



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: FY 2021-22 Annual Financial Report, FY 2022-23 First Quarter Financial Status Report, Employee Medical Stipend, Inflation Relief and Retention Pay, and Class & Compensation Adjustments

1. Motion to accept City of Glendale's Annual Comprehensive Financial Report, Report on Internal Control over Financial Reporting, and Communication with Those Charged with Governance for the fiscal year ended June 30, 2022
2. Motion to note and file the Financial Status Report for the year ended June 30, 2022.
3. Motion to note and file the Financial Status Report for the period ending September 30, 2022
4. Motion to Increase the Citywide Authorized Salaried Position Count
5. Motion to approve a one-time Medical Stipend, Inflation Relief and Retention Pay for City of Glendale Employees
6. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale Management Association Memorandum of Understanding, Including Employee Relations Exempt Classifications
7. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale City Employees' Association Memorandum of Understanding, Including Confidential and Hourly Classifications
8. Resolution Providing for the Establishment of Classification Titles and Compensation for Appointed Executive Level Employees of the City of Glendale
9. Resolution Providing for Supplementary Benefits and Compensation of Certain Officers and Executive Employees of the City of Glendale to Supplement the Classification and Compensation Resolution of Said City
10. Resolution of appropriation

COUNCIL ACTION

Item Type: Action Item

Approved for December 13, 2022 **calendar**

EXECUTIVE SUMMARY

The Annual Comprehensive Financial Report, the Report on Internal Control over Financial Reporting, the Communication with Those Charged with Governance, and the General Fund update for the fiscal year ended June 30, 2022, are presented. The City received an unmodified opinion from the external auditors for the financial audit. As of June 30, 2022, the City has a net position of more than \$1.7 billion for all funds, and the General Fund has a fund balance of more than \$145 million, of which the unassigned & charter reserve fund balance is almost \$91 million, a reserve of 36.3% of the revised FY 2021-22 budget of \$250 million (excluding Measure S). The City Council's current General Fund Reserve policy is a minimum of 25% of the annual revised operating budget, with a target of 35%.

The FY 2022-23 First Quarter Financial Status report, which includes the General Fund revenues and expenditures recorded through September 30, 2022, are also presented in this report. General Fund revenues received through the first quarter are approximately \$28.2 million, or 10.6% of the revised revenue budget. Total General Fund expenditures through the first quarter are approximately \$66.2 million, or 23.1% of the total revised budget. In addition, various budget adjustments, consisting primarily of grants, are being requested totaling \$1,121,845, of which \$44,693 is in the General Fund. Two positions are also being requested to add to the authorized salaried position count in the General Fund. Staff is also seeking authorization for an employee Medical Stipend and Inflation Relief payments, and Retention Pay for the GWP Electric Line Mechanics and Supervisors. When considering the proposed budget adjustments, Medical Stipend and Inflation Relief pays, the City's projected ending unassigned & charter reserve fund balance for FY 2022-23 is \$86.2 million, or 29.6%.

Lastly, staff is bringing forth two Resolutions relating to compensation adjustments for six classifications as we continue to bring some salaries into alignment with their respective labor market counterparts. Staff is also seeking to establish two new job classifications. The proposed actions impact the GCEA and GMA bargaining units. Staff is bringing forth two Resolutions relating to unrepresented Executive-level employees.

COUNCIL PRIORITIES

Fiscal Responsibility: The financial update shows the City's financial transactions are conducted in a prudent and responsible manner to ensure adequate resources are available to meet current obligations and long-term stability.

RECOMMENDATION

Approve the following:

1. Motion to accept City of Glendale's Annual Comprehensive Financial Report, Report on Internal Control over Financial Reporting, and Communication with Those Charged with Governance for the fiscal year ended June 30, 2022
2. Motion to note and file the Financial Status Report for the year ended June 30, 2022.
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5. Motion to approve a one-time Medical Stipend, Inflation Relief and Retention Pay for City of Glendale Employees
6. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale Management Association Memorandum of Understanding, Including Employee Relations Exempt Classifications
7. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale City Employees' Association Memorandum of Understanding, Including Confidential and Hourly Classifications
8. Resolution Providing for the Establishment of Classification Titles and Compensation for Appointed Executive Level Employees of the City of Glendale
9. Resolution Providing for Supplementary Benefits and Compensation of Certain Officers and Executive Employees of the City of Glendale to Supplement the Classification and Compensation Resolution of Said City
10. Resolution of appropriation

BACKGROUND

FY 2021-22 Annual Comprehensive Financial Report

The Annual Comprehensive Financial Report (ACFR) is the City's audited financial statements. Staff prepares and compiles the ACFR that takes several months, and gets audited by the independent certified public accountant, Clifton Larson Allen LLP. The Auditors fieldwork commenced in June 2022 and concluded in October 2022 with the issuance of the Independent Auditors' Report on November 18, 2022. The ACFR for the City of Glendale as of June 30, 2022 is hereby submitted for City Council approval.

