* Council Workshop FY15-16 Budget Discussion

March 17, 2015

*Overview

- Financial Stability Focus – General Fund
- Council Direction
  - Reclass the Inter-Fund Advance
  - Capital Lease Pay-Off
  - Fund Balance Policy
  - PSPRS
    - FY15-16 Contribution Rates
    - Anticipated FY16-17 Impact

Financial Stability

- Standard & Poor's March 2014 Report
  - - *Very weak budget flexibility, with a negative available fund balance in fiscals 2012 and 2013*
  - + *Very strong liquidity cited as a strength*

FYE June 30 (millions)	Excess/ (Deficiency)	Total Fund Balance	Unassigned Fund Balance
2012	($36.0)	($26.6)	($29.6)
2013	$14.8	($11.8)	($14.4)
2014	$9.8	($2.0)	($4.8)

June 30, 2014 Fund Balance Analysis	Current
Budget Basis Fund Balance	$42,550
Less: Inter-Fund Advance	($39,485)
Less: Non-Unassigned Fund Balance	($2,842)
Less: Contract Payable & Other Adj's	($5,058)
GAAP Unassigned Fund Balance	($4,835)
% of General Fund Revenue	-2.6%

+ Liquidity

- Budget Flexibility

*Financial Stability

Financial Stability

- What is the adequate General Fund, Fund Balance?
  - 25% of ongoing General Fund revenue - $50 million
  - Current General Fund, Fund Balance policies
    - Minimum unassigned fund balance 10% of projected annual ongoing revenues
    - Additional Operating Reserve – Goal of 15%
      - Council will determine the specific minimum unassigned fund balance requirement as part of the annual budget adoption resolution.
      - If end of fiscal year is less than 10% unassigned fund balance, the deficiency should be replenished in the coming fiscal years, not to exceed a total of 5 fiscal years, by using new revenues or cost reductions
- Proposal
  - Reclass the Inter-Fund Advance
  - Pay off the capital lease
  - Redefine the Fund Balance Policy – Total = 25%

*Inter-Fund Advance

- *Currently
  - *$39,685 Cash Advance from Enterprise Funds in FY12-13
  - *Repayments are appropriated each year through 2037
  - *Defined repayment schedule
- *Proposal
  - *Reclass the inter-fund advance to a “transfer”
    - *Reclass does not increase or decrease cash balances in any fund
    - *Reclass does not increase or decrease budget basis fund balances in any fund
  - *Budget annual transfers each year to the Enterprise Funds
    - *Current year request = $600,000

*Inter-Fund Advance

* Benefit of Reclass
  * General Fund *Unassigned Fund Balance* will increase by $39,485 million (6/30/2014 GAAP Basis Unassigned Fund Balance = -$4,835 million)
  * Unassigned Fund Balance (GAAP Basis) is a financial indicator with the bond rating agencies
  * Moves the City closer to the goal of 50% fund balance

June 30, 2014 Fund Balance Analysis	Current
Budget Basis Fund Balance	$42,550
Less: Inter-Fund Advance	*($39,485)*
Less: Non-Unassigned	($2,842)
Less: Contract Payable & Other Adj's	($5,058)
GAAP Basis Fund Balance - Unassigned	($4,835)
% of General Fund Revenue	-2.6%

*Financial Stability

June 30, 2014 Fund Balance Analysis	Current	Proposed
Budget Basis Fund Balance	$42,550	$42,550
Less: Inter-Fund Advance	*($39,485)*	*$ -0-*
Less: Non-Unassigned	($2,842)	($2,842)
Less: Contract Payable & Other Adj's	($5,058)	($5,058)
GAAP Basis Fund Balance - Unassigned	($4,835)	$34,650
% of General Fund Revenue	-2.6%	19.0%

*Financial Stability

With Inter-Fund Advance Reclass

*Capital Lease Pay-Off

* Current Capital Lease for the Glendale Public Safety Training Facility
* Repayments are appropriated each year $3,305 million in FY15-16, FY16-17, & FY17-18 – Total $9,916 million
* Current Principal Balance = $9,042 million
* Can payoff lease beginning 3/1/15 for principal + 1% + any unpaid interest
* Calculated payoff amount = $9,213 million (calculated through April 30)
* Interest saved $700,000
* FY15-16, FY16-17, & FY17-18 amounts will not need to be budgeted

