

# CITY MANAGER'S BUDGET MESSAGE



To the Honorable Mayor and Members of the City Council,

On behalf of City Staff, it is my privilege to present to the residents of the City of Burbank the adopted budget for Fiscal Year (FY) 2017-18. Each year, the City's budget represents a series of challenges and difficult decisions required to adequately fund the excellent level of services and programs the residents of this City have come to expect. This year was no exception. Following several public meetings, the City Council approved this budget, which will fund public safety, transportation, libraries, parks and open space, reliable utility services, street improvements, facility upgrades, as well as many other municipal programs and services.



Like many cities across California, the City of Burbank has seen its revenues slowly begin to rebound from the economic recession over the past few years. Despite healthy gains in revenue, the growth in expenses has continued to outpace revenues and the City is again facing a deficit situation for FY 2017-18 and in all future years of the City's financial forecast. Adding to this recurring gap is a significant backlog of infrastructure needs that if not addressed will inevitably deteriorate the quality of roads, facilities and services the Burbank community has grown to expect. Over the past year, the City Staff has embarked upon a strategic plan which proposes to utilize one-time funds to close the City's budget gap while longer term sustainable solutions are developed to correct the City's structural deficit. These solutions are multi-pronged, including strategic revenue growth and development, alternative business practices or service delivery models, internal service fund evaluations and a revised labor strategy. Progress has already been made in several areas; however, there is still much more work to be done in order to achieve a structurally balanced budget and address the City's backlog of infrastructure needs in the years to come.

The Adopted FY 2017-18 Budget includes strategic spending meant to address some of these identified needs while still considering the long-term structural balance of our Five-Year Financial Forecast. Achieving a structurally balanced budget in the years to come will require tough decisions on how and where to invest limited funds, while encouraging smart development to enhance revenue growth. That being said, with the City Council's continued leadership and fiscal responsibility, I am confident we will enter this new budget cycle and those to come strongly positioned to meet the challenges that lie ahead.

The following executive summary provides an overview of the FY 2017-18 Budget.

## **BUDGET OVERVIEW**

### **BUDGET DEVELOPMENT PROCESS**

At the beginning of the budget development process, staff projected a recurring deficit of \$3 million heading into FY 2017-18. After many years of across the board budget cuts, departments were not required to make reductions to their discretionary expenditures. However, there were several areas of the budget where sustainable savings were achieved through cost savings and program and revenue realignment, ultimately reducing the FY 2017-18 deficit by \$2 million. The most significant expense savings was a ten percent reduction in Citywide Workers Compensation rates as a result of a multi-year effort to stabilize the growth of Burbank's future liability in the Workers Compensation Fund. Additional General Fund savings was achieved by shifting the remaining 25 percent of the Street Sweeping Program budget to the Refuse Collection and Disposal Fund. The City will continue to utilize one time funds to balance the remaining \$1

# CITY MANAGER'S BUDGET MESSAGE



million budget deficit in FY 2017-18 to allow the City Manager's Office and Departments to strategically implement a cohesive plan to solve the City's long term structural deficit.

Staff has made significant efforts to maintain spending at existing budget levels citywide, resulting in a significantly smaller number of new budget items for FY 2017-18. However, some departments did identify immediate needs for items that required funding, such as contractual obligations and public safety items. Some of the more notable new budget items are listed below.

- Fire Fighter Recruit Academy - \$313,615
- IT Support Services for the City's Financial System - \$125,000
- Executive Coaching Services - \$45,513
- Police Department Software Systems Maintenance - \$38,200
- Annual Maintenance for the Library Materials Management System - \$32,000

The City Manager reviewed in detail the proposed budget requests during the months of March and April and, at that point, decided on which budget items would be incorporated into the FY 2017-18 Proposed Budget. The City Council reviewed the Proposed Budget in its entirety during two Budget Study Sessions that took place during the month of May. Staff incorporated feedback received from the Council during those meetings into a final budget which was adopted at the public hearing on June 6, 2017.

Overall, the General Fund budget decreased by approximately 0.8% from FY 2016-17. The General Fund is still expected to have a recurring deficit of \$985,438 and a total available balance of \$11,665,691 at the end of FY 2017-18. It should be noted that this projected balance does not include any General Fund amounts currently held in reserves or anticipated loan repayments expected to be received in FY 2017-18.

## **ADOPTED BUDGET SUMMARY**

The FY 2017-18 budget totals nearly \$661 million for all funds with the General Fund appropriations totaling \$167.1 million. The chart below illustrates the source of funds and appropriations for each fund or fund type for the FY 2017-18 Budget.