An ACFR is a set of government financial statements comprising the financial report of the City at the end of the fiscal year. The ACFR complies with the accounting requirements promulgated by the Governmental Accounting Standards Board (GASB), Generally Accepted Accounting Principles (GAAP), and applicable legal requirements. These standards, principles and regulations provide the framework and rules which the City follows to produce this financial report. The ACFR is audited by an external certified public accountant pursuant to Article IV, Section 16 of the City's Charter. The ACFR is used by numerous government agencies, financial institutions (primarily bond rating agencies), and financial information repositories in order to comply with various reporting, financial, and continuing bond disclosure requirements.

ANALYSIS

FY 2021-22 Annual Comprehensive Financial Report

The results of the annual audit performed by the Auditors are formally published in the ACFR. For fiscal year ended June 30, 2022, the City of Glendale received an Unmodified Opinion. This is the "cleanest" opinion an entity can receive. The Auditors

express an Unmodified Opinion when they can conclude that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

The June 30, 2022 ACFR will be submitted to the Government Finance Officers' Association (GFOA) for an annual national achievement award. In order to qualify for this award, the City must publish an easily readable and effectively organized report. Furthermore, the contents of the ACFR must conform to the standards established by the award program. The City has received this national achievement award for 27 consecutive years and staff believes that this year's ACFR will once again earn this designation.

The ACFR is organized into the following three main sections:

- 1) **Introductory Section** – The Transmittal Letter from the Director of Finance and Information Technology, listing of the Administration and Executive Management Team members, and the City's Organization Chart are located in the Introductory Section.
- 2) **Financial Section** – This section is the main section of the ACFR and includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), the City's government-wide statements, governmental, proprietary and fiduciary fund-level statements, notes to the basic financial statements, and the required supplementary information (RSI). The remainder of the Financial Section presents the financial statement information for non-major governmental and enterprise funds, all internal service funds and fiduciary custodial funds.
- 3) **Statistical Section** – Located towards the end of the ACFR, this section provides readers with a variety of information, all of which is unaudited.

Management's Discussion and Analysis (MD&A)

The MD&A starts the Financial section of the ACFR and serves as an executive summary. GAAP requires that management provide this narrative to accompany the basic financial statements. The Letter of Transmittal, which precedes the MD&A in the Introductory section, is designed to complement the MD&A and should be read in conjunction with it. The MD&A is located immediately following the Independent Auditors' Report.

Government-wide statements

The overall financial picture of the City is presented, in accordance with the Governmental Accounting Standards Board (GASB) pronouncements, on a Government-wide basis. Exhibits A-1 and A-2 are designed to provide readers with a broad overview of the City's finances similar to a private-sector business consolidated financial statement. These statements show the end balances and overall results of

operations for all City funds. These two government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from those primarily supported by a user charge (business-type activities). The two government-wide statements presented at Exhibit A-1 and Exhibit A-2 are:

- The **Statement of Net Position** presents information on all of the City's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources, with the difference reported as net position. This is similar to a Balance Sheet in private sector accounting.

Exhibit A-1 Statement of Net Position
(In Millions)

	<u>Government</u>	<u>Business</u>	<u>Total</u>
Assets	\$ 1,759	\$ 1,052	\$ 2,811
Deferred outflows of resources	67	19	86
Liabilities	(618)	(318)	(936)
Deferred inflows of resources	(190)	(39)	(229)
Net position June 30, 2022	\$ 1,018	\$ 714	\$ 1,732

- The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. Similar to an Income Statement in private sector accounting, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Exhibit A2 Statement of Activities
(in millions)

	<u>Government</u>	<u>Business</u>	<u>Total</u>
Expenses	\$ 346	\$ 327	\$ 673
Revenues	413	327	740
Increase in Net Position	67	-	67
Net Position July 1, 2021, As Restated	951	714	1,665
Net Position June 30, 2022	\$ 1,018	\$ 714	\$ 1,732

Fund Level Statements and Notes

Following the government-wide statements are the fund-level financial statements and Notes. Each individual major fund and the total for non-major funds are presented before the Notes, and each individual non-major funds are presented after the Notes. The three main fund types are governmental funds, proprietary funds and fiduciary funds. Governmental funds include General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. Proprietary funds include enterprise funds and internal service funds. Fiduciary funds include private-purpose trust funds and custodial funds. The City's four development impact fee funds are part of the non-major Capital Project Funds, and their annual results are stated for each fee type (Parks, Library, Quimby and Housing).

The Notes section provides a significant amount of disclosure requirements that supplement the financial data presented in the financial statements. Some of the note disclosures include detailed information about cash and investments, capital and lease assets, long-term debt and liabilities, the City's pension plan and contingent liabilities.

Statistical Section

The last section of the Report, which is unaudited, contains statistical data about the City of Glendale. There are 20 schedules in total and most of them have 10 years of history. These schedules are broken down in five distinct categories: (1) Financial trends, (2) Revenue capacity, (3) Debt capacity, (4) Demographic and Economic information and (5) Operation information.

