



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 Joyce Clark
Councilmember Ray Malnar
Councilmember Lauren Tolmachoff
Councilmember Bart Turner

Tuesday, February 7, 2017

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

ROLL CALL

WORKSHOP SESSION

1. [17-027](#) FY15-16 COMPREHENSIVE ANNUAL FINANCIAL REPORT AND ANNUAL AUDIT UPDATE
Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance
Staff Presenter: Lisette Camacho, Assistant Director, Budget and Finance
Guest Presenter: Dennis J. Osuch, Principal, CliftonLarsonAllen, LLP
2. [17-029](#) FY16-17 MID-YEAR FINANCIAL REVIEW
Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance
Staff Presenter: Lisette Camacho, Assistant Director, Budget and Finance

Attachments: [FY16-17 Mid-Year Financial Report](#)
3. [17-025](#) FY17-18 BUDGET WORKSHOP
Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance
Staff Presenter: Terri Canada, Budget Administrator, Budget and Finance
Staff Presenter: Tom Duensing, Assistant City Manager

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:

- (i) discussion or consideration of personnel matters (A.R.S. § 38-431.03(A)(1));
- (ii) discussion or consideration of records exempt by law from public inspection (A.R.S. § 38-431.03(A)(2));
- (iii) discussion or consultation for legal advice with the city's attorneys (A.R.S. § 38-431.03(A)(3));
- (iv) 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));
- (v) 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
- (vi) 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 #: 17-027, Version: 1

FY15-16 COMPREHENSIVE ANNUAL FINANCIAL REPORT AND ANNUAL AUDIT UPDATE

Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance

Staff Presenter: Lisette Camacho, Assistant Director, Budget and Finance

Guest Presenter: Dennis J. Osuch, CPA, Principal, CliftonLarsonAllen, LLP

Purpose and Policy Guidance

The purpose of this item is to present Council with an overview of the results of the annual external audit for the Fiscal Year ended June 30, 2016.

Background

The City of Glendale Charter, Article VI, Section 16, requires that the city obtain an independent annual audit of its financial statements as follows:

“Sec. 16. Independent annual audit.

Prior to the end of each fiscal year the council shall designate qualified public accountants who, as of the end of the fiscal year, shall make an independent audit of accounts and other evidences of financial transactions of the city government and shall submit their report to the council and to the city manager. This section shall not preclude the city council from executing a contract with an accounting firm for more than one year subject to annual appropriation and a maximum three-year agreement.

Such accountants shall have no personal interest, direct or indirect, in the fiscal affairs of the city government or of any of its officers. They shall not maintain any accounts or records of the city business, but, within specifications approved by the council, shall post-audit the books and documents kept by the city and any separate or subordinate accounts kept by any other office, department or agency of the city government.”

Consistent with government finance best practices, the results of the annual external financial statement audit should be presented to the City Council upon completion of the Comprehensive Annual Financial Report (CAFR). Additionally, the City has historically submitted the annual CAFR to the Government Finance Officers' Association (GFOA) for consideration of the Certificate of Achievement for Excellence in Financial Reporting award. The June 30, 2016, CAFR has been completed and submitted to the GFOA for award consideration.

Analysis

Staff will present Council with an overview of the results of the annual external audit for the Fiscal Year ended June 30, 2016 which will be presented by Mr. Dennis Osuch, a partner with CliftonLarsonAllen, the City's independent auditor.

Previous Related Council Action

On February 2, 2016, staff and Mr. Dennis Osuch presented the June 30, 2015 CAFR and reviewed the audit results.

On January 20, 2015, staff and Mr. Dennis Osuch presented the June 30, 2014 CAFR and reviewed the audit results.

On January 21, 2014, staff and Mr. Dennis Osuch presented the June 30, 2013 CAFR and reviewed the audit results.

Community Benefit/Public Involvement

The annual audit and issuance of a Comprehensive Annual Financial Report is an important element to the City's commitment to financial stability and transparency.

Budget and Financial Impacts

This report is for information purposes only.



Legislation Description

File #: 17-029, **Version:** 1

FY16-17 MID-YEAR FINANCIAL REPORT

Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance

Staff Presenter: Lisette Camacho, Assistant Director, Budget and Finance

Purpose and Policy Guidance

The purpose of this item is to present Council with a Fiscal Year 16-17 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, 2016 including budget to actual comparisons and an assessment of any foreseeable financial issues.

Background

December 31, 2016 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 positive 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 FY16-17 which was adopted by the Council on June 14, 2016.

An FY15-16 Mid-Year Financial Report was provided to council on February 16, 2016

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 annual audit and issuance of a Comprehensive Annual Financial Report is an important element to the City's commitment to financial stability and transparency.

