |

* 2016 Property Tax Bill (Est.)



| Existing Property | FY15-16 Levy | FY16-17 Rate | FY16-17 Levy | |
|--------------------|---------------------|------------------|----------------------|----|
| Primary * | \$ 5,529,882 | \$ 0.4996 | \$5,640,480 | 2% |
| Secondary | 19,268,783 | 1.7067 | 19,268,783 | 0% |
| Total | \$24,798,665 | \$ 2.2063 | \$ 24,909,263 | |
| * 2% levy increase | | | | |

* Property Taxes



| Existing Property | FY15-16 Levy | FY16-17 Rate | FY16-17 Levy | |
|-------------------|---------------------|------------------|----------------------|----|
| Primary * | \$ 5,529,882 | \$ 0.4996 | \$5,640,480 | 2% |
| Secondary | 19,268,783 | 1.7067 | 19,268,783 | 0% |
| Total | \$24,798,665 | \$ 2.2063 | \$ 24,909,263 | |

* 2% levy increase

| New Property | FY14-15 Levy | FY15-16 Rate | FY15-16 Levy |
|--------------|--------------|------------------|-------------------|
| Primary * | n/a | \$ 0.4996 | \$ 56,405 |
| Secondary | n/a | 1.7067 | 192,688 |
| Total | n/a | \$ 2.2063 | \$ 249,093 |

*Property Taxes



| Existing Property | FY15-16 Levy | FY16-17 Rate | FY16-17 Levy | |
|-------------------|---------------------|------------------|----------------------|----|
| Primary * | \$ 5,529,882 | \$ 0.4996 | \$5,640,480 | 2% |
| Secondary | 19,268,783 | 1.7067 | 19,268,783 | 0% |
| Total | \$24,798,665 | \$ 2.2063 | \$ 24,909,263 | |

* 2% levy increase

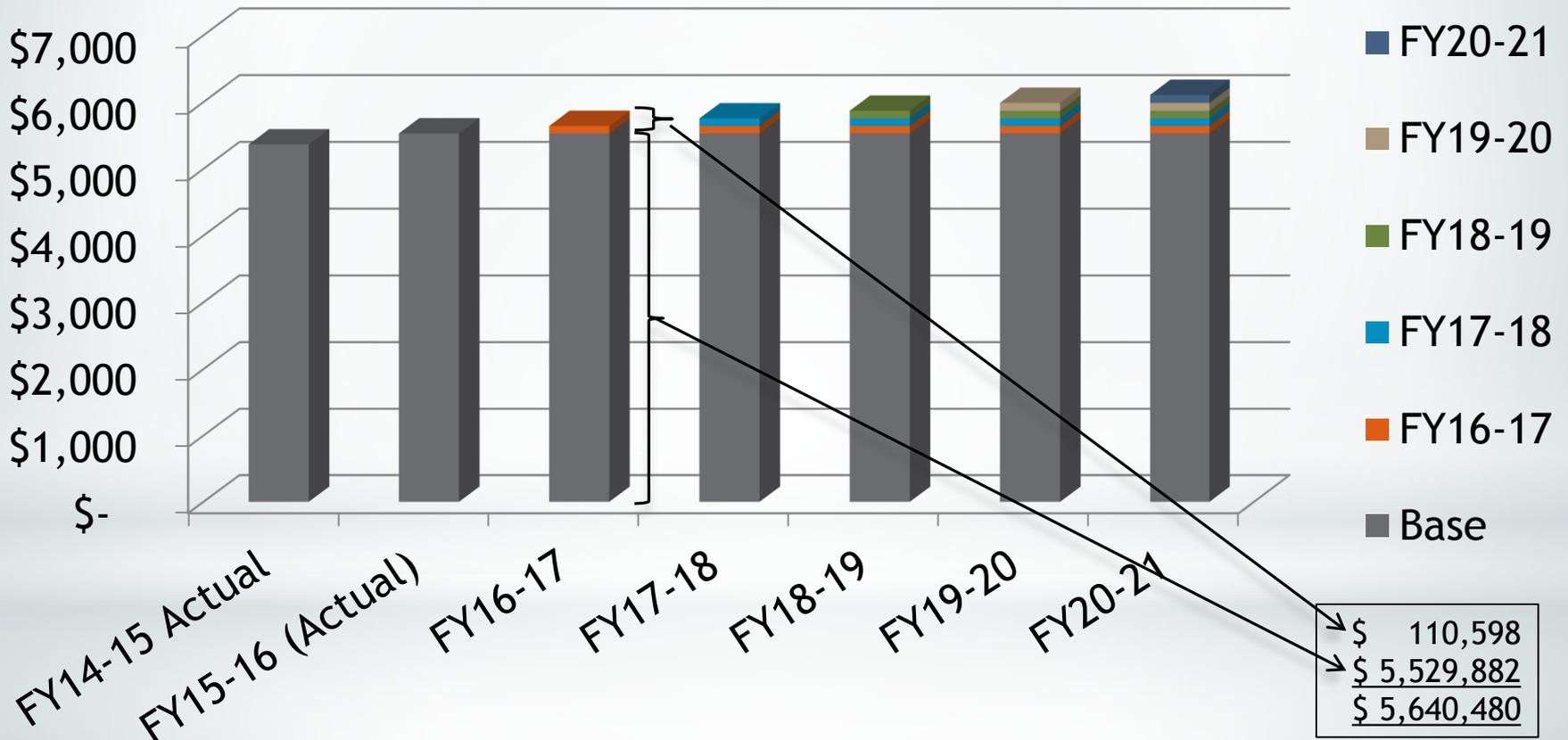
| New Property | FY15-16 Levy | FY16-17 Rate | FY16-17 Levy |
|--------------|--------------|------------------|-------------------|
| Primary * | n/a | \$ 0.4996 | \$ 56,405 |
| Secondary | n/a | 1.7067 | 192,688 |
| Total | n/a | \$ 2.2063 | \$ 249,093 |