<b>FUND/FUND GROUP</b>	<b>ESTIMATED RESOURCES</b>	<b>ADOPTED APPROPRIATIONS</b>
General Fund	\$ 167,134,984	\$ 167,134,984
Special Revenue Funds (incl. Cap. Projects Fund)	61,571,968	53,535,556
Internal Services Funds	42,036,768	38,782,295
Enterprise Funds	42,216,348	42,216,348
Water and Electric (BWP)	328,704,669	328,704,669
Successor Agency	15,572,758	10,696,978
Public Financing Authority	9,077,246	9,077,246
Housing Authority	9,468,173	9,468,173
Parking Authority	1,079,166	1,079,166
<b>TOTAL ALL FUNDS</b>	<b>\$ 676,862,080</b>	<b>\$ 660,695,415</b>

## **GENERAL FUND REVENUE**

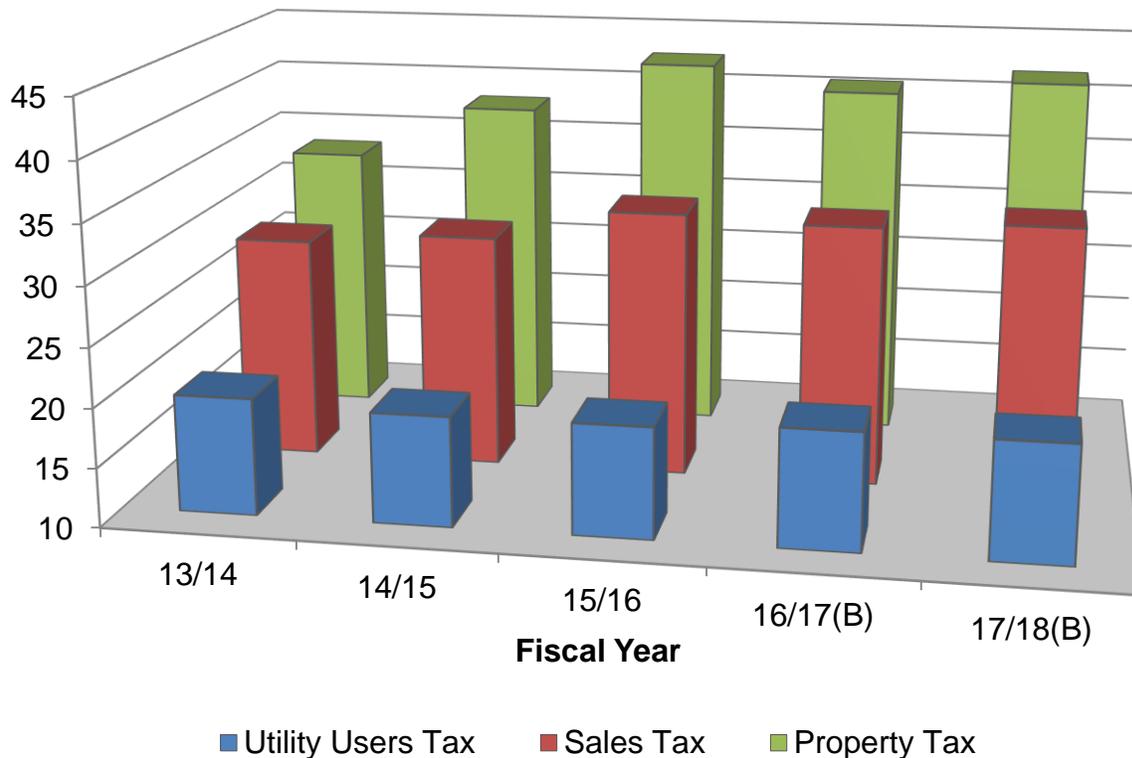
Overall, the City's recurring revenue estimates for FY 2017-18 decreased 1.2 percent over revised FY 2016-17 projections. Solid growth in several revenues including sales tax, property tax, transient occupancy tax, and service charges were more than offset by decreases in intra-city service charges, permits, and intergovernmental revenues. The vast majority of the decrease was due to intra-city service charges, which was offset by corresponding declines in expenditures, as staff positions were reallocated to the funds benefiting from their service. Sales tax, property tax, and the utility users' tax continue to be the largest revenue sources, representing 57 percent of the General Fund's recurring revenue.

# CITY MANAGER'S BUDGET MESSAGE



The chart below highlights three years of actual results and two years of projections for the top three revenue sources for General Fund dollars: Sales Tax, Property Tax and Utility Users Tax. For more detail on the City's General Fund revenue projections and assumptions, refer to the "Revenues" section of this budget document.

### Top General Fund Revenue Categories (\$ in Millions)



## CITYWIDE FEE STUDY

In FY 2016-17 the City contracted with MGT of America to complete a citywide user fee study in order to determine the cost of all major categories within the City's fee schedule. Most fees and services were included in the study, with some notable exceptions such as: fines, penalties, taxes, utility rates, and development impact fees. MGT's consultants worked with city staff to fully understand current procedures and compile the amount of time and cost needed to deliver city services.