Budget and Financial Impacts

This report is for information purposes only.



City of Glendale – Workshop Council Report February 7, 2017

Vicki Rios, Director, Budget and Finance

Lisette Camacho, Assistant Director, Budget and Finance

FY 16-17 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 include the Highway User Revenue Fund (HURF), and the Transportation, Police, and Fire Special Revenue Funds. The third section covers the Enterprise Funds which include the Water and Sewer; Sanitation; and Landfill Funds.

For each of the major operating funds, the actual revenues and expenditures recorded in the City's financial system through December 31, 2016 are compared to the budget adopted by the Council on June 14, 2016. 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. 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 \$112.2 million which is 48% of the \$235.5 million annual budget. Revenues are \$3.5 million or 3% higher than revenues at the same time last year. The two largest components of General Fund revenues are City Sales Tax and State Shared Tax Revenues. Together these two revenue sources represent \$79.3 million or 71% of the general fund revenue at the mid-point of the year. General Fund City Sales Tax collections are \$49.7 million which is an increase of \$1.6 million or 3% over the same time last year. General Fund Sales Tax collections are slightly below target at 47% of the estimate for the year; however, it is important to note that these figures do not include sales taxes for the holiday season or the impact of special events which occurred in December or January. Those revenues will be collected during the third quarter and included in a later update.

State Shared Revenue is primarily made of up two components: State Shared Income Tax and State Shared Sales Tax. The State Shared Income Tax component is very predictable because it

is based on state income tax collected two years ago. Therefore, it is coming in exactly on target at 50% of the budgeted amount. The city's State Shared Sales Tax is based on current year statewide collections with a two-month lag from the actual sales. Therefore, the city's revenue reported through December of 2016 reflects actual statewide sales transactions through October of 2016. The city's share of State Shared Sales Tax revenue is coming in below target at 46% of the budget. The city's budget was based on a statewide increase of approximately 6%, however, the ADOR is reporting that statewide collections through the relevant period are up only 3.7%. This is impacting the city's revenue and is the primary reason it is lower than expected through December. It is important to note that these revenues do not include any holiday sales from either November or December. Those revenues will be remitted to the city during the third quarter and included in a later update.

Other General Fund Revenues including Development Services Fees, Business License Fees, and Franchise Fees are \$921,000 or 4% lower than they were at the same time last year. This is primarily due to settlement revenue of \$1 million last year (FY15-16). After adjusting for this one-time settlement revenue, Other General Fund revenues increased \$117,000 but they are slightly below target at \$20.3 million which is 46% of the annual budget. Transaction Privilege Tax license fees are now being billed and collected by the Arizona Department of Revenue (ADOR) and they are lower than normal for this time of the year. Staff continues to work with the ADOR to ensure all of the city's businesses obtain their licenses and report correctly beginning in February.

Overall, General Fund revenues are performing fairly consistently with the amount budgeted and anticipated. As noted above, there are two areas which are underperforming slightly: TPT License Fees and State Shared Sales Tax. TPT license fees are a very small portion of the budget and the city continues to work with the ADOR to improve the process of collecting these fees. State Shared Sales Tax is a more significant portion of the budget but the estimates remain within a reasonable range. Staff will continue to monitor these revenues closely.

General Fund expenditures are \$105.5 million which is slightly above target at 52% of the budget. The actual expenditures increased by \$14.6 million or 16% over the same time last year. This increase is due to the budgeted one-time final payment of \$5 million to the National Hockey League (NHL) for the Coyotes Newco agreement, the \$3 million payment for the stadium parking settlement agreement, and \$6 million in public safety salaries, overtime, and retirement expenses. The increase in public safety expenditures was budgeted and those expenses are on-target at 50% of the annual budget. The settlement payment was approved by Council and appropriation was transferred from the city's general fund contingency. Transfers out are on target at 51% of the budget.

General Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
City Sales Tax	\$ 37,595,670	\$ 40,781,295	\$ 48,046,422	\$ 104,698,767	\$ 49,658,587	47%
State Shared Revenues	25,901,569	27,631,313	28,506,604	61,308,037	29,618,406	48%
Other Revenues	17,340,361	17,963,842	21,216,268	44,270,326	20,295,265	46%
Transfers In	-	12,221,209	10,927,899	25,186,732	12,593,366	50%
Total Revenues	80,837,600	98,597,659	108,697,193	235,463,862	112,165,624	48%
Expenditures	(62,812,283)	(75,457,881)	(90,883,200)	(201,653,699)	(105,495,454)	52%
Transfers Out	(14,803,530)	(13,830,045)	(10,633,047)	(32,770,731)	(16,855,389)	51%
Total Expenditures and Transfers Out	(77,615,813)	(89,287,926)	(101,516,247)	(234,424,430)	(122,350,843)	52%
Excess (Deficiency)	\$ 3,221,787	\$ 9,309,733	\$ 7,180,946	\$ 1,039,432	\$ (10,185,219)	

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 \$7 million which is an increase of \$98,000 or 1% 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 \$4.8 million or 16% of the annual budget. The primary reason for this variance is the budgeted capital project expenditures of \$18.5 million in this fund which typically are spent unevenly throughout the fiscal year. Capital expenditures at mid-year are \$329,000 or 2% of the annual budget.