| All Property | FY15-16 Levy | FY16-17 Rate | FY16-17 Levy | |
|--------------|---------------------|------------------|----------------------|----|
| Primary * | \$ 5,529,882 | \$ 0.4996 | \$5,696,885 | 3% |
| Secondary | 19,268,783 | 1.7067 | 19,461,471 | 1% |
| Total | \$24,798,665 | \$ 2.2063 | \$ 25,158,356 | |

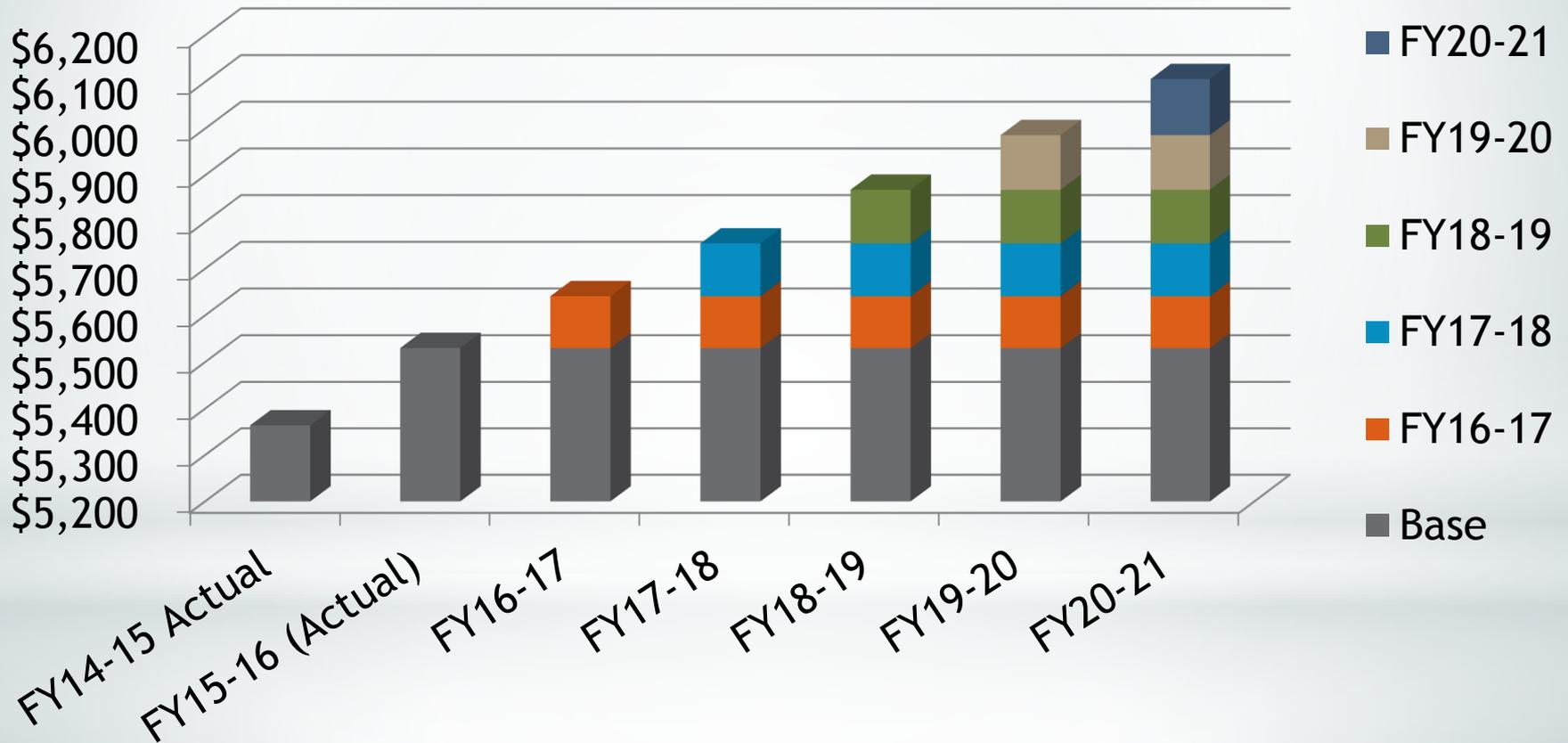
* 2% levy increase

| | Primary Rate | Secondary Rate | Total Rate |
|------------------------------|--------------|----------------|------------|
| <i>FY16-17 (2%)</i> | \$0.4996 | \$1.7067 | \$2.2063 |
| <i>FY16-17 (no increase)</i> | \$0.4898 | \$1.7067 | \$2.1965 |
| | | | |
| FY15-16 * | \$0.4898 | \$1.7067 | \$2.1965 |
| FY14-15 * | \$0.4896 | \$1.6605 | \$2.1501 |
| FY13-14 ** | \$0.4974 | \$1.7915 | \$2.2889 |
| FY12-13 | \$0.2252 | \$1.6753 | \$1.9005 |
| FY11-12 | \$0.2252 | \$1.3699 | \$1.5951 |
| FY10-11 | \$0.2252 | \$1.3699 | \$1.5951 |
| FY09-10 | \$0.2252 | \$1.3699 | \$1.5951 |
| FY08-09 | \$0.2432 | \$1.3519 | \$1.5951 |
| FY07-08 | \$0.2681 | \$1.3519 | \$1.6200 |
| FY06-07 | \$0.2925 | \$1.4275 | \$1.7200 |
| FY05-06 | \$0.3064 | \$1.4136 | \$1.7200 |

