

# 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) 2019-20. 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, and facility upgrades, as well as many other municipal programs and services.



One year ago, the City of Burbank was heading into the FY 2018-19 budget development process facing an uncertain financial future. Rising CalPERS costs due to a \$350 million unfunded pension liability are continuing to outpace a steady growth in revenues, creating a long-term structural deficit in the General Fund. A court ruling invalidated the City's annual In-Lieu of Tax transfer from the Electric Fund, putting at risk \$12.5 million of annual General Fund revenue. In addition, the City faces a significant backlog of infrastructure needs that if not addressed will inevitably deteriorate the quality of roads, facilities and services the Burbank community deserves.

The City Council, labor groups, and staff worked collaboratively toward implementing a multi-year strategic plan which aimed to sustainably correct the City's structural deficit and begin to deal with the significant backlog of infrastructure needs while, at the same time, preserving the City's high quality services. As outlined in **Chart 1** on the next page, three essential elements were identified as necessary in order to secure Burbank's future. This included the Passage of Measure T on June 5, 2018 to secure the Electric In Lieu of Tax transfer and the implementation of on-going Council and Labor cost saving initiatives which are projected to achieve an initial \$9 million in annual savings once fully executed. Lastly, On November 6, 2018, the City of Burbank voters approved Measure P, also known as the Burbank Infrastructure and Community Services Protection Measure. Measure P is a general purpose 3/4¢ local sales tax projected to generate approximately \$20 million in annual revenue. The City Council has directed 50 percent of this revenue toward infrastructure repairs, maintenance and improvements while the other 50 percent of revenues is allocated to the General Fund to sustain operations while the City addresses its significant pension liability.

In furtherance of City Council's direction, the City Manager's Office, along with City staff formulated plans to address the City's two largest liabilities. First, tackling the City's unfunded pension liability and stabilizing pension costs, and second, addressing the City's \$470 million infrastructure backlog in order to preserve and protect the quality of City assets. Study sessions were held on each topic, in which staff presented proposed pension and infrastructure funding plans and received feedback and guidance from the City Council. The FY 2019-20 Adopted Budget reflects the first steps in the City's plan to address these two outstanding liabilities and produce a General Fund budget that is structurally balanced, not just in the current year, but in all the years of the City's financial forecast.

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Chart 1 - Three Essential Elements to Secure Burbank's Future

## City of Burbank

### Three Essential Elements to Secure Burbank's Future



\*Revenue estimate based on potential 3/4 cent Sales Tax Measure

## BUDGET OVERVIEW

### ADOPTED BUDGET SUMMARY

The FY 2019-20 budget totals nearly \$669 million in appropriations for all funds with the General Fund totaling \$197.5 million. **Table 1** illustrates the source of funds and appropriations for each fund or fund type for the FY 2019-20 Budget.

**Table 1 - City of Burbank Resources and Appropriations FY 2019-20**

| FUND/FUND GROUP                                  | ESTIMATED RESOURCES   | ADOPTED APPROPRIATIONS |
|--|-----------------------|------------------------|
| General Fund                                     | \$ 190,031,006        | \$ 197,525,256         |
| Special Revenue Funds (incl. Cap. Projects Fund) | 53,967,653            | 51,835,150             |
| Internal Services Funds                          | 56,270,953            | 60,012,066             |
| Enterprise Funds                                 | 37,585,680            | 43,803,985             |
| Electric and Water (BWP)                         | 267,834,774           | 294,921,426            |
| Successor Agency                                 | 9,764,023             | 9,465,613              |
| Housing Authority                                | 10,165,510            | 10,302,640             |
| Parking Authority                                | 706,900               | 921,066                |
| <b>TOTAL ALL FUNDS</b>                           | <b>\$ 626,326,499</b> | <b>\$ 668,787,202</b>  |

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## **BUDGET DEVELOPMENT PROCESS**

At the beginning of this year's budget development process, staff projected a recurring balance of \$7.6 million heading into FY 2019-20. After incorporating department budget adjustments as well as the impact of recently adopted memoranda of understanding (MOUs), the Adopted Budget has a balance of approximately \$5.4 million for FY 2019-20.

Proposed recurring General Fund appropriations for FY 2019-20 are just under \$184.3 million, an increase of 10 percent over last year's adopted recurring budget of \$167.5 million. New appropriations were prioritized according to their adherence to the City Council's financial policies and stated goals. Salaries and benefits were adjusted to account for the most recently adopted MOUs in accordance with the Council's market compensation policy. The City's annual \$4.7 million infrastructure maintenance of effort was incorporated into the recurring budget to comply with the Council's Infrastructure Maintenance Repair and Improvement Funding Commitment Policy. Internal Service Funds were funded at the levels necessary to meet the City's current liabilities and fund the future replacement of assets. Increases to staffing were approved in targeted areas that focus on customer service utilizing a mix of City staff and consultants to meet growing demands from the public. And lastly, the budget reflects an investment in the growth and development of City employees with increases to training budgets across most City departments.