Net Pension Liability

A summary of the net pension liability for FY 2020-21 and FY 2021-22 by plans is shown on the following page. Compared to the FY 2020-21 net pension liability, the FY2021-22 amount decreased by \$251 million, from \$640 million to \$389 million. The significant decrease was mainly due to PERS strong investment return in FY 2020-21, 21%. We expect the decrease is temporary and will increase in next year's ACFR for two reasons. First, PERS had a negative investment return in FY 2021-22, -6%. Second, PERS lowered the discount rate from 7% to 6.8 % in FY 2021-22, which will be reflected in the FY 2022-23 ACFR.

Net Pension Liability (In Millions)

	<u>FY 2021-22</u>	<u>FY 2020-21</u>
Measurement date:	June 30, 2021	June 30, 2020
Miscellaneous Plan:		
Total pension liability	\$ 1,262	\$ 1,223
Total pension asset	\$ 1,083	\$ 896
Net pension liability	\$ 179	\$ 327
Funding %	86%	73%

Safety Plan:

Total pension liability	\$	956	\$	929
Total pension asset	\$	<u>746</u>	\$	<u>616</u>
Net pension liability	\$	210	\$	313
Funding %		78%		66%

Total Misc and Safety:

Total pension liability	\$	2,218	\$	2,152
Total pension asset	\$	<u>1,829</u>	\$	<u>1,512</u>
Net pension liability	\$	389	\$	640
Funding %		82%		70%

Report on Internal Control over Financial Reporting

The Report on Internal Control over Financial Reporting summarizes the auditors' comments and recommendations regarding opportunities for strengthening internal controls and operating efficiency. For the June 30, 2022 fiscal year end, the auditors did not identify any significant deficiency or material weakness.

Communication with Those Charged with Governance

The Communication with Those Charged with Governance is for the auditors to communicate the significant audit findings or issues, and other information, that are not communicated in the audited financial statements. Several significant audit matters are (1) all significant transactions have been recognized in the financial statements in the proper period; (2) the list of most sensitive estimates affecting the financial statements; (3) the financial statement disclosures are neutral, consistent and clear; (4) the auditors encountered no significant difficulties in dealing with management in performing and completing the audit; (5) the auditors had no disagreement with the management. The letter also presents the corrected journal entries recommended by the auditors and the uncorrected journal entries. The effects of the uncorrected journal entries are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Fiscal Year 2021-22 General Fund Year-End Results

For the year ended FY 2021-22, the General Fund had a net surplus of approximately \$4.9 million. The FY 2021-22 final budget was balanced with the estimated use of the American Rescue Plan Act (ARPA) funds, resulting in a projected surplus/use of fund balance of zero; however, the General Fund ended the year with the receipt of more revenues than anticipated and with less expenditures than forecasted, resulting in a net year-end surplus.

General Fund Revenues

The final revenues received as of June 30, 2022, were \$247 million compared to the revised resource budget of \$243 million. The revenues received include the use of American Rescue Plan Act (ARPA) funds in the amount of \$5.1 million; however, exclude the interest revenue recorded for the PERS Section 115 Pension Stabilization Trust, which is restricted, the revenues received by Economic Development, which is assigned for Economic Development use only; as well as Measure S Sales tax revenue, which is discussed under the Measure S section later in this report.

One of the major revenue categories that ended the fiscal year with higher revenue receipts than anticipated was the Sales Tax category, by approximately \$4.5 million. This was largely due to some of the major industries continuing to experience financial recovery after the COVID-19 pandemic as people desired to get out more and spend, resulting in higher revenues for categories such as general consumer goods, restaurants and hotels. The autos and transportation industry experienced some growth in revenues, mainly driven by new motor vehicle dealerships, and the fuel and service station revenues also surged resulting from higher-than-normal gasoline prices.

The Occupancy & Other Taxes category ended the fiscal year with higher revenues by \$2.4 million mainly due to Transient Occupancy Tax (TOT) revenues. With loosened restrictions and increasing personal and business travel, hotel services have seen significant recovery over the past year, translating to a continuous growth in TOT revenues. The Revenues from Other Agencies category also ended the year with higher revenues by \$740 thousand, mainly due to a one-time SB90 reimbursement revenue received for the costs related to the Municipal Stormwater and Urban Runoff Discharges mandate and additional reimbursement from Federal Emergency Management Agency (FEMA) for the COVID-19 Pandemic.

Lastly, the Charges for Services category ended the year with higher revenues received by \$3.9 million, mainly due to higher receipts in Emergency Medical Response fees and in Community Services & Parks revenues resulting from more than anticipated participation in various activities, including camps, facility rentals and aquatics.

Offsetting some of the higher receipts in revenues is the variance in the Interest/Use of Money category, which is mainly due to the unrealized losses in interest revenue recorded in accordance with GASB 31 in the amount of \$8.8 million, offset by realized interest revenue that came in at \$1.9 million, and Rental and Lease Income of \$1 million. The table below illustrates the General Fund resources as of June 30, 2022, by major category.