The two main goals of the Citywide User Fee Study were:

- **Establish a cost recovery policy** – The City Council adopted a set of clear policies and principles to determine if and when cost recovery is appropriate and establish recovery rate targets for specified service types and users. This policy will provide guidance, allowing staff to develop procedures and methodologies for costing city services and ensuring City Council approved service delivery and cost recovery goals are met.
- **Proposition 26 compliance** – In November 2010, California voters approved Proposition 26, which limits certain fees collected to the reasonable cost of providing the service. The citywide fee study documents both direct and indirect costs of service delivery, affording the City defensible cost of service information indicating adherence to provisions contained in Proposition 26.

# CITY MANAGER'S BUDGET MESSAGE



The results of the user fee study were provided to the City Council, staff and the public with the proposed budget materials and were presented to Council during a dedicated study session on May 16, 2017. The recommended fee changes were approved and have been incorporated into the FY 2017-18 Fee Schedule. The net the impact of these changes has been incorporated into the FY 2017-18 Adopted Budget and six-year forecast and is estimated to bring in an additional \$975,000 in General Fund revenue annually.

## Burbank Program Activity and Service Subsidy (PASS)

Expanding on an existing Parks and Recreation financial assistance program, the City introduced the new Burbank PASS program as part of the fee study process. The Burbank PASS program will be launched in July 2017 to help offset fees for City services to qualified low income residents. The program will be administered by the Parks and Recreation Department; however, qualified residents will be able to receive



reduced fees for a variety of programs and services within several City departments. Subsidy eligible fees must have a public benefit and/or provide a health and safety need to the community.

## **GENERAL FUND APPROPRIATIONS**

This year's adopted City of Burbank recurring appropriations amount is \$165.9 million. General Fund appropriations are mainly driven by labor costs. In fact, over 80 percent of this year's recurring General Fund budget is related to salaries and benefits.

### Memorandum of Understanding (MOU) Projected Costs:

Labor relations and the memorandum of understanding (MOU) negotiation process for the City's bargaining groups plays a significant role in determining the City's financial position. The City's Financial Policies dictate that Burbank strives to pay market rates to all of the City's labor groups. Market rates are determined through salary and benefit surveys which compare the City's job classifications to those of similar organizations throughout the region. The City of Burbank calculates the average salary paid for the comparable positions to determine whether employee salaries are at market. The City Council has taken steps through the negotiated MOU process to start to bring Burbank employee salaries to market levels. The General Fund forecast includes assumptions for salary and benefit growth over the next six years based on current MOUs for all of the City's bargaining groups.

### Public Employees Retirement System (PERS) Costs:

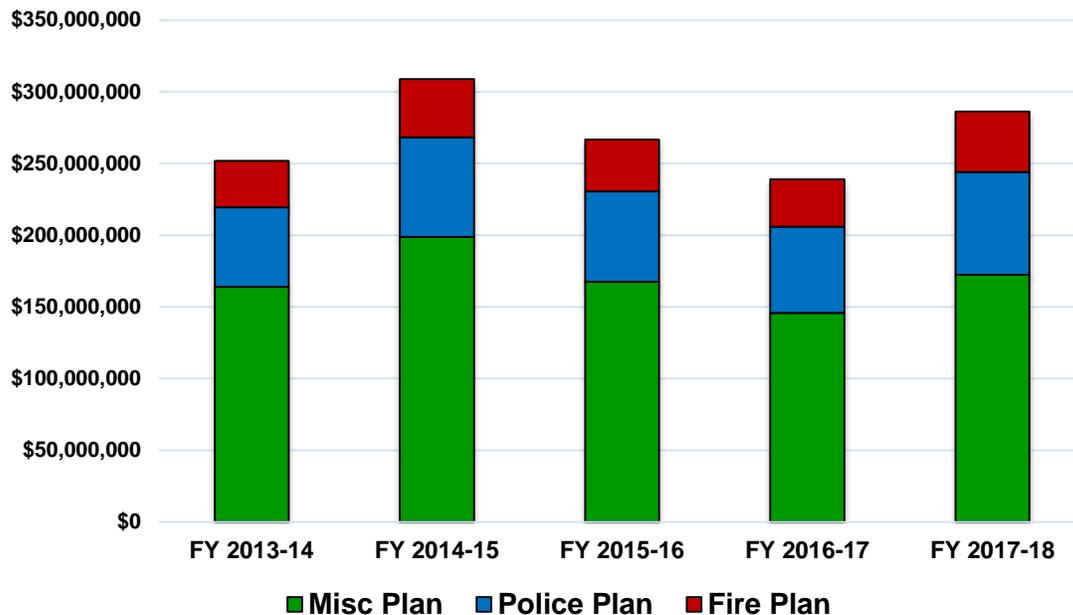
Over the past decade, CalPERS pension rates have become the fastest growing expense in the City's financial forecast. Decisions in prior years, including taking pension "holidays" during times when the City's plans were super funded and granting enhanced retirement formulas, along with higher retiree life expectancies, has led to an unfunded liability of \$286 million across the City's three plans. Exacerbating this situation is the CalPERS Board's recent decision to lower the discount rate from 7.5% to 7%, in an effort to reduce the risk of their portfolio and stabilize their rate of return. This assumption change which will be smoothed in over a five year period beginning in FY 2018-19. The resulting impact of this change is that the annual pension costs to the City will nearly double over the next five years.