Offsetting these new General Fund appropriations are continuing savings resulting from the implementation of several Council and Labor cost saving initiatives. The City will benefit from an additional \$1.5 million (\$750,000 allocated to General Fund) in Workers Compensation savings in FY 2019-20 due to a reduction in both total claims and a reduction in the growth of the cost of claims. Service charge revenues continued their steady growth as a result of the Council's established cost recovery policy. Finally, the City will save \$941,649 through the proposed prepayment of our CalPERS liability at the beginning of FY 2019-20. Staff is continuing to focus on citywide cost saving initiatives to address the long-term health of the City's financial forecast. To that end, several new cost saving initiatives were introduced as part of this budget or will be proposed in future months, including a PERS Funding Policy, a study on Emergency Medical Services (EMS) delivery models, paid parking, a review of short-term rentals, a needs based staffing policy, and an update to the City's development impact fees.

The City Manager's Office reviewed in detail the proposed budget and all new requests during the months of February and March and decided on proposed changes to the budget. The City Council reviewed the Proposed Budget in its entirety during three Budget Study Sessions that took place during the months of April and May. Staff incorporated feedback received from the Council during those meetings into a final budget which was adopted at the public hearing on May 14, 2019.

## **GENERAL FUND REVENUE**

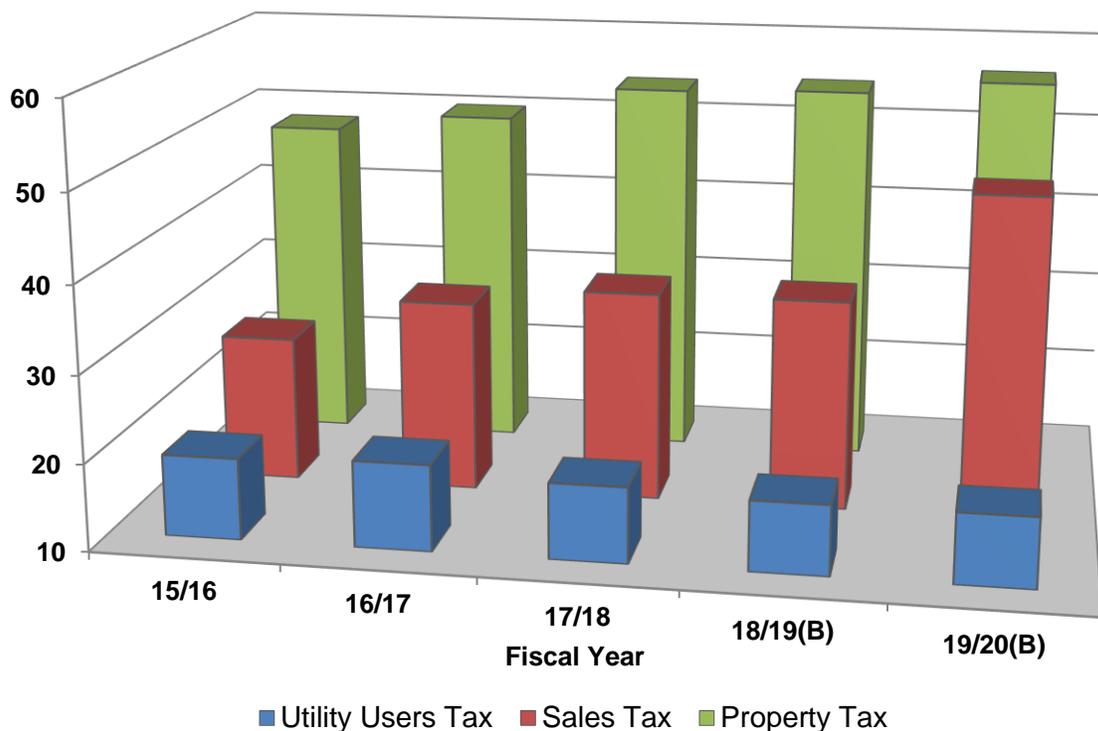
Overall, the City's recurring revenue estimates for FY 2019-20 increased 10.9 percent over the revised FY 2018-19 projections. Sales tax revenues, residential construction, and the implementation of the Fee Study in FY 2017-18, along with a full year of the golf program revenues totaling \$3 million, have contributed to the boost in General Fund revenues. Sales tax, property tax, and the utility users' tax continue to be the largest revenue sources, representing 64 percent of the General Fund's recurring revenue.

**Chart 2** highlights three years of actual results and two years of projections for the top three General Fund revenue sources: Sales Tax, Property Tax, and Utility Users Tax. The increase in Sales Tax projections for FY 2019-20 represents the first full year of Measure P revenue. For more detail on the City's General Fund revenue projections and assumptions, refer to the "Revenues" section of this budget document.