General Fund Resources
Budget to Actuals, June 30, 2022
(In Thousands)

Category	Adopted	Revised	Actuals	% Received
Property Taxes	\$ 73,179	\$ 73,179	\$ 72,115	98.5%
Sales Taxes	44,061	50,948	55,416	108.8%
Utility Users' Tax	26,020	26,020	26,943	103.5%
Occupancy & Other Taxes	15,608	15,608	17,997	115.3%
Licenses & Permits	9,643	9,643	10,566	109.6%
Rev. from Other Agencies	220	220	960	436.4%
Charges for Services	16,603	16,603	20,509	123.5%
Interfund Revenue	18,967	18,967	18,833	99.3%
Fines & Forfeitures	3,005	3,005	3,110	103.5%
Interest/Use of Money	1,748	1,748	(5,973)	(341.7%)
Misc. & Non-Operating	1,265	1,290	797	61.8%
Transfers	20,700	20,700	20,676	99.9%
Total Revenues	\$ 231,020	\$ 237,933	\$ 241,948	101.7%
ARPA Funds	14,032	5,099	5,099	100.0%
Grand Total Resources	\$ 245,052	\$ 243,032	\$ 247,047	101.7%

General Fund Expenditures

The actual expenditures as of June 30, 2022 are \$243.5 million, reflecting 97.4% of total General Fund final budget. Compared to the FY 2021-22 final budget, the actual expenditures were underspent by \$6.6 million. An attributable factor to this variance includes further salaries & benefits savings in the net amount of \$2.7 million in addition to the anticipated \$5.0 million in projected vacancy savings. Furthermore, the maintenance and operations category was underspent by approximately \$3.7 million compared to the revised budget. Contractual services for various departments were still in process by the end of the fiscal year and some departments experienced savings in other operational costs such as supplies, training, and furniture & equipment. The table on the following page reflects the General Fund expenditures by major category as of June 30, 2022.

**General Fund Expenditures
Budget to Actuals, June 30, 2022
(In Thousands)**

Category	Adopted Budget	Revised Budget	Actuals	% Expensed
Salaries & Benefits	\$ 195,402	\$ 193,553	\$ 190,820	98.6%
Maintenance & Operations	49,950	53,233	49,538	93.1%
Capital Outlay	118	1,269	1,137	89.6%
Transfers Out	1,585	1,978	1,978	100.0%
Grand Total Expenditures	\$ 247,055	\$ 250,033	\$ 243,473	97.4%

General Fund Ending Fund Balance, June 30, 2022

The City's beginning General Fund unassigned & charter reserve fund balance for FY 2021-22 was \$85.9 million. Factoring in the FY 2021-22 increase in unassigned fund balance of \$3.6 million and the net GSA Loan Repayment balance and non-spendable category adjustments of \$1.4 million, the ending unassigned & charter reserve fund balance as of June 30, 2022 is \$90.9 million, a reserve of 36.3%. The City Council's current General Fund Reserve policy is a minimum of 25% of the annual revised operating budget, with a target of 35%. The table below displays the fund balance of the General Fund as of June 30, 2022.

**General Fund
Ending Unassigned & Charter Reserve Fund Balance, June 30, 2022
(In Thousands)**

	Unassigned & Charter Reserve
Beginning Unassigned & Charter Reserve, 7/1/2021	\$ 85,935
Changes to Unassigned & Charter Reserve	
FY 2021-22 Increase in Fund Balance	3,573
Net GSA Loan Repayment Balance and Non-spendable	1,367
Net Change to Unassigned & Charter Reserve	\$ 4,940
Ending Unassigned & Charter Reserve, 6/30/2022	\$ 90,875
FY 2021-22 Revised Budget	\$ 250,033
Reserve %	36.3%

FY 2022-23 First Quarter Financial Status Update

The City's FY 2022-23 Budget was adopted by City Council on June 14, 2022. The budget is not a static guideline for city spending but rather a dynamic document subject to constant revision and adjustment. Since budget adoption, staff has continued to analyze the revenues and expenditures that have been received and recorded and has revisited the adopted budget for proposed adjustments to the revenues and expenditures. The first quarter financial update presented in this report includes the revenues and expenditures recorded through September 30, 2022. The report also includes proposed adjustments to the adopted FY 2022-23 Budget. As specified in the City's Charter, the budget may be amended by 3/5 vote of the City Council via a Resolution of Appropriation.

General Fund Revenues

Revenues received in FY 2022-23 through September 30, 2022 total approximately \$28.2 million, or 10.6% of the revised revenue budget. This level of tracking on revenues is generally typical around this time as revenues received in July and August are accrued back to the prior fiscal year in accordance with Generally Accepted Accounting Principles. In addition, some revenues are received after the quarter-end cut off, such as Property Taxes. The first installments for Property Taxes are received in November and December and will be reflected in the mid-year update early next year.

In regard to the Sales Tax category, as the pandemic recovery continues, retail stores have continued to experience growth in the electronics/appliances as well as women's apparel sectors. In addition, strong demand for luxury vehicles has contributed to a dramatic jump from new motor vehicle dealerships, and high gasoline prices have led to a surge in filings from service stations. As a result of the sales tax category trending higher than expected along with the revised projection received from the consultant HdL, the sales tax revenue budget has been increased by \$1.6 million and the Measure S sales tax revenue budget has been increased by \$1.8 million.