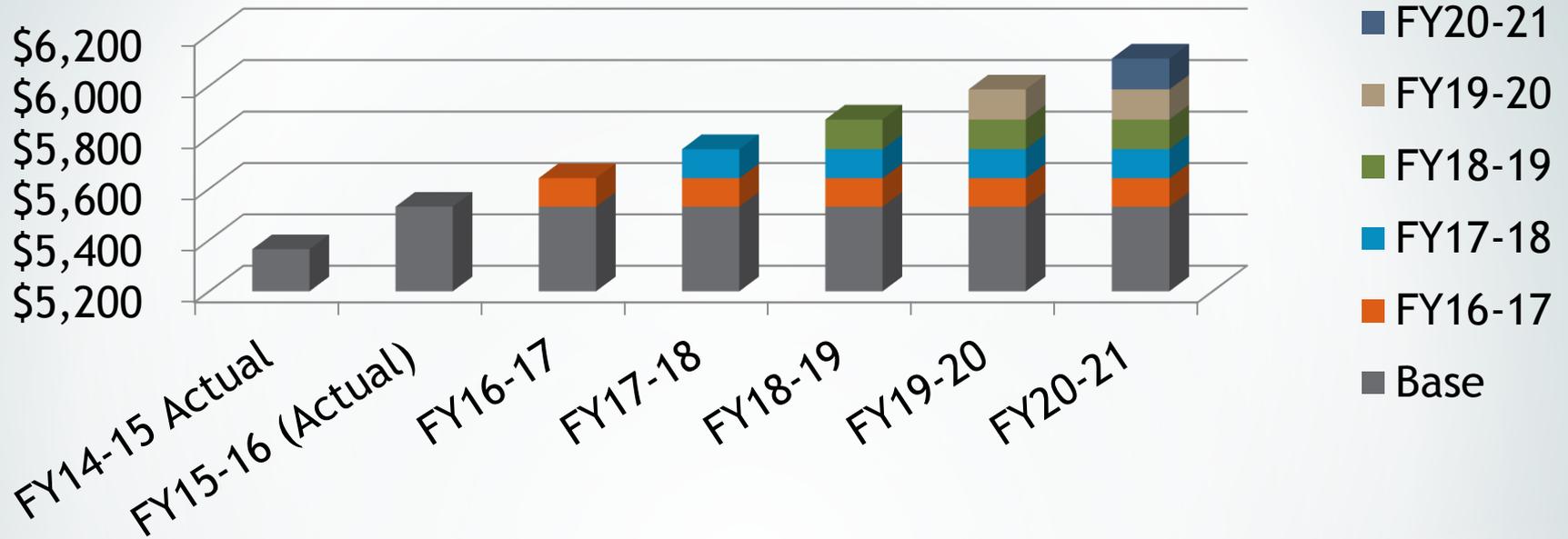
Total Primary Levy



Total Primary Levy



Total Primary Levy



| Homeowner Example (Assesed Value = \$180,075, Cash Value \$217,600) | | | | | |
|---|----------|----------|----------|----------|----------|
| Individual Home | FY16-17 | FY17-18 | FY18-19 | FY19-20 | FY20-21 |
| Base | \$ 88.20 | \$ 88.20 | \$ 88.20 | \$ 88.20 | \$ 88.20 |
| Full Levy | \$ 89.96 | \$ 91.76 | \$ 93.60 | \$ 95.47 | \$ 97.38 |
| Difference | \$ 1.76 | \$ 3.56 | \$ 5.40 | \$ 7.27 | \$ 9.18 |
| % Difference | 2.0% | 4.0% | 6.1% | 8.2% | 10.4% |

- Property Tax Discussion
- Additional Council questions/feedback?

*Budget Discussion

| Item | Date |
|--|----------------|
| Council Workshop - Revenue Discussions | March 1, 2016 |
| Council Workshop - CIP | March 15, 2016 |
| Council Workshop | April 5, 2016 |
| Council Workshop (All Day) - Departmental Presentations | April 19, 2016 |
| Council Workshop (All Day) - Departmental Presentations | April 21, 2016 |
| Council Workshop | May 3, 2016 |
| Voting Meeting - Tentative Budget Adoption | May 24, 2016 |
| Voting Meeting - Final Budget Adoption/Property Tax Levy | June 14, 2016 |
| Voting Meeting - Property Tax Adoption | June 28, 2016 |

*Where do we go from here?