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**Chart 2 - Top General Fund Revenue Categories (\$ in Millions)**



Citywide Fee Schedule:

In FY 2017-18, Burbank completed a citywide fee study with City Council accomplishing several goals. First, the City ensured that they were in compliance with California Proposition 26, which limits certain fees collected to the reasonable cost of providing the service. Second, the City Council established a cost recovery policy, which provides a set of principles to determine when and if cost recovery is appropriate for different types of fees for services based on the benefits a user receives above a general taxpayer. Lastly, the City Council approved the expansion of the Burbank Program Activity and Service Subsidy (PASS) program citywide, which provides financial assistance to low income residents for City programs and services. This popular program has allowed the City to implement its cost recovery model while ensuring our low-income residents can still access valued City services.



For FY 2019-20, the Proposed Fee Schedule remains in compliance with the City Council's adopted cost recovery policy. Some of the notable proposed changes to the Fee Schedule for FY 2019-20 include new and increased fees for building permits and plan checks in order to more fully recover the cost of providing this service to the customer and capture overhead funds for future General Plan updates and State mandated training and as allowed by State law. The updated fees will provide approximately \$1 million in revenue to assist the Community Development Department (CDD) Planning and Building Divisions to improve their level of service to their customers through a combination of increased staffing and the use of consultants where appropriate. It will also provide the City with a funding source for upcoming projects, including future updates of Burbank's Housing Element and General Plan.

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## GENERAL FUND FIVE-YEAR FORECAST

The intended purpose of the financial forecast is to foster an understanding of long-term financial trends, and their impact to the City’s overall financial picture. This long-term perspective allows the City Council and City Management to make informed financial decisions today while fully understanding the future financial impacts of decisions.

It is staff’s expectation that recurring revenue growth over the next five years (FY 2019-20 through FY 2023-24) will grow 9.2 percent while recurring expenditures will grow 10.8 percent. Revenue expectations are updated based on the most recent economic data available, as well as the impacts of Measure P and any recent or planned business openings or developments. The average revenue growth includes the following projections for the City’s three largest general fund revenues: Sales Tax 9.1%, Property Tax 3.0%, and UUT -0.2%.

The two main drivers of expenditures for the General Fund are salaries and benefits, most notably the CalPERS rates that are applied to the base salaries. The expenditure growth assumes the following costs:

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

Salaries and benefits currently comprise approximately 80 percent of the General Fund operating budget. Thus, 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 General Fund forecast includes recently adopted MOUs as well as assumptions for salary and benefit growth over the next five years based on projected market rates for all of the City’s bargaining groups.

In January of 2018, the City Council approved a revision of the City’s Financial Policies regarding employee compensation to include that the City and employees will evenly share the Normal Cost of the California Public Employees’ Retirement System (CalPERS) pension. Employees hired subsequent to the Public Employees’ Pension Reform Act (PEPRA), adopted by the State of California in 2012, are already meeting this policy goal. While progress has been made with “classic” CalPERS members over the past decade, as outlined in **Table 2**, there is still more work to be done in order to achieve the goals of this financial policy. The General Fund financial forecast assumes a phase in of this policy over a three year period beginning in FY 2019-20, which will ultimately result in a savings to the General Fund of over \$3.5 million annually.

**Table 2 – Employee Compensation & Pension Cost Sharing Policy Goals**

|                                 |            | POLICE     |            |                                | FIRE       |            |                                | MISCELLANEOUS |            |                                |
|---------------------------------|------------|------------|------------|--------------------------------|------------|------------|--------------------------------|---------------|------------|--------------------------------|
|                                 |            | FY 2010-11 | FY 2019-20 | FINANCIAL POLICY GOAL          | FY 2010-11 | FY 2019-20 | FINANCIAL POLICY GOAL          | FY 2010-11    | FY 2019-20 | FINANCIAL POLICY GOAL          |
| C<br>L<br>A<br>S<br>S<br>I<br>C | Employer   | 25.89%     | 24.10%     | 16.55%                         | 22.09%     | 17.54%     | 13.27%                         | 16.02%        | 10.28%     | 9.14%                          |
|                                 | Employee   | 0.00%      | 9.00%      | 16.55%                         | 0.00%      | 9.00%      | 13.27%                         | 0.00%         | 8.00%      | 9.14%                          |
|                                 | Employee % | 0%         | 27%        | 50%                            | 0%         | 34%        | 50%                            | 0%            | 44%        | 50%                            |
| P<br>E<br>P<br>R<br>A           | Employer   |            | 12.75%     | FINANCIAL POLICY GOAL ACHIEVED |            | 10.25%     | FINANCIAL POLICY GOAL ACHIEVED |               | 6.50%      | FINANCIAL POLICY GOAL ACHIEVED |
|                                 | Employee   |            | 12.75%     |                                |            | 10.25%     |                                |               | 6.50%      |                                |
|                                 | Employee % |            | 50%        |                                |            | 50%        |                                |               | 50%        |                                |

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## Public Employees Retirement System (PERS) Costs:

Over the past decade, CalPERS pension expenses have become the fastest growing expense in the City's financial forecast. Recently, the CalPERS Board approved a 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. The City currently has an unfunded liability of just under \$350 million across the City of Burbank's three pension plans, and that number will continue to increase as the assumption change is smoothed in over a phase in period. The first adjustment was in FY 2018-19 where the rate was dropped to 7.375%. Two additional adjustments will be made in FY 2019-20 to 7.25% and in FY 2020-21 to 7%. As a result, Burbank experienced an average increase in pension costs of over \$4 million among the City's three plans for the current fiscal year.