The Occupancy & Other Taxes category includes revenues received for Franchise Tax, Transient Occupancy Tax (TOT), Property Transfer Tax, and Scholl Canyon Landfill Host Assessment Fees. Although the Transient Occupancy Tax revenues are tracking as expected, the revenues received in the other subcategories are tracking lower due to the receipt schedule for Franchise Tax payments and the Scholl Canyon Landfill Host Assessment fees, as the first quarter revenues have not all yet been received as of September 30, 2022.

The Transfers category revenue has not been recorded at this time because the Glendale Water and Power transfer from the Electric Fund is recorded at the end of the fiscal year pending Council approval.

The table on the following page displays General Fund revenues as of September 30, 2022, by major category.

**General Fund Revenues
Budget to Actuals, September 30, 2022
(In Thousands)**

Category	Adopted Budget	Revised Budget	Final Q1 Actuals	% Received
Property Taxes	\$ 75,461	\$ 75,461	\$ 913	1.2%
Sales Taxes	52,235	53,832	4,378	8.1%
Sales Taxes (Measure S)	17,524	19,294	2,738	14.2%
Utility Users' Tax	24,993	24,993	5,521	22.1%
Occupancy & Other Taxes	18,210	18,210	1,863	10.2%
Licenses & Permits	9,499	9,499	2,585	27.2%
Rev. from Other Agencies	220	220	16	7.3%
Charges for Services	17,880	17,880	3,726	20.8%
Interfund Revenue	18,698	18,698	4,669	25.0%
Fines & Forfeitures	3,005	3,005	888	29.6%
Interest/Use of Money	2,320	2,320	869	37.5%
Misc. & Non-Operating	1,161	1,161	71	6.1%
Transfers	20,701	20,701	-	0.0%
Total Revenues	\$ 261,907	\$ 265,274	\$ 28,237	10.6%

General Fund Expenditures

As of the first quarter, expenditures are tracking slightly lower than 25% of the budgeted amount. Total General Fund expenditures as of September 30, 2022 are approximately \$66.2 million, or 23.1% of the total revised budget. Expenses can fluctuate from the expected 25% mark for a variety of reasons including seasonal spending patterns and procurements that will occur later in the fiscal year.

The revised budget includes approximately \$1.4 million in Council approved budget adjustments made through September 30, 2022 to the General Fund as well as \$4.2 million in Measure S appropriation carryovers from the prior year for programs and activities that have not yet been completed. The table on the following page reflects the General Fund expenditures, by major category as of September 30, 2022.

**General Fund Expenditures
Budget to Actuals, September 30, 2022
(In Thousands)**

Category	Adopted Budget	Revised Budget	Final Q1 Actuals	% Expensed
Salaries & Benefits	\$ 206,421	\$ 206,149	\$ 49,182	23.9%
Maintenance & Operations	53,872	55,552	12,459	22.4%
Capital Outlay	100	116	16	13.8%
Transfers Out	2,581	2,581	480	18.6%
Total Expenditures	\$ 262,974	\$ 264,399	\$ 62,137	23.5%
Measure S Programs	17,524	21,722	4,017	18.5%
Grand Total Expenditures	\$ 280,498	\$ 286,121	\$ 66,154	23.1%

**General Fund
Summary Update
(In Thousands)**

	Adopted FY 2022-23	Revised FY 2022-23
Total Revenues	\$ 261,907	\$ 265,274
Total Appropriations	280,498	286,121
Subtotal	\$ (18,591)	\$ (20,847)
ARPA Funds	17,974	17,974
Econ Development Assigned Fund Balance	617	617
Measure S Assigned Fund Balance	-	2,428
Ending Net Surplus/(Use of Fund Balance)	\$ -	\$ 172

Measure S Update

The Measure S beginning balance as of July 1, 2022 was \$58.7 million. For FY 2022-23 the total anticipated revenue to be received is \$31.9 million and the total revised appropriation is \$75.8 million, which includes carryover funds from prior year in the amount of \$41.1 million for programs and projects that are still in progress, resulting in a projected net unallocated ending balance of \$14.8 million as of June 30, 2023.

Considering a budget adjustment request in the amount of \$272 thousand for the Library, Art's and Culture department, as described in the next section below (pending Council approval), brings to a projected unallocated ending balance of \$14.5 million as of June 30, 2023. The table on the following page shows the Measure S adopted and revised budget, and projected unallocated balance.