June 30, 2014 Fund Balance Analysis	Current	Proposed
Budget Basis Fund Balance	$42,550	$42,550
Less: Inter-Fund Advance	($39,485)	$ -0-
Less: Non-Unassigned	($2,842)	($2,842)
Less: Contract Payable & Other Adj's	($5,058)	($5,058)
GAAP Basis Fund Balance - Unassigned	($4,835)	$34,650
% of General Fund Revenue	-2.6%	19.0%

*Financial Stability

June 30, 2014 Fund Balance Analysis	Current	Proposed
Budget Basis Fund Balance	$42,550	$42,550
Less: Inter-Fund Advance	($39,485)	$ -0-
Less: Non-Unassigned	($2,842)	($2,842)
Less: Contract Payable & Other Adj's	($5,058)	($5,058)
GAAP Basis Fund Balance - Unassigned	($4,835)	$34,650
Capital Lease Pay-Off	$ -0-	($9,213)
GAAP Basis Fund Balance - Unassigned	($4,835)	$25,437
% of General Fund Revenue	-2.6%	13.9%

*Financial Stability

With Capital Lease Pay-Off

June 30, 2014 Fund Balance Analysis	Current	Proposed
Budget Basis Fund Balance	$42,550	$42,550
Less: Inter-Fund Advance	($39,485)	$ -0-
Less: Non-Unassigned	($2,842)	($2,842)
Less: Contract Payable & Other Adj's	($5,058)	($5,058)
GAAP Basis Fund Balance - Unassigned	($4,835)	$34,650
Capital Lease Pay-Off	$ -0-	($9,213)
GAAP Basis Fund Balance - Unassigned	($4,835)	$25,437
% of General Fund Revenue	-2.6%	13.9%

* Increasing Fund Balance by $25 million over 5 years is approximately $5 million per year
* How do we get there?

*Financial Stability

*Fund Balance Policy

* Redefine the Fund Balance Policy – Total **Committed/Assigned** Fund Balance = 25% ($50 million)
  * **Committed Fund Balance** – Can only be utilized through formal Council action
  * **Assigned Fund Balance** – Can be utilized through formal Council action <u>or delegated</u>
  * **Unassigned** – Spendable fund balance
* Plan to reach 25% in Five Years
  * Revenue $5 million in excess of budgeted expenditures over next five years
    * ***<u>Requires holding the line on expenditures</u>***
    * May require reduction in appropriated contingency currently at $5 million

*PSPRS Rate Discussion

* City must decide FY15-16 PSPRS contribution rates by March 31
* Two options
  * Phased-In Approach - Lower Cost Option Initially
    + $3.5 million less than the higher option in FY15-16
    - Decrease in funded status of the plan
    - Higher contributions in future years than the no phased-in approach
  * No Phased-In Approach - Higher Cost Option Initially
    - $3.5 million more than lower option in FY15-16
    + Increase in funded status of the plan
    + Lower contributions in future years than the phased-in approach
  * Staff Recommendation – No Phased-In Approach as assumed in the Five-Year Forecast

*Future PSPRS Issues

* Hall case – Superior Court ruling January 27, 2015
* Rolled back the provisions of SB1609 which became effective June 2011
  * Rolled back member contribution increases
  * Rolle back changes to permanent benefit increases (COLA's)
* Anticipated impact is $4 million additional expense per year beginning in FY16-17

Council Direction

- Reclassify Inter-Fund Advance
  - Requires Future Council Action
- Pay off capital lease
  - Requires Future Council Action
    - Pay off the capital lease
    - Budget appropriation transfer
- Fund Balance Policy
  - Future Council Action Through the Budget Process
- PSPRS Contribution Rate
  - No Formal Council Action

Item	Date
Financial Forecast	December 16, 2014
Council Workshop	February 3, 2015
Council Workshop	*March 17, 2015*
Council Workshop - CIP	March 24, 2015
Council Workshop	April 14, 2015
Council Workshop	April 21, 2015
Voting Meeting Tentative Budget Adoption	May 26, 2015
Voting Meeting Final Budget Adoption/Property Tax Levy	June 9, 2015
Voting Meeting Property Tax Adoption	June 23, 2015

*Where do we go from here?

- Operating Budgets/Revenue Discussions/
  Capital Improvement Plan March 24

- Department Operating Budgets April 14 & 21

*Budget Discussion

*Questions/Feedback