



# 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 Gary Sherwood*  
*Councilmember Lauren Tolmachoff*  
*Councilmember Bart Turner*

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Tuesday, February 3, 2015

9:00 AM

Council Chambers - Room B3

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### 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

- 1. 15-087** FY15-16 Budget Workshop  
Staff Contact: Tom Duensing, Director, Finance and Technology

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).

**This agenda has been reviewed and approved for posting by Brenda S. Fischer, ICMA-CM, City Manager.**



## Legislation Description

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**File #:** 15-087, **Version:** 1

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### **FY15-16 Budget Workshop**

Staff Contact: Tom Duensing, Director, Finance and Technology

### **Purpose and Policy Guidance**

The purpose of this item is to provide Council with information relative to the FY15-16 budget process. Staff is seeking Council policy guidance and input on the development of the FY15-16 budget.

### **Background**

At the December 16, 2014, 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 FY15-16 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 expenditure 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 FY15-16 Budget, staff will be seeking policy guidance and input from the council on various budgetary items. During the FY15-16 budget 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.

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 February and March to present, review, and discuss each component of the annual budget. The workshops will conclude with a full and half day session 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 16 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 services, continuation of remaining service levels, continuation of contractual obligations, moderate revenue

growth, controlling operating costs, and achieving savings from an Excise Tax Bond refunding. The forecast also assumed a steady decline of the General Fund sales tax rate each year and absorbing significant cost increases in health insurance and public safety retirement. These assumptions will be reviewed in greater detail during the process.

Finally, the forecast planned for integration of the former “General Fund - Sub-funds” into the General Fund. Combining these funds ensures financial transparency, financial stability in the sub-funds, simplification of General Fund financial presentations, and is consistent with best practices.

### **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. It is anticipated enterprise fund rate adjustments will not be necessary in the upcoming FY15-16. 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 remain financially stable, 2) capital maintenance needs are addressed timely to avoid future maintenance issues, and 3) the City continues to comply with debt covenants centered around the capacity to repay debt service.

The Special Revenue Funds are forecasted to remain relatively stable. Unlike the enterprise operations, there are forecasted increases in revenue growth as these funds are not user fee supported. 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 FY15-16 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 centered around the capacity to repay debt service.

Staff anticipates the first review of the Capital Improvement Plan (CIP) to be March 17, 2015.

**Previous Related Council Action**

On December 16, 2014, the General Fund and Major Operating Funds Five-Year Financial Forecast was presented at Council Workshop and initiated the FY15-16 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.