**Measure S Resources and Appropriations, and Unallocated Balance
Projected June 30, 2023
(In Thousands)**

			Total
Beginning Balance, 07/01/2022			\$ 58,652
FY 2022-23 Revised Revenues			31,934
Total Resources			\$ 90,586
FY 2022-23 Appropriation:	FY 22-23 Adopted	FY 22-23 Carryovers	
Housing	\$ 13,401	\$ 21,867	\$ 35,268
Infrastructure	3,850	9,659	13,509
Economic Vibrancy	175	755	930
Economic Recovery	-	289	289
Quality of Life	12,353	8,379	20,732
Safety & Security	4,895	191	5,086
Total Appropriation	\$ 34,674	\$ 41,140	\$ (75,814)
Ending Unallocated Balance, 6/30/2023			\$ 14,772
LAC Grandview Library Budget Request Pending Approval			(272)
Projected Ending Unallocated Balance, 6/30/2023			\$ 14,500

Proposed Budget Adjustments

Various budget adjustments are being requested to the FY 2022-23 Budget as follows:

Community Development

The Community Development Department is requesting the approval of two new positions: Inspector II and Building Code Specialist III. These positions are being requested due to the increased workload in the processing of planning applications, plan checks, and inspections. The cost for these positions will be absorbed within the Community Development General Fund budget and no new appropriation is being requested for FY 2022-23. The table below summarizes the current and proposed authorized salaried FTE count

:

	Current FY 2022-23	Proposed FY 2022-23
All Funds	1,603.0	1,605.0
General Fund	918.7	920.7

Community Services & Parks

The Community Services & Parks Department (CSP) received a one-time donation of \$10,000 from the Glendale Rotary Noon to be used for various youth programs that the unit oversees. The funds were raised by the Rotarians during the Cars for Cops and Kids annual fundraiser, which took place at Verdugo Park in 2022. Of this amount, \$5,000 will be used to pay for program activities for youth within the Youth & Family Services section and \$5,000 will be used for Trails & Open Space programs.

CSP has also received additional grant funds for Nutritional meals, which requires a local match from the General Fund. Thus, the department is requesting for a transfer of funds in the amount of \$34,693 from the General Fund to the Nutritional Meals Grant Fund, to fulfil the requirement of the grant.

Furthermore, CSP has received a Grant in the amount of \$177,952 from the State of California – Natural Resources Agency, Department of Parks and Recreation, to provide safe recreation opportunities, facilities and amenities, which will be used for the Emerald Isle Playground Replacement CIP project. CSP is requesting to appropriate \$200,000 from the Development Impact Fee – Quimby Fund (4080), to fulfill local match requirements and also cover additional anticipated costs.

Police

In July 2021, the California Attorney General announced a proposed \$26 billion settlement in the nationwide litigation brought by cities, counties, and states against three major pharmaceutical distributors. The City Council authorized the City of Glendale to opt in and the action was memorialized in a council motion dated November 16, 2021. Preliminary estimates indicate that the City could receive approximately \$2,500,000 paid over an 18-year period with a substantial portion of the funds frontloaded. Thus far the Police department has received a total of \$91,346, which is being requested to be appropriated for high impact abatement activities.

Library, Arts & Culture

The Library, Arts & Culture Department (LAC) received a grant award in the amount of \$29,987 from the California State Library, for the Library Services Technology Act (LSTA). This Earth Month and Beyond grant will deepen, expand, and increase programming of the 2023 Earth Day Fair. LAC will work closely with the Office of Sustainability and CSP for this event.

In addition, LAC received grant funding in the amount of \$271,587 from the California State Library, Building Forward Infrastructure Program. This grant will provide funding for critical maintenance projects that cover the bathroom remodel, door upgrade and solar panels at the Grandview Library. This Grant also requires a local match in the same amount of \$271,587, which the department is requesting to appropriate from the Measure S CIP Fund (4011).

Summary

The total requested adjustments to the City's Budget is \$1,121,845, of which \$44,693 is in the General Fund, offset by \$10,000 in donation revenue, and \$1,077,152 is in the Non-General Fund offset by \$605,565 in Grant and settlement revenue. In addition, Community Development is requesting two salaried positions which will increase the authorized citywide authorized salaried position count to 1,605.

Medical Stipend, Inflation Relief, and Retention Pay

Introduction

With economic uncertainties, cost pressure, and with talent both scarce and expensive, the City has reviewed how these trends impact its workforce and will shape its priorities in 2023 and beyond. The City is adjusting to emerging workplace trends and rethinking certain priorities. In June of 2022, many City employees saw their employee contribution to medical rates increase from 17% to 67%, depending on their selected medical plan. By the Fall of 2022 City employees were overwhelmingly citing significant rise in inflation, challenges with recruitment and retention of talent, and low cost of living adjustments not keeping pace, as the basis for across the board decline in morale. Since December 2021, CPI has averaged over 8% with a peak of 9.1% in June 2022.

As a result, the City began weighing many trade-offs to managing investments in its employees and cultivating a more positive culture and employee experience. It then assembled a team to analyze cost savings and recommend where those savings might advance support to City employees on issues impacting their finances and well-being. when inflation and the rising costs of medical insurance are impacting households daily.

Included in this report are \$5.2 million for a one-time inflation relief payment and \$1.7 million for a one-time medical premium stipend. The transactions are described on the following page.

Inflation Relief

All active full-time salaried employees will receive a one-time inflation relief payment if they are active for some portion during the pay period ending December 17th. Hourly employees will also receive the inflation relief payment if they are both active for some portion during the pay period beginning December 4th through December 17th and worked at least two-thirds of the 2022 calendar year which equates to 1,387 hours. The payment will be \$3,500. Employees who begin service after December 17, 2022, will not be eligible for the one-time inflation relief payment.