**Table 3** shows the actual CalPERS employer rates and unfunded actuarial liability (UAL) contributions for the three employee classifications for the current year (FY 2018-19), next fiscal year (FY 2019-20) and the projected employer rates and contributions for the following two fiscal years (FY 2020-21 and FY 2021-22).

**Table 3 – City of Burbank Pension Costs FY 2018-19 – FY 2021-22**

| Classification           | Actual FY 2018-19 | Actual* FY 2019-20 | Projected FY 2020-21 | Projected FY 2021-22 |
|--------------------------|-------------------|--------------------|----------------------|----------------------|
| Police 3% @ 50 Rate      | 22.286%           | 22.774%            | 24.2%                | 24.2%                |
| Police Liability Payment | \$5,210,858       | \$6,234,741        | \$6,950,000          | \$7,784,000          |
| Fire 3% @ 55 Rate        | 15.975%           | 16.798%            | 18.0%                | 18.0%                |
| Fire Liability Payment   | \$3,151,236       | \$3,958,906        | \$4,461,000          | \$5,060,000          |
| Misc 2.5% @ 55 Rate      | 8.863%            | 9.688%             | 10.5%                | 10.5%                |
| Misc Liability Payment   | \$14,843,764      | \$17,187,123       | \$18,748,000         | \$20,844,000         |

\* Amounts shown are the total amounts due for FY 2019-20 if the City were to pay CalPERS on a monthly basis. For FY 2019-20, the City Council approved the prepayment of the liability payments which will result in a net savings of \$941,649 citywide.

In recent years, the City of Burbank has taken actions towards mitigating pension cost 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 PEPPRA. At a special Budget Study Session on February 7, 2019, staff presented the City Council with a proposed plan to utilize new Measure P revenues to further reduce future pension expenses, by sending additional funds to CalPERS and establishing a Section 115 Trust to mitigate future risk. This plan was approved as part of the budget adoption process and has been incorporated into the FY 2019-20 Budget, with \$15 million in one-time funds (across all City funds) budgeted for the coming year and a total of \$53 million in planned contributions over the next four years (the General fund will provide approximately 68 percent, or \$36 million, of this funding commitment). **Table 4** outlines the City's four year pension funding plan for the City's three retirement plans.

**Table 4 – City of Burbank Pension Funding Plan FY 2019-20 – FY 2022-23**

| PLAN                 | TOTAL 4-YEAR COMMITMENT | FY 2019-20          | FY 2020-21          | FY 2021-22          | FY 2022-23          | INTEREST SAVINGS    | PAY-OFF PERIOD |
|----------------------|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------|
| Misc*                | \$ 34,000,000           | \$10,000,000        | \$ 8,000,000        | \$ 8,000,000        | \$ 8,000,000        | \$35,864,382        | 20 YRS         |
| Police               | \$ 12,000,000           | \$ 3,000,000        | \$ 3,000,000        | \$ 3,000,000        | \$ 3,000,000        | \$17,349,733        | 24 YRS         |
| Fire                 | \$ 7,000,000            | \$ 2,000,000        | \$ 2,000,000        | \$ 2,000,000        | \$ 1,000,000        | \$ 9,744,444        | 24 YRS         |
| <b>Citywide</b>      | <b>\$ 53,000,000</b>    | <b>\$15,000,000</b> | <b>\$13,000,000</b> | <b>\$13,000,000</b> | <b>\$12,000,000</b> | <b>\$62,958,559</b> |                |
| Gen. Fund Commitment | \$ 36,000,000           | \$10,000,000        | \$ 9,000,000        | \$ 9,000,000        | \$ 8,000,000        | \$45,026,368        |                |