In recent years, the City of Burbank has taken actions towards mitigating these pension costs increases, including sending lump sum contributions to CalPERS to decrease the City's unfunded liability and increasing employee contributions towards their pension rates, along with implementing the changes directed by the Public Employees' Pension Reform Act (PEPRA) adopted by the State of California in 2012. Even with these actions however, Burbank will still experience an average increase in pension costs of 2.9% among the City's three plans for FY 2017-18. The leading cause of these rate increases is the shift to a reduced risk portfolio and the pay down of the unfunded pension liability. The following graph shows a five year history of the unfunded liability balances for the City of Burbank's three pension plans.

# CITY MANAGER'S BUDGET MESSAGE



## History of Unfunded Liability on Market Value of Assets



Below are the actual CalPERS employer rates and unfunded liability contributions for the three employee classifications for the current year (FY 2016-17), next fiscal year (FY 2017-18) and the projected employer rates and contributions for the following two fiscal years (FY 2018-19 and FY 2019-20).

### City of Burbank Pension Costs FY 2016-17 – FY 2019-20

Classification	Actual FY 2016-17	Actual* FY 2017-18	Projected FY 2018-19	Projected FY 2019-20
Police 3% @ 50 Rate	42.245%	22.807%	22.8%	22.8%
Police Liability Payment	N/A	\$4,270,554	\$5,246,584	\$6,277,334
Fire 3% @ 55 Rate	27.598%	15.316%	15.3%	15.3%
Fire Liability Payment	N/A	\$2,364,232	\$3,165,817	\$4,013,369
Misc 2.5% @ 55 Rate	21.620%	8.468%	8.5%	8.5%
Misc Liability Payment	N/A	\$12,512,983	\$14,959,013	\$17,540,544

\* Amounts shown are the total amounts due for FY 2017-18 if the City were to continue to pay CalPERS on a monthly basis. During the budget process, City Council approved staff's recommendation to prepay the liability payments in FY 2017-18, which would net a total savings of \$680,028 citywide.

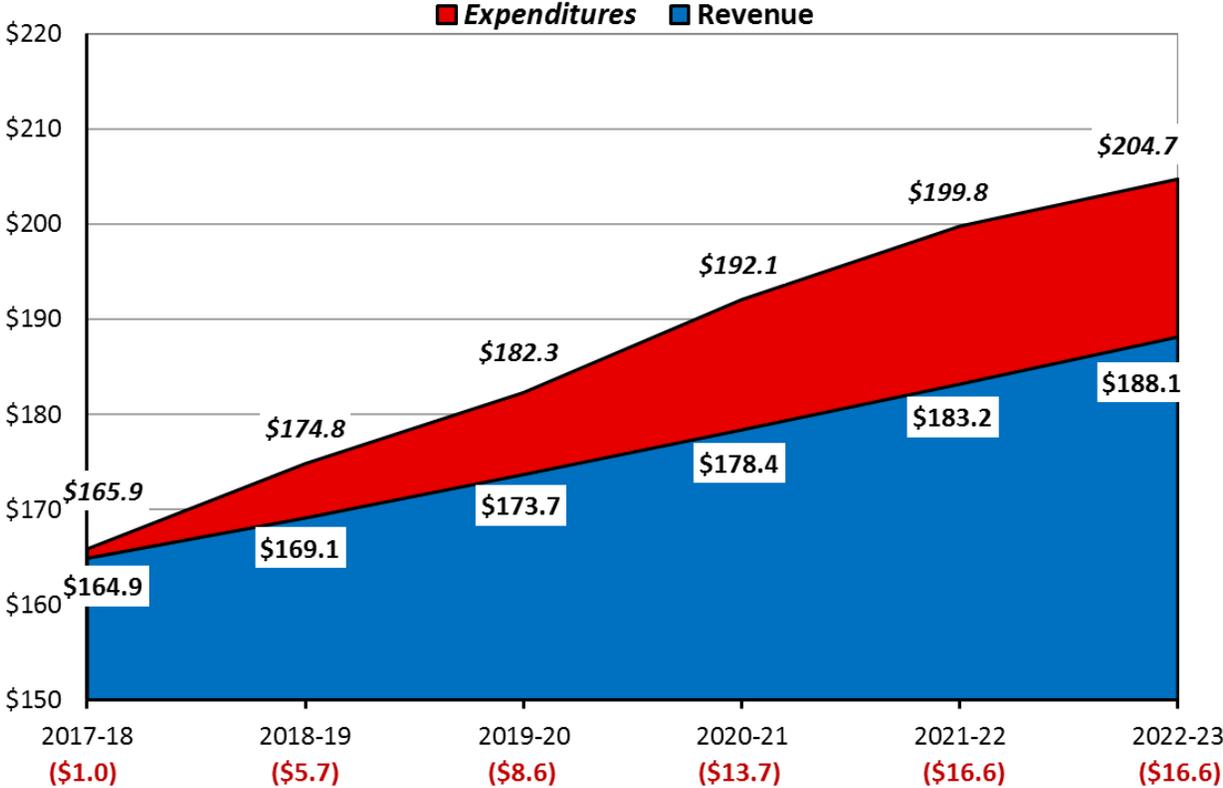
### GENERAL FUND FIVE-YEAR FORECAST

The General Fund Forecast projects a \$1 million recurring deficit in FY 2017-18, growing to \$16.6 in year six (FY 2022-23). The following chart illustrates the relationship between recurring revenue and expenditures for the foreseeable future.