Highway User Revenue Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Highway User Revenues	\$ 5,911,587	\$ 6,541,991	\$ 6,885,941	\$ 14,310,810	\$ 6,983,583	49%
Expenditures	(4,165,334)	(3,400,787)	(8,954,498)	(29,489,872)	(4,781,232)	16%
Transfers Out (Net)	-	-	-	-	-	
Total Expenditures and Transfers Out	(4,165,334)	(3,400,787)	(8,954,498)	(29,489,872)	(4,781,232)	16%
Excess (Deficiency)	\$ 1,746,253	\$ 3,141,204	\$ (2,068,557)	\$ (15,179,062)	\$ 2,202,351	

Transportation Sales Tax Special Revenue Fund

Revenues in the Transportation Sales Tax Special Revenue Fund Revenues are \$86,000 or 1% higher than the same time last year and 50% of the annual budget. Expenditures in this fund are below target at \$9.6 million or 27% of the annual estimate. This is primarily due to the budgeted capital project expenditures of \$20.7 million in this fund which typically are spent unevenly throughout the year. Capital expenditures at mid-year are \$3.7 million or 18% of the annual budget.

Transportation Sales Tax Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Revenues	\$ 10,787,252	\$ 13,826,407	\$ 12,627,110	\$ 25,317,441	\$ 12,713,001	50%
Transfers In (Net)	225,000	450,000	450,000	900,000	900,000	100%
Total Revenues and Transfers In	11,012,252	14,276,407	13,077,110	26,217,441	13,613,001	52%
Expenditures	(10,885,879)	(10,082,408)	(8,486,394)	(36,253,248)	(9,629,658)	27%
Excess (Deficiency)	\$ 126,373	\$ 4,193,999	\$ 4,590,716	\$ (10,035,807)	\$ 3,983,343	

Police Special Revenue Fund

Revenues in the Police Special Revenue Fund are \$7.6 million which is \$321,000 or 4.4% above the revenues at same time last year and slightly below target at 47% of the annual budget. Transfers out in the Police Special Revenue Fund are \$8.5 million which is on target at 50% of the budget. The deficiency shown 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	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues	\$ 6,470,144	\$ 7,003,163	\$ 7,288,607	\$ 16,086,459	\$ 7,609,373	47%
Total Transfers Out	(6,675,335)	(8,275,385)	(7,288,607)	(16,986,459)	(8,493,230)	50%
Excess (Deficiency)	\$ (205,191)	\$ (1,272,222)	\$ -	\$ (900,000)	\$ (883,857)	

Fire Special Revenue Fund

Revenues in Fire Special Revenue Fund are \$3.8 million which is \$168,000 or 4.6% above the revenues at the same time last year and slightly below target at 47% of the annual budget. Fire Special Revenue Fund transfers out are \$4.1 million which is on target at 50% of the annual estimate. The deficiency shown 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	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues	\$ 3,245,560	\$ 3,505,070	\$ 3,639,293	\$ 8,100,273	\$ 3,806,800	47%
Total Transfers Out	\$ (3,320,425)	\$ (3,945,824)	\$ (3,639,293)	\$ (8,200,273)	\$ (4,100,136)	50%
Excess (Deficiency)	\$ (74,865)	\$ (440,754)	\$ -	\$ (100,000)	\$ (293,336)	

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 Funds are \$45.6 million at the mid-point of the year. Water revenues at mid-year are above target at 60% or \$28 million which is an increase of \$958,000 or 4% over the prior year. The increase is primarily due to an increase in water consumption and water sales as a result of the drier climate during the first half of this fiscal year. Sewer revenues are essentially the same as the prior year at \$16.2 million which is \$129,000 or 1% higher than last year. Sewer revenues are also on target at 50% of the annual budget. Combined revenues in the fund are on target at 50% of the annual estimate.

Expenditures in the Water and Sewer Enterprise Funds are below target at \$37.3 million or 23% of the annual budget. This is primarily due to \$110.7 million in budgeted capital projects in this fund which typically are spent unevenly throughout the year. Capital expenditures at mid-year are \$12.4 million or 11% of budget.