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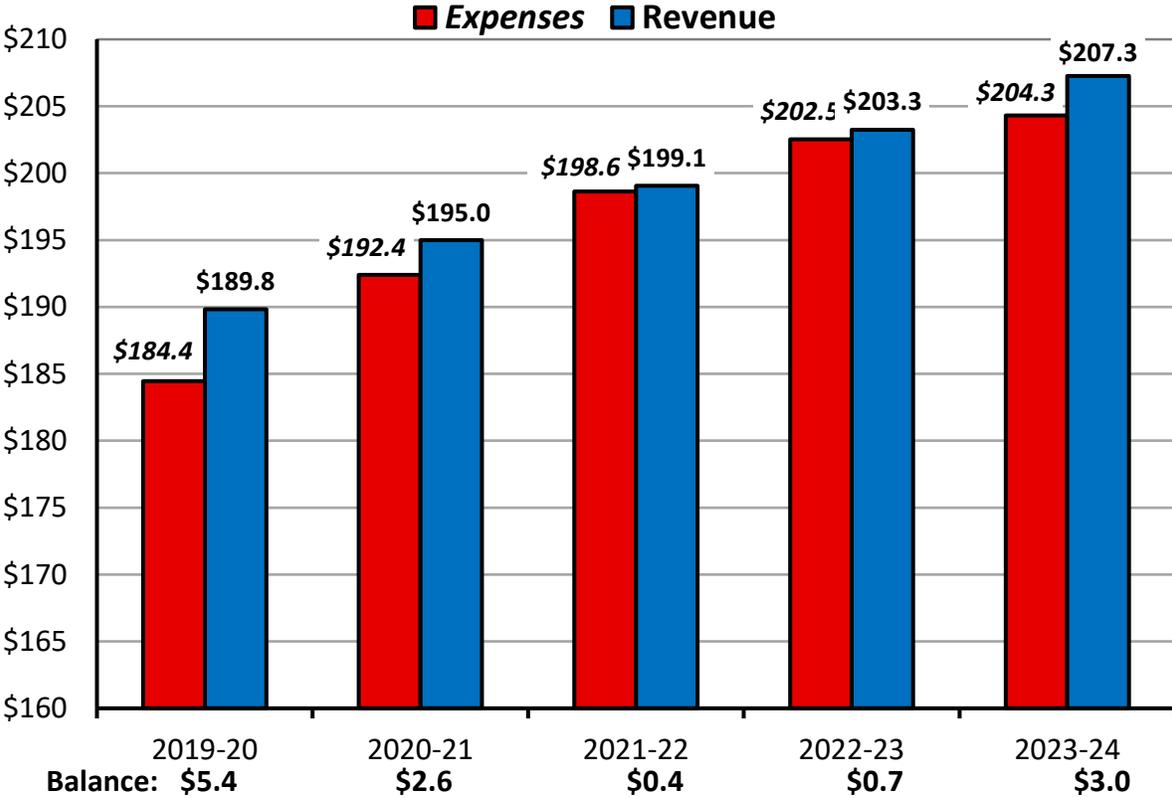


In addition to the implementation of the pension funding plan discussed above, the City Council also adopted a formal Pension Funding Commitment Policy, as part of the adoption of the FY 2019-20 Budget. This policy would require that any year-end available general fund balance that exceeds six percent of the General Fund's budget be used to fund employee pension liabilities in all years where employee pension benefits are less than 90 percent funded. By adopting this policy, the City Council helped ensure that the City's pension liabilities are responsibly funded for the long-term, and it will establish a funding source for the proposed 115 trust that, once funded, will put the City in a better position to absorb future pension volatility.

**GENERAL FUND SUMMARY**

As illustrated in **Chart 3**, staff is projecting a recurring General Fund balance of \$5.4 million in FY 2019-20, which is the first full year of Measure P revenue. However, this balance drops to \$800,000 by year three of our forecast (FY 2022-23) as pension costs continue to climb. A temporary recovery can be seen in FY 2023-24 when the City's pension obligation bonds are paid off leaving the General Fund free of bonded debt.

**Chart 3: General Fund Financial Forecast FY 2019-20 through FY 2023-24**  
(in \$1,000,000s)



It should be noted that there are several risks associated with our projections, including outstanding labor agreements, potential changes to future CalPERS assumptions, the economy, and impacts of future economic development projects. Additionally, the current forecast does not fully address the City's backlog of infrastructure needs.

**NON-GENERAL FUNDS**

**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

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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.

*Workers Compensation Fund:* Achieving savings in Workers Compensation costs continues to be a major initiative for the City. Through an administrative effort led by the Management Services Department to effectively manage cases and reduce claims, Workers' Compensation experienced a downward trend in both open claims and the severity of claims, which reduces the City's overall financial exposure. Through FY 2018-19, the City achieved \$1.2 million in savings to General Fund Workers Compensation (Fund 531) rates. For FY 2019-20, an additional \$750,000 in savings was achieved (\$1.5 million citywide). City staff, in cooperation with our labor groups will continue to make Workers Compensation a focus for potential cost savings opportunities in the future.