# CITY MANAGER'S BUDGET MESSAGE



## General Fund Financial Forecast FY 2017-18 through FY 2022-23



Currently, it is staff's expectation that recurring revenue growth over the next five years (FY 2018-19 through FY 2022-23) will average 2.7% while recurring expenditure growth will average 4.3%. Additionally, without corrective action, the General Fund will deplete its available one-time funds (not including formal reserves or set-asides) in FY 2019-20. The FY 2017-18 Adopted Budget assumes the use of one-time funds to close this projected gap while City staff and City Council work together to develop long term sustainable strategies to correct the structural deficit and address the backlog of high priority infrastructure and capital needs facing the City in the coming years.

### **INTERNAL SERVICE FUNDS**

The City of Burbank utilizes seven Internal Service Funds to accumulate monies for specific purposes, such as equipment replacement and insurance. As part of an overall effort to identify ways to reduce recurring costs, each year staff examines each internal service fund rental rates to see if savings could be achieved. Life cycles and replacement costs of city equipment are reviewed and the health of each overall fund is analyzed to insure that funds will be available for future scheduled replacements.

As mentioned previously, the City has experienced some significant savings to our Citywide Workers Compensation (Fund 530) rates for FY 2017-18, thanks in large part to the efforts of the Management Services Department. Through an administrative effort to effectively manage cases and an overall reduction in reported claims, Workers' Compensation can report a downward trend in open claims which reduces the City's overall financial exposure. In the last six years (FY 2010-11 to FY 2015-16), the annual number of workers' compensation claims has averaged 165 claims a year. In the prior twelve years (FY 1998-99 to FY 2009-10), that total number averaged 233 claims a year. In FY 2015-16, the City had a total of 134 workers' compensation claims, which is the lowest number of claims in the last 18 years.

# CITY MANAGER'S BUDGET MESSAGE



Due to the identified need of additional resources for infrastructure, in FY 2014-15, the City Council approved a five-year plan increase in the General Fund's contribution to the Municipal Building Maintenance Fund (Fund 534). This fund provides for the maintenance of all general government buildings and facilities, including City Hall, the Community Services Building (CSB), and all of the parks, recreation centers, library branches and fire stations throughout the City. Many of these aging facilities are in need of upgrades such as seismic retrofitting, HVAC replacement and roof repair, which had been put on hold due to the economic downturn. The contribution to Fund 534 increased by \$100,000 for FY 2017-18 (for a total of \$1.4 million) and will increase by an additional \$100,000 in FY 2018-19 in order to reach the \$1.5 million goal. This financial commitment is just one step towards reinvesting in the City's infrastructure needs, as will be outlined later in this message.

## **SPECIAL REVENUE FUNDS**

The City has several Special Revenue Funds which are administered by various departments and fund infrastructure improvements as well as a range of City programs. These funds receive restricted revenues that can only be used for specific purposes, such as Gas Tax Funds for street construction and maintenance or Housing and Urban Development (HUD) funds for affordable housing. The following highlights some of the special revenue funds which have new appropriations for FY 2017-18:

*Funds 104, 105, 107 and 108 (Transportation Funds):* These funds provide transit programs and public improvements through the use of Local Return money generated by ½ cent sales tax increases that were approved by Los Angeles County voters in 1980, 1990, 2008 and 2016. Measure M is the newest of these funding sources, and will bring in an additional \$1.2 million in revenue to fund citywide street improvements



in FY 2017-18. Within all of the City's transportation funds, nearly \$7.8 million has been appropriated in FY 2017-18 to fund the BurbankBus system (including fixed-route, senior and disabled transit), maintenance and improvements to the Downtown Metrolink Station, and various street improvements throughout the City.

*Fund 122 (Community Development Block Grant):* Community Development Block Grant (CDBG) monies go to fund both public service projects as well as capital projects designed to benefit persons of low to moderate income. For FY 2017-18, \$149,385 in public service funding has been appropriated for local non-profit groups including the Armenian Relief Society, BCR "A Place to Grow", Boys and Girls Club, Burbank Coordinating Council, Burbank Family YMCA, Burbank Library, Burbank Noon Lions, Burbank Temporary Aid Center, Burbank Unified School District (BUSD), Family Promise of the Verdugos, Family Service Agency of Burbank, Kids Community Dental Clinic, and the Salvation Army. In addition, capital project funds totaling \$749,875 will assist in funding street reconstruction, the Lundigan Park playground and various community projects.

