

FY 2009 BUDGET PROCESS

OVERVIEW:

Council created the FY 2009 operating and capital budgets based upon its vision of ‘one community.’ The strategic goals that they had originally established in November 2006 were reaffirmed by Council this year and remain as follows:

- One community with strong neighborhoods,
- One community focused on public safety for citizens and visitors,
- One community with quality economic development,
- One community with a vibrant city center,
- One community with an active partnership with Luke Air Force Base,
- A city with high quality services for citizens, and
- A city that is fiscally sound.

As with prior fiscal year budgets, the intent of our FY 2009 operating and capital budgets is to enhance quality city services, continue with prudent, strategic investments in our community and to enhance the resources for various public safety functions.

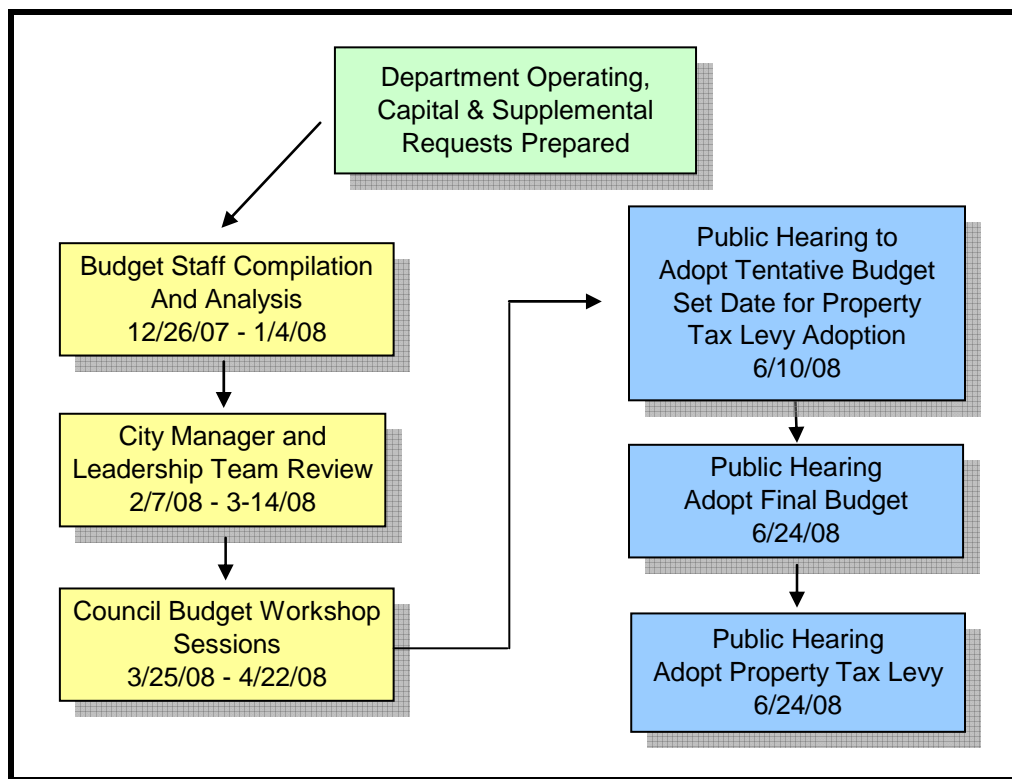
These messages were conveyed to the city’s deputy city managers, department heads and budget experts through a variety of meetings led by executive staff. The Management and Budget Department also conducted training to inform staff about changes for the upcoming year and instructed staff on how to use the budget inputting system for the FY 2009 budget process.

The Management and Budget Department continues to recommend the “base budget” approach to control expenditures and promote fiscal conservatism, while helping to maintain existing service levels throughout the organization. With base budgeting, divisions are allocated a target base expenditure amount to support all ongoing operations for the fiscal year. Allocations are based on the prior year ongoing appropriation for that division, with any one-time funds in the current fiscal year’s budget excluded from the target base budget for the upcoming fiscal year. Departments are encouraged to shift allocations for non-salary items within the target base amount to better reflect current operations during the budget input phase that kicked off in November 2007. All salary & benefit related items are calculated and established separately by the Management and Budget Department.

In some cases, the allotted base budget is not sufficient to support existing departmental operations, or a department may wish to promote a new or expanded program. In these cases where additional funding is desired, departments may submit a supplemental request. These requests were reviewed and evaluated in January and February 2008 because there were many more requests than it would be possible to fund. A final balancing meeting with executive leadership occurred in February. Decisions at this meeting resulted in the recommended budget presented to City Council at a series of budget workshops held in March and April.