Water and Sewer Enterprise Funds

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Water Revenues	\$ 27,494,002	\$ 26,059,211	\$ 27,010,307	\$ 46,604,000	\$ 27,968,120	60%
Sewer Revenues	16,078,316	15,937,542	16,083,501	32,530,000	16,212,566	50%
Other Revenues	809,065	1,105,840	1,451,966	11,885,500	1,443,026	12%
Transfers In (Net)	-	-	-	229,388	-	0%
Total Revenues and Transfers In	44,381,383	43,102,593	44,545,774	91,248,888	45,623,712	50%
Total Expenditures and Transfers Out	(37,006,320)	(32,056,318)	(31,286,603)	(162,240,078)	(37,326,733)	23%
Excess (Deficiency)	\$ 7,375,063	\$ 11,046,275	\$ 13,259,171	\$ (70,991,190)	\$ 8,296,979	

Sanitation Enterprise Fund

Combined revenues in the Sanitation Enterprise Fund are \$7.6 million which is essentially equivalent to the prior fiscal year and on target at 51% of the annual budget. Expenditures are \$2.6 million or 39% higher than last year and slightly above target at 52% of the annual budget. The increase is primarily due to an increase in capital expenditures and purchase of capital equipment.

Sanitation Enterprise Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Commercial Sanitation Revenue	1,981,493	2,046,533	2,126,344	3,717,500	1,903,849	51%
Residential Sanitation Revenue	5,337,448	5,362,406	5,380,708	10,683,150	5,419,464	51%
Other Sanitation Revenue	99,881	79,291	42,383	223,000	233,469	105%
Transfers In (Net)	-	-	-	125,392	-	0%
Total Revenues and Transfers In	7,418,822	7,488,230	7,549,435	14,749,042	7,556,782	51%
Total Expenditures and Transfers Out	(7,408,533)	(6,540,887)	(6,687,802)	(17,948,718)	(9,287,415)	52%
Excess (Deficiency)	\$ 10,289	\$ 947,343	\$ 861,633	\$ (3,199,676)	\$ (1,730,633)	

Landfill Enterprise Fund

Revenues in the Landfill Enterprise Fund are \$4.6 million which is \$583,000 or 11% below the revenues at the same time last year and below target at 42% of the annual budget. This is primarily due to a decrease in recycling revenues as a result of the continually unfavorable commodities market and tipping fees which have been billed but were not paid at the end of December. After adjusting for these amounts, Landfill revenues are essentially the same as last year at \$5 million.

Expenditures in the fund are below target at \$4.9 million or 26% of the annual budget. This is primarily due to \$7.5 million in budgeted capital projects which will typically be spent unevenly throughout the year. Capital expenditures at mid-year are \$618,000 or 8% of the annual budget.

Landfill Enterprise Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues and Transfers In	\$ 4,370,315	\$ 4,400,142	\$ 5,170,984	\$ 10,946,527	\$ 4,587,737	42%
Total Expenditures and Transfers Out	(3,128,122)	(3,972,950)	(6,123,284)	(18,585,234)	(4,872,334)	26%
Excess (Deficiency)	\$ 1,242,193	\$ 427,192	\$ (952,300)	\$ (7,638,707)	\$ (284,597)	

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.



Legislation Description

File #: 17-025, Version: 1

FY17-18 BUDGET WORKSHOP

Staff Contact and Presenter: Vicki Rios, Director, Budget and Finance

Staff Presenter: Terri Canada, Budget Administrator, Budget and Finance

Staff Presenter: Tom Duensing, Assistant City Manager

Purpose and Policy Guidance

The purpose of this item is to provide Council with information relative to the FY17-18 budget process. Staff is seeking Council policy guidance and input on the development of the FY17-18 budget.

Background

At the December 20, 2016 City Council Workshop, staff presented the Five-Year Financial Forecasts for the General Fund and other major operating funds of the city. The forecasts are the initial step toward the development of the FY17-18 annual budget and 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 FY17-18 Budget, staff will be seeking policy guidance and input from the council on various budgetary items. During the FY17-18 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 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 20th 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 payment arrangements for the Stadium settlement agreement, 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, and 3) the City continues to comply with debt covenants driven by each fund's capacity to repay its 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 FY17-18 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.

Staff anticipates the first review of the Capital Improvement Plan (CIP) to be March 21, 2017.

Previous Related Council Action

On December 20, 2016, the General Fund and Major Operating Funds Five-Year Financial Forecast was presented at Council Workshop and initiated the FY17-18 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 where budgetary decisions align with the strategic direction of the City and provide the public with information on services provided and Council priorities.

Budget and Financial Impacts

Budget and financial impacts are based on Council feedback.