*Municipal Infrastructure Fund:* Previously known as Municipal Building Maintenance Fund, the Municipal Infrastructure Fund (Fund 534) has been renamed and reorganized to provide better accountability and transparency for future reporting of infrastructure spending. The City Council's adopted Infrastructure Maintenance Repair and Improvement Funding Commitment Policy directs half of all Measure P revenue to this fund while maintaining the current annual General Fund infrastructure investment of \$4.7 million. With over \$10 million in new revenue, the FY 2019-20 Fund 534 Budget significantly enhances the City's ability to address its infrastructure needs, with nearly \$11 million in capital spending appropriated, alongside \$3.8 million in annual maintenance dollars. Further discussion of the City's overall infrastructure investment plan will be outlined later in this message, within the Capital Improvement Program (CIP) section.

*Information Technology (IT) Fund:* In FY 2018-19, the City converted the entire IT Department to an Internal Service Fund by consolidating the General Fund IT budget and the Computer Equipment Replacement Fund budget into the newly renamed Information Technology Fund (Fund 537). This gives the City one single view of its technology costs, making it easier to manage funds and to demonstrate the true cost of services being provided by the department. As a result of this consolidation the budget and staffing for the IT department has moved from the General Fund "Information Technology" section of the budget to the Internal Services Fund section, under Fund 537. Additionally, the IT rental rate amounts for each department and fund now include the full cost of IT services, providing better transparency in rate development, and also giving departments more ability to manage and control their IT costs.

## **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 2019-20:

*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. Within all of the City's transportation funds, nearly \$4.7



million has been appropriated in FY 2019-20 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. In June 2019, subsequent to the adoption of the budget, the City Council approved

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\$162,840 in public service funding for local non-profit groups, including the Armenian Relief Society, BCR "A Place to Grow", Boys and Girls Club, Burbank Coordinating Council, Burbank Community YMCA, Burbank Library, Burbank Noon Lions, Burbank Temporary Aid Center, Family Promise of the Verdugos, Family Service Agency of Burbank, and the Kids Community Dental Clinic. In addition, capital and economic development project funds totaling \$822,098 will assist in funding a new facility for the Boys & Girls Club, a homeless access center for the Salvation Army, a workforce training digital lab at the Burbank Library, and Americans with Disabilities Act (ADA) access lifts at the Burbank YMCA.

**Fund 123 (Road Maintenance and Rehabilitation Fund):** This fund was established in FY 2018-19 to account for Burbank's share of funding from the Road Repair and Accountability Act (SB 1), adopted by the State of California in April 2017. For FY 2019-20 the City is estimated to receive \$1.7 million, all of which is appropriated to fund citywide road maintenance and rehabilitation as well as critical safety projects.

**Fund 125 (Gas Tax Fund):** The City of Burbank appropriated \$500,000 of its allocation of FY 2019-20 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 2019-20, the City Council allocated \$1,775,000 for traffic, signal, bike, and pedestrian improvements and \$475,000 for enhancements at Parks & Recreation facilities.

**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. For FY 2019-20, Burbank is investing a combined total of \$526,937 in HOME program funds to improve substandard housing in the City and Permanent Supportive Housing (PSH) funds which will be utilized for rental assistance and supportive services for chronically homeless persons.

**Fund 129 (Street Lighting):** The General Fund directs 1.5 percent of the seven percent BWP In-Lieu of Tax fee transfer revenue to this fund for the purpose of maintaining citywide street lights. Approximately \$3.3 million is 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.

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. Three of Burbank's four Enterprise Funds required rate increases FY 2019-20 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 four percent for FY 2019-20, which equates to a monthly cost increase of \$.99 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 four programs: Refuse Collection, Refuse Disposal, Recycling and Street Sweeping. One of the

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main goals of the Fund is to maintain 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 2019-20.



*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. For FY 2019-20, the City Council approved a one percent rate increase for the Electric Fund, which represents an increase of roughly \$0.82 per month to the average residential household.

The BWP Electric Fund's FY 2019-20 Budget has a total of \$254 million in overall appropriations, with a projected operating income of \$233 million. The FY 2019-20 CIP budget for the Electric Fund is approximately \$22 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 4.9 percent rate increase for FY 2019-20 which represents a monthly increase of approximately \$3.17 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 \$41 million, with a projected operating income of approximately \$35 million. The Water Fund CIP Budget for FY 2019-20 totals approximately \$7 million.

## **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, \$8.1 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.

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## **PARKING AUTHORITY**

The Parking Authority 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 Parking Authority will maintain a budget of \$921,066 for FY 2019-20, which includes a \$125,000 capital appropriation to complete needed improvements at the Orange Grove Parking Structure. The remainder of the funding will 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. The Parking Authority Fund has experienced several years of operating losses, and its expenses will once again exceed its revenues in FY 2019-20. As mentioned previously in this message, the City Council will be looking at paid parking in the future, which could help the City address needed infrastructure improvements at parking facilities and implement a thoughtful parking management strategy, including improved parking enforcement services citywide.