*Fund 125 (Gas Tax Fund):* The City of Burbank appropriated \$236,855 of its allocation of FY 2017-18 Highway Users Tax Act (HUTA) funds for the purpose of resurfacing and reconstructing streets and sidewalks, throughout the City.

*Fund 127 (Public Improvements Fund):* This program funds public improvements through the receipt of Development Impact Fees. For FY 2017-18, the City Council allocated \$550,000 for Media District Traffic Signal Improvements, \$200,000 for the construction of the I-5 High Occupancy Vehicle (HOV) / Empire Interchange and \$180,252 for the Buena Vista / Vanowen Quiet Zone, along with several other traffic and transportation projects.

*Fund 128 (Affordable Housing Programs):* The City receives funds annually from the U.S. Department of Housing and Urban Development (HUD) for affordable housing programs. A total of \$345,417 in HOME program funds was appropriated for Focus Neighborhoods in FY 2017-18 to improve substandard housing in the City. In FY 2016-17, the City was awarded a new HUD appropriation of \$452,048 in Permanent

# CITY MANAGER'S BUDGET MESSAGE



Supportive Housing (PSH) funds. This funding will continue in FY 2017-18, and will be utilized for rental assistance and supportive services for chronically homeless persons.

*Fund 129 (Street Lighting):* This fund provides for citywide street lighting maintenance through the use of 1.5 percent of gross retail sales of electricity. Approximately \$3.1 million was appropriated this year for street lighting improvements and maintenance.

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City of Burbank currently has four Enterprise Funds: Electric, Water, Water Reclamation & Sewer, and Refuse. The Golf Fund, previously an enterprise fund, has been restructured, and its operations were transferred to the General Fund under the Parks and Recreation Department.

Each Enterprise Fund must ensure that its revenues cover operating expenses, including depreciation and cost of providing goods and services to users/customers. Revenues may be comprised of service charges/fees/sales, interest, and other income. Two of the Burbank's four Enterprise Funds required rate increases FY 2017-18 as outlined below.



*Water Reclamation and Sewer Fund:* The Public Works Department administers this Fund and its main objective is to operate and maintain the City's Water Reclamation Plant and Industrial Waste Monitoring in compliance with federal, state and local regulations. The Water Reclamation & Sewer Fund's adopted budget reflects an overall rate increase of 1% for FY 2017-18, which equates to a monthly cost increase of \$.24 for the average single family dwelling. The increase is needed because of increased charges from the City of Los Angeles for sewage treatment services, labor and utility costs to operate Burbank's wastewater treatment plant, and capital projects to improve the sewer system.

*Refuse Collection and Disposal Fund:* This Fund is also administered by the Public Works Department and consists of three programs: Refuse Collection, Refuse Disposal and Recycling. One of the main goals of the Fund is to maintain refuse collection, disposal and recycling fees at a level sufficient to fund operating costs and future capital improvements, while continuing to keep the rates as low as possible to customers. There is no rate increase for the Refuse Fund in FY 2017-18.

*Electric Fund:* Burbank Water and Power (BWP) administers this fund, which supplies and distributes to the City of Burbank and its consumers electricity that is reliable, sustainable and cost efficient. The Electric Utility strives to keep rates competitive, while providing sufficient funding for operations and maintenance, including covering the rising costs of energy and providing funds for system reliability and capital improvements. There is no rate increase for the Electric Fund in FY 2017-18.

The BWP Electric Fund's FY 2017-18 Budget has a total of \$293 million in overall appropriations, with a projected operating income of \$273 million. The FY 2017-18 CIP budget for the Electric Fund is approximately \$32 million.

*Water Fund:* Also administered by BWP, the Water Fund supplies potable and recycled water to the City of Burbank and its customers. The Water Utility is committed to providing safe drinking water reliably at competitive rates, promoting sustainability, and drought proofing a portion of the water supply by investing in the Recycled Water System. The City Council approved a 3.4% rate increase for FY 2017-18 which represents an increase of approximately \$2.11 to the average residential customer. The increase is necessary because of the increased cost of purchased water, operations and maintenance.

The Water Fund Budget includes total appropriations of \$35.6 million, with a projected operating income of approximately \$30.8 million. The Water Fund CIP Budget for FY 2017-18 totals approximately \$5.6 million.

# CITY MANAGER'S BUDGET MESSAGE



## **HOUSING AUTHORITY**

The City's Housing Authority is funded by the United States Department of Housing and Urban Development (HUD), and the use of funds is pursuant to federal government regulations. The Housing Authority will continue to concentrate on expanding housing opportunities for very low-income housing families, avoiding concentrations of assisted housing, and using existing housing stock as affordable housing. This year, nearly \$7.3 million has been budgeted for housing assistance payments.