The one-time inflation relief payment is not considered pensionable wages and will be taxed at the supplemental rate as additional compensation (22% Federal, 6.6% State) and shall be included as wages on the 2022 W-2. It is estimated that 1,370 salary employees and 115 full-time equivalent hourly employees will qualify for the Inflation

Relief. The total estimated cost is approximately \$5.2 million, of which \$3.5 million is in the General Fund.

Medical Premium Stipend

The Medical Premium Stipend will be paid to all salaried employees who were enrolled in any one of the City's Anthem Plans for any pay period commencing with the pay period ending June 4, 2022 and were active during the pay period ending December 17, 2022. Hourly employees will be paid the Medical Premium Stipend if they were enrolled in any one of the City's Anthem Plans for any pay period commencing with the pay period ending June 4, 2022 and were active during the pay period ending December 17, 2022. In addition, all hourly employees must work a full-time equivalent schedule, which equates to at least two-thirds of the 2022 calendar year or 1,387 hours.

The stipend calculation shall be the difference in Anthem premium rates between the pay period ending May 21, 2022, and new rates effective the pay period ending June 4, 2022. The increase in the premium shall be calculated for 24 pay periods and be reimbursed in a one-time lump sum. If an employee started after the June 4, 2022 pay period, the employee shall only be reimbursed the lump sum difference in Medical Premium rates commencing on the benefit effective date. Employees who were enrolled in a Kaiser Permanente plan for any pay periods commencing with the pay period ending June 4, 2022, shall not be eligible for the Medical Premium Stipend. It is estimated that 730 employees will qualify for the Medical Premium Stipend at a total cost of \$1.7 million, of which \$1.2 million is from the General Fund.

GWP Electric Line Mechanics Group Retention Pay

GWP has been experiencing unprecedented retention issues with the Transmission and Distribution (T&D) Electric Line Mechanics group, specifically with respect to the classifications of Electric Line Mechanic, Electrical Line Mechanic Supervisor I, and Electric Line Mechanic Supervisor II. In recent years, GWP has lost various staff within these classifications primarily due to recruitment by Private Contractors/Utilities & other Municipal Utilities, who have offered signing bonuses and higher compensation. This has left the T&D section short-staffed and has made it extremely challenging to recruit due to the current due to below market compensation levels.

As a result of the City's efforts to go to 100% electrification of the new homes/buildings and transportation sectors, the work load for the Electrical Line Mechanic has increased exponentially. Customers have started preparing for all electric kitchens, solar power systems including storage batteries, and especially EV charging both Level 2 and 3. This has increased the reliance on the electric grid being able to supply power all day, year-round. However, the increased workload combined with short staffing level has caused projects and maintenance to be delayed.

Thus, in order to retain current staffing, City's Management and the International Brotherhood of Electrical Workers (IBEW) Local 18 union have had various discussions on strategizing a retention plan to minimize foreseen departures. Hence, staff recommends a \$7,500 retention incentive for a total of 13 employees within this section, totaling to a cost of \$97,500. This amount can be absorbed within GWP's FY 2022-23 Electric Fund budget.

General Fund Projected Ending Fund Balance, June 30, 2023

The City’s beginning General Fund unassigned & charter reserve fund balance as of July 1, 2021 was \$85.9 million. Considering the FY 2021-22 net increase to the unassigned & charter reserve fund balance of \$4.9 million, less the carryover of funds for the General Fund Medical Stipend and Inflation Relief pay in the amount of \$4.8 million, the beginning unassigned & charter reserve fund balance as of July 1, 2022 is \$86.1 million. Considering the FY 2022-23 projected net increase to the unassigned & charter reserve fund balance of \$172 thousand and the proposed General Fund budget adjustments of \$45 thousand (offset by \$10 thousand in donation revenue), the projected ending unassigned & charter reserve fund balance as of June 30, 2023 is \$86.2 million, a reserve of 29.6%. The City Council’s General Fund reserve policy is a minimum of 25% of the annual revised operating budget, with a target of 35%. The below displays the projected fund balance of the City’s General Fund as of June 30, 2023.

**General Fund
Projected Ending Unassigned & Charter Reserve Fund Balance, June 30, 2023
(In Thousands)**

	Unassigned & Charter Reserve
Beginning Unassigned & Charter Reserve, 7/1/2021	\$ 85,935
FY 2021-22 Net Change to Unassigned & Charter Reserve	4,940
General Fund Medical Stipend and Inflation Relief Pay	(4,773)
Beginning Unassigned & Charter Reserve, 7/1/2022	\$ 86,102
Projected Net Change to Unassigned & Charter Reserve	172
Proposed FY 22-23 Budget Adjustments (Net Donation Revenue)	(35)
Projected Ending Unassigned & Charter Reserve, 6/30/2023	\$ 86,239
FY 2022-23 Revised Budget	\$ 290,939
Reserve %	29.6%

AMENDMENT OF CLASSIFICATION AND COMPENSATION RESOLUTIONS

INTRODUCTION

As City departments periodically review their respective organizational structures, recommendations are made relative to the need for changes in job classifications and titles. Additionally, adjustments to compensation are recommended due to inequity studies, market factors and recruitment/retention challenges. Such changes require amendment to the various Classification and Compensation resolutions. The Human Resources Department and City Manager’s office review and approve said proposals prior to Council consideration.