## **FY 2019-20 STATE OF CALIFORNIA BUDGET**

On June 27, 2019, Governor Newsom signed the (FY) 2019-20 State of California Budget totaling \$214.8 billion with a General Fund total of \$147 billion. This year's State Budget maintains a balance between building budget resiliency, strengthening the state's readiness and emergency capabilities, and making strategic investments for an effective government in order to promote affordability and opportunity.

The State Budget is making unprecedented investments in budget resiliency by making historic payments to reduce unfunded pension liabilities and paying off long-standing budgetary debts. The Budget continues to build additional reserves beyond the \$13.5 billion currently set aside for the Rainy Day Fund. The budget assumes an additional \$3 billion transfer in the budget year to bring the reserves to \$16.5 billion in FY 2019-20. By the end of FY 2022-23, the Rainy Day Fund balance is projected to be \$18.7 billion.

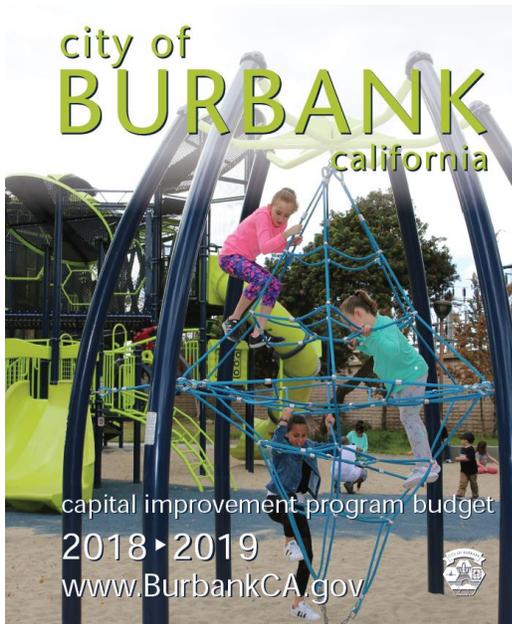


The state has faced significant natural disasters over the past two years. The Budget proposes to strengthen the preparedness of individuals and communities by making additional investments in prevention and critical emergency response systems as well as building up the state's firefighting capabilities. Funds have been allocated for one-time local grants for a statewide education campaign on disaster preparedness and safety. The Budget also continues to provide \$25 million of ongoing General Fund money for local government fire engines to support the state's critical mutual aid system.

The Budget addresses the housing crisis in California with a one-time investment to spur housing development, an expansion of state tax credits to further develop both low and moderate income housing, and an innovative proposal to plan for housing development on excess state property.

The Administration is continuing to implement the Road Repair and Accountability Act of 2017 (SB 1), which provides funding for both state and local transportation infrastructure. The 2019-20 budget includes \$4.8 billion in transportation funding of which \$1.2 billion is proposed for cities and counties for street repair and maintenance, public transportation and street projects. The City of Burbank is estimated to be eligible to receive SB 1 funding of \$1.7 million in FY 2019-20. Staff will continue to monitor developments in the state budget process and provide updates to the City Council as necessary.

# CITY MANAGER'S BUDGET MESSAGE



## **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 325 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 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.

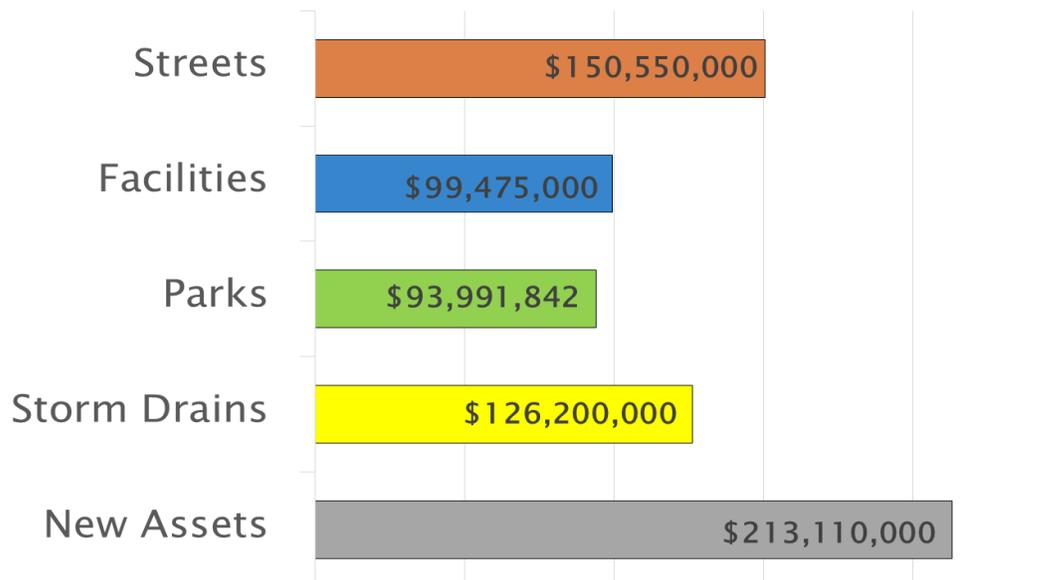
Of the City's total budget for FY 2019-20, approximately 8.4 percent is appropriated for Capital Improvements. The multi-year Capital Improvement Program totals \$573 million, including FY 2019-20 appropriations of \$56 million and prior year appropriations of \$275 million. Included in this year's \$56 million total is over \$2.6 million in grant funds the City

anticipates receiving in FY 2019-20. Approximately \$242 million in future year appropriations will be required to complete all of the projects included in this year's Capital Improvement Program Budget.