Since the dissolution of Redevelopment in February 2012, the Burbank Housing Authority has assumed oversight of the Low and Moderate Income Housing Fund, which provided funding for the City's Affordable Housing Program. The objective is to utilize available funds to implement the Focus Neighborhood Revitalization Program to transform once-blighted areas into healthy neighborhoods that encourage community engagement, heightened community identity, and that foster a meaningful quality of life. The Housing Authority now receives debt reimbursement payments associated with the debt between the former Redevelopment Agency and the City. As required by State law, 20 percent of the reimbursement payments are restricted to affordable housing purposes only. As a result of these payments, the Housing Authority has set aside an additional \$750,000 for affordable housing programs for FY 2017-18.

## **PARKING AUTHORITY**

The Parking Authority Capital Projects Fund provides for the acquisition, construction, maintenance, and operation of all City-owned or operated public parking facilities within the City of Burbank. Revenue sources include monthly parking permit fees, lease fees, the Downtown Public Facility Maintenance District levy, and various public-private parking agreements within the downtown area. The FY 2017-18 Parking Authority Budget will maintain its \$779,166 annual appropriation to provide for the maintenance of City-owned public parking lots and structures as well as the City's share of operating expenses for privately owned parking structures that contain a public parking component. This year's budget also includes \$300,000 for the installation of security cameras in City owned parking structures. The Parking Authority Fund has experienced several years of operating losses, and its expenses will once again exceed its revenues in FY 2017-18. This fund will require future action on the part of the City Council to enhance revenues in order to keep pace with maintenance and utility costs.

## **STATE BUDGET IMPLICATIONS FOR THE FY 2017-18 BUDGET**

In June, Governor Brown signed the FY 2017-18 State of California Budget including a State General Fund Budget of \$125.1 billion, the largest in California's history. As enacted, the budget largely maintains the status quo for local agencies. The Governor continues to stress the importance of planning ahead with the prospect looming of a future recession. To support this, the budget includes increasing the voter approved Rainy Day Fund to \$8.5 billion by the end of FY 2017-18. Despite recessionary concerns, the backlog in infrastructure maintenance and a lack of funding is enough of a concern that the Legislature has passed SB1, the Road Recovery and Accountability Act, which the Governor signed in late April. This legislation will bring a major increase to transportation funding, including \$1.5 billion annually for local agencies to spend on street maintenance, street projects and public transportation. Burbank's estimated allocation in FY 2017-18 is \$714,000, growing to \$1.9 million in FY 2018-19, and eventually \$2.4 million per year. The additional funding was achieved by raising fuel excise taxes and vehicle registration taxes.

City staff continues to monitor State and Federal legislation throughout the year as it relates to the City's Budget.

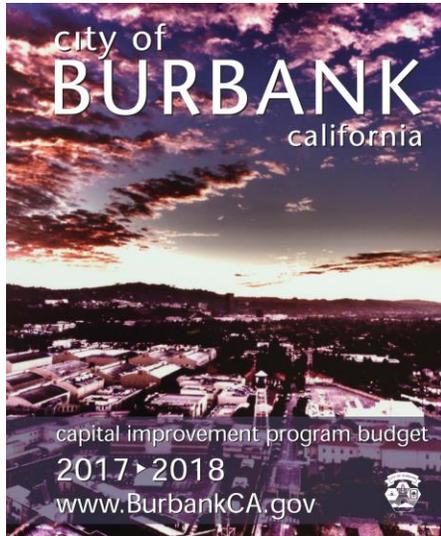
## **CAPITAL IMPROVEMENT PROGRAM**

Although the Capital Improvement Program (CIP) Budget document is developed in conjunction with the operating budget, it is submitted separately in order to provide more detailed information for each of the 198 capital projects taking place within the City of Burbank. The document itself is a cooperative effort among City staff responsible for their respective projects. Major capital improvements can often be complex

# CITY MANAGER'S BUDGET MESSAGE



projects requiring several years of strategic planning, design, funding, and ultimately, construction. The CIP is a five-year program designed to tie the planning of capital improvements to realistic, reliable funding sources to ensure that both planning and implementation of such projects are balanced with available resources.



Of the City's total budget for FY 2017-18, approximately 9 percent is appropriated for Capital Improvements. The multi-year Capital Improvement Program totals \$412 million, including FY 2017-18 appropriations of \$64 million and prior year appropriations of \$209 million. Included in this year's \$64 million total is \$8.5 million in grant funds the City anticipates receiving in FY 2017-18. Approximately \$117 million in future year appropriations will be required to complete all of the projects included in this year's Capital Improvement Program Budget.

Investing in the City's aging infrastructure has been identified as one of the City Council's top priorities for the past several years, and one of the City's biggest financial challenges. The City currently appropriates \$727,614 in General Fund dollars each year for street improvements and contributes \$1 million annually out of available budget savings into an Infrastructure Replacement Reserve account. However, while progress has been made, it is estimated that an additional \$5 million annual investment is required to

address the current backlog of maintenance on the City's infrastructure and update all of Burbank's aging facilities to a level that meets the growing needs of this community.