At the conclusion of these budget workshops, the proposed budget was presented to Council for tentative adoption and then, two weeks later, for final adoption. The budget was transmitted to the general public in the form of public hearing notices. After completing the public hearings, the Council adopted a final budget setting the expenditure limitation for FY 2009 and the property tax levy for FY 2009, consistent with the City Charter and state law, in June 2008.

The chart below illustrates how the budget process works once Council has established their goals for the upcoming year and that direction is conveyed to the organization by the city manager.



VARIATIONS IN BUDGETING METHODS:

The budgets of general government type funds, such as the General Fund, Public Safety Special Revenue Fund, Streets Fund and Transportation Fund are prepared on a modified accrual basis. This means that unpaid financial obligations, such as outstanding purchase orders, are immediately reflected as encumbrances when the cost is estimated, although the items may not have been received yet. However, in most cases revenue is recognized only after it is measurable and actually available. Since FY 1996, sales tax revenues have been recorded in the period in which they are due to the city.

Enterprise funds (Water/Sewer, Sanitation and Landfill) are prepared using the full accrual method. Enterprise funds also recognize expenditures as encumbered when a commitment is made (e.g., through a purchase order). Revenues, on the other hand, are recognized when they are obligated to the city (for example, water user fees are recognized as revenue when service is provided).

Purchase orders for goods and services received prior to the end of the current fiscal year will be eligible for payment for a period of sixty days following the close of the fiscal year. However, encumbrances for all other purchase orders will automatically lapse.

The Comprehensive Annual Financial Report (CAFR) presents the status of the city's finances on the basis of Generally Accepted Accounting Principles (GAAP). Since FY 2002, the CAFR has been prepared in compliance with Governmental Accounting Standards Board (GASB) Statement 34 requirements. The CAFR shows fund expenditures and revenues on both a GAAP basis and budget basis for comparison purposes. In most cases, this conforms to the way the city prepares its budget with the following exceptions:

- a. Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees on a GAAP basis as opposed to being expended when paid on a budget basis.
- b. Principal payments on long-term debt within the enterprise funds are applied to the outstanding liability on a GAAP basis as opposed to being expended when paid on a budget basis.
- c. Capital outlays within the enterprise funds are recorded as assets on a GAAP basis and expended on a budget basis.
- d. Inventory is expensed at the time it is used.
- e. Depreciation expense is not budgeted as an expense.

ACCOUNTING CHANGES:

The Training Facility Debt Service Fund (Fund 2533) was created to track capital construction contributions from outside agencies, or “partners,” for the new Glendale Regional Public Safety Training Center that was completed in FY 2007. The facility was built with capital contributions from City of Glendale (74.8%), Maricopa County Community College District (8.2%), the City of Surprise (6.6%), the City of Peoria (6.5%), the City of Avondale (3.9%) and the Federal Government. The capital costs were 100% bond financed by the City of Glendale, therefore capital contributions received from the partners will be used to go towards future debt service payments related to this construction. A transfer from this fund to the MPC Debt Service Fund equal to the current debt principal and interest payment will be made from this fund until all proceeds are exhausted at which time the City of Glendale will pick up the remaining payments.

Another new debt service fund was created during FY 2008 titled Transportation Bond Debt (Fund 1970). All debt service payments related to GO! Transportation revenue bonds issuances will be made from this fund. The fund will receive an inter-fund transfer from the



Transportation Fund (Fund 1660) in an amount equal to the current years scheduled debt service principal and interest payment.

Two new special revenue funds were added in FY 2008 to track revenues and expenditures related to public safety, transportation and marketing services provided by the city at events held at the University of Phoenix Stadium and Jobing.com Arena. The funds are titled Stadium Event Operations (Fund 1281) and Arena Event Operations (Fund 1282). Reimbursements for city services, in accordance with signed agreements, are recorded as revenue. Both funds are scheduled to receive an inter-fund transfer from the General Fund equal to the total expenditure amount that is over and above the projected reimbursement revenue. Therefore, these funds should always end the year with a zero fund balance.

A portion of the Parks & Recreation Self-Sustaining Fund (Fund 1880) was split into a new Parks & Recreation Designated Fund (Fund 1885). This change was made to better account for the monies that are designated for a specific purpose or use. For example, a portion of the revenue received from public pools located at school sites is set aside for the maintenance and up keep of that specific pool in accordance with signed operating agreements. These funds can be used only for stated purposes at this designated facility. The Parks & Recreation Self-Sustaining Fund (Fund 1880) will continue to be used for tracking the revenues and expenditures associated with conducting sports and special interest type classes offered to the city at fees that are designed to recoup the costs associated with conducting those classes.