### Unfunded Infrastructure Needs:

The City of Burbank faces a significant backlog of unfunded infrastructure needs, which, if not addressed, will inevitably result in the deterioration of the quality of our roads, facilities and services the Burbank community has grown to expect. During the prior budget process, staff identified just over \$683 million of unfunded infrastructure needs, including \$470 million in deferred maintenance for existing City assets and \$213 million for new City assets which would help meet an identified City need or otherwise improve the quality of life or character of the City for our residents. **Chart 4** details the broad categories of identified infrastructure needs.

**Chart 4: \$683 Million Total Identified Unfunded Infrastructure**



# CITY MANAGER'S BUDGET MESSAGE



Investing in the City's aging infrastructure has been identified as one of the City Council's top priorities for the past several years. As such, on October 30, 2018, the Council adopted the Infrastructure Maintenance Repair and Improvement Funding Commitment Policy, directing half of the Measure P revenue to be dedicated to infrastructure while maintaining the current annual General Fund investment of \$4.7 million. Beginning in FY 2019-20, over \$10 million in new revenue will be available annually for infrastructure projects. Additionally, the City continues to collect loan repayment funds from the former Redevelopment Agency (RDA) of which 80 percent are placed in a reserve to fund capital projects, as directed by the City Council, and 20 percent is set aside for affordable housing as directed by the State. It is estimated that over \$15 million in remaining RDA debt will be received by the City over the next three years.

The much needed influx of infrastructure revenue generated by Measure P will go a long way towards helping the City address its backlog of capital and maintenance needs. The FY 2019-20 Adopted Budget takes a significant first step towards addressing the City's infrastructure needs, with 20.7 million in General City (non-enterprise fund) capital spending proposed, alongside \$3.8 million in annual maintenance dollars. Included in the \$20.7 million is an \$8 million annual investment in the City's streets and roadways and another \$4 million in annual programmatic capital to fund regular upgrades and replacements of items like sidewalks, building systems, and playgrounds.

It should be noted that the new Measure P revenue does not fully address the City's identified capital needs for existing and new assets. In conjunction with the newly established Infrastructure Oversight Board, City staff will work to evaluate citywide infrastructure priorities with a focus on maintaining existing City assets, and will be returning to the City Council with infrastructure funding projections and longer-term capital project priority recommendations.

## **CITY COUNCIL GOALS**

As noted previously, addressing the City's budget deficit has been one of the City Council's top priorities for the past several fiscal years. The City Council also holds periodic goal setting workshops, with the most recent one taking place on Saturday, August 5, 2017. The goal setting process assists policy leaders in developing a future focus, discussing issues and opportunities facing the community, setting strategic direction, and determining priorities. Council goal setting also provides a clear message to City staff as to what the Council aims to accomplish in the upcoming planning period. The Council discussed and ranked their priorities for the next two years as follows: 1) Budget, 2) Housing, 3) Economic Development, 4) Governance, and 5) Traffic and Parking.



The City Council's goals drive the City's Work Program, which is prepared annually by City staff. The highlights of the FY 2018-19 Work Program as well as the Work Program goals for FY 2019-20 can be found within the individual department sections of this budget document. The elements of the Work Program are above and beyond the core services to the community that the City provides and part of our continuous improvement efforts. In keeping with the practice of recent years, the Adopted FY 2019-20 Budget closely links the operating and capital expenditure plans with the priorities established by the City Council.

# CITY MANAGER'S BUDGET MESSAGE



## 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 better position this City for the future. I am proud and confident that this year's FY 2019-20 Budget helps ensure that the needs of the Burbank community are met.

The budget adopted by the Burbank City Council is balanced, not only in the current year, but for the next five years of our financial forecast. It funds top notch safety and emergency services, traffic mitigation and street improvement projects, 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 to implement the City Council's plan to secure Burbank's future in the coming years. Supreme Court Justice Ruth Bader Ginsburg once said, "real change, enduring change, happens one step at a time." The FY 2019-20 budget represents a significant step towards developing long-term strategies to correct the City's structural deficit, mitigating rising pension costs and addressing the City's backlog of infrastructure and capital needs. With the City Council's continued leadership and fiscal responsibility, I am confident we will enter this new fiscal year strongly positioned to meet the challenges that lie ahead.

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 black ink that reads "Ron Davis".

Ron Davis  
City Manager