Staff continues to maintain a comprehensive list of the City's projected capital and infrastructure needs over the next ten years. This list is reviewed annually by the City Manager and City Staff and categorized by priority level. The resulting figures for FY 2017-18 total nearly \$439 million in unfunded core elements and an additional \$149 million in potential enhancements. While the City continues its efforts to seek out grants for projects, leverage projects with non-General Funds and/or restricted funds and invest in capital projects that result in reduced operating costs, the City's backlog of maintenance and overall funding gap for capital projects continues to grow with each passing fiscal year.

## **CITYWIDE DEVELOPMENT HIGHLIGHTS**

As always, there are numerous City projects and developments occurring throughout the year. The following highlights a few of the more significant projects that have been completed or are underway throughout the City.

- In February 2017, IKEA Burbank relocated to 805 S. San Fernando Boulevard and positioned itself as the largest IKEA in North America. The 456,000 square foot building is nearly twice the size of the old location, employs 450 additional staff members and features 50 room settings, a 600 seat restaurant and 1,700 parking spaces.
- On March 21, 2017, City staff, Metro, Metrolink, and Caltrans opened the new, elevated railroad tracks at Buena Vista Street and San Fernando Boulevard as part of the Interstate 5 / Empire Interchange Project. The City will continue to participate in the construction of the I-5 and Empire Interchange improvements to ensure minimized community impacts caused by project construction and successful project delivery.
- The Burbank Town Center is undergoing a \$65 million renovation that will connect Downtown Burbank to shopping, dining, new residences, an open-air community plaza, and approximately 40,000 square feet of retail tenants. Renovations are expected to be completed prior to the 2017 holiday season.



# CITY MANAGER'S BUDGET MESSAGE



- The City continues to work towards improving the pavement condition on Burbank's streets and roadways. Nearly \$3.8 million from a variety of funding sources has been appropriated for street improvements in FY 2017-18.

## **CITY COUNCIL GOALS**

The goals of the City Council are central to the efforts of City staff in all activities of the City and the decision making process throughout the development of the budget. The next City Council Goal Setting workshop is scheduled to take place on August 5, 2017. The following 16 priorities were identified during the previous goal setting workshop by the majority of the City Council as their highest goals for the 2015-16 and 2016-17 fiscal years.



- Develop a detailed 5-year Capital Plan to address unfunded projects
- Identify funding for and move forward with Starlight Bowl improvements
- Aggressively seek Airport area Economic Development and Transit Oriented Development opportunities
- Seek construction of additional soccer fields
- Traffic management
- Seek to develop additional Affordable / Workforce Housing opportunities (public or private)
- Develop land use and enforcement policies to facilitate the various Residential-Commercial interface disputes
- Seek a more robust civic outreach/engagement effort, especially relating to policy-setting or public hearing matters
- Move forward aggressively with the High Speed Rail Station Planning study
- Move forward with plans for a new Central Library facility
- Further upgrade Public Transit programs
- Move forward with design for a dog park
- Increase Library operations funding
- Enhance funding for Youth Services
- Enhance tourism marketing
- Move forward with bikeway improvement projects

## **CONCLUSION**

The adopted budget represents a tremendous amount of work by Department Managers and key members of their staff, and I would like to thank all of those responsible for the successful completion of this year's budget. Special thanks go to the Financial Services Department Budget Staff, who spent countless hours developing this budget into a single working document. Lastly, I would also like to thank the City Council for their leadership as policymakers throughout the budget process, and for making difficult, yet responsible decisions that will guide this City through challenging times. I am proud and confident that this year's FY 2017-18 Budget meets the needs of the Burbank community.

The budget adopted by the Burbank City Council funds top notch safety and emergency services, traffic mitigation and street improvement projects, infrastructure upgrades, responsible and reliable delivery of utilities, and a multitude of community programs and services which benefit youth, seniors and residents of all ages. However, there is still much work to be done and tough decisions to be made in the coming years. The FY 2017-18 Budget assumes the use of one-time funds to close this projected gap while City staff and City Council work together to develop long term sustainable strategies to correct the structural deficit, mitigate rising pension costs and address the backlog of infrastructure and capital needs facing the City in the coming years.

# CITY MANAGER'S BUDGET MESSAGE



Fortunately for Burbank, we are still in much better financial condition than our neighboring cities both in Los Angeles County and throughout the State. This is largely due to our historically conservative approach to fiscal matters and the solid financial policies adopted by the Council. We have a diverse revenue base, and we continue to make strong efforts in economic development which will help provide fiscal health into the future, and allow us to continue to provide quality municipal programs and services to our residents. The Reverend Martin Luther King, Jr. once said "The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy." As leaders of this City, we will continue to rise to the challenges ahead and take strategic actions to encourage revenue growth, retain our best employees and address the City's growing infrastructure and capital needs, while still maintaining the values of the Burbank community.

Thank you for allowing me the opportunity to play a role in the continuing success of this great City.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ron Davis".

Ron Davis  
City Manager