Staff is bringing forth two Resolutions relating to compensation adjustments for six classifications as the City continues to bring some salaries into alignment with their respective labor market counterparts. Staff is also seeking to establish two new job classifications. The proposed actions impact the GCEA and GMA bargaining units. None of these transactions represent additional headcount in the budget, and any costs will be absorbed within the affected departments' existing budgets, and no appropriation is requested. The transactions are described below.

COMPENSATION ALIGNMENT

The MOUs for GMA and GCEA require that the City of Glendale conduct a survey of 10 and 12 classifications; respectively, that are provided by the bargaining unit as part of the Compensation Alignment process. The 22 classifications were surveyed utilizing the City's traditional 10-city labor market comparison agencies. These agencies, on average, are comparable to Glendale in size and population, and are full-service, and Council/Manager-style governments. They include Anaheim, Burbank, Garden Grove, Huntington Beach, Inglewood, Long Beach, Pasadena, Santa Ana, Santa Monica and Torrance. These tend to be the organizations that Glendale competes against in the hiring and retention of our most talented and marketable employees. The objective would be to adjust as many of the surveyed classifications to the labor market average as a means of remaining competitive and mitigating any further recruitment, retention and turnover concerns.

The surveys found that the vast majority of the classifications studied were significantly below their labor market comparisons, some as much as 15%-48% below. Only four of the 22 classifications surveyed were at or above the average.

The specific classifications proposed for adjustment are set forth in the attached Resolutions and summarized by occupational group below. Staff recommends that these classifications be brought up as close to the average of their respective labor market comparisons as possible. Essentially, those classifications furthest below market will have additional salary steps added to the top end of the salary range in increments of 5.5%. This action will raise the "ceiling" of the salary range, to which employees will ultimately progress upon satisfactory performance, and has the effect of spreading the costs of the adjustments over multiple years.

Furthermore, the City of Glendale is embarking on a larger salary study that will review 144 additional job classifications, and will report back during the FY 2023-24 budget process. The classifications currently recommended for adjustment are listed in the table below. The amount of adjustment is included, as is the page number where the specific classification appears within the respective Resolutions.

Resolution Summary (GCEA/GCEA CONFIDENTIAL)

Electrical Engineering Assistant, Surveyed 23.66% below market – three additional steps (16.5%), Page 4

Sr. Utility Locator, Adjusted due to job series compaction with Utility Locator (11.0%), Page 9

Utility Locator, Surveyed 48.72% below market – three additional steps (16.5%), Page 9

Resolution Summary (GMA/GMA EXEMPT)

Custodial Supervisor, Surveyed 23.13% below market – three additional steps (16.5%), Page 3

Employee Health Coordinator, Surveyed 12.60% below market – two additional steps (11.0%), Page 7

Police Records Administrator, Surveyed 19.04% below market – three additional steps (16.5%), Page 12

NEW JOB CLASSIFICATIONS

Claims Analyst – City Attorney’s Office (page 6)

The Litigation and Risk Management Division of the City Attorney’s Office handles the City’s risk management duties. This includes review of government tort claims, claims mitigation, and the insurance process (procurement and insurance approvals). The City has been without a dedicated claims analyst for a number of years, handling claims with a combination of support staff and legal review. With a recent restructuring of City Attorney’s personnel to handle exclusively litigation matters, staff is seeking approval to create the mid-management level position of Claims Analyst which will handle the evaluation, investigation and resolution of government tort claims. This includes coordinating case claim matters with excess carriers.

Principal Electrical Service Planner – Glendale Water and Power (page 7)

Staff is seeking approval to create a new mid-management level position to coordinate GWP’s efforts as it pertains to the recently adopted Electrification Reach Codes for new building construction in Glendale, Council Resolution for 10% of GWP customers to have Photovoltaic solar systems, and new California Building Codes push towards full electrification of homes, buildings and transportation sectors. To ensure the transition to 100% electrification, this new position will coordinate GWP’s efforts, along with other City Departments such as Community Development Department (Building and Safety,

Planning, Permitting) and the Information Technology Department. This position will ensure electrification efforts are managed in a sustainable and timely manner.

Also included in this report are Resolutions for Executive-level employees, who are unrepresented. In the absence of an MOU, the Classification and Compensation Resolution and Supplementary Benefits Resolution enumerate the salary and benefit items available for Executives. The proposed modifications in the Executive Resolutions only impact the classification of Police Chief. Staff is proposing a 2.0% salary adjustment for the classification of Police Chief, along with modifications to certain supplementary benefits. The proposed adjustments would ensure that compaction would not develop between the Police Chief and its subordinate position of Police Captain, which is part of the Glendale Management Association – Police Sworn Managers, and recently negotiated various adjustments to compensation and benefits.

SUMMARY

The above actions are brought forth in the form of amended Classification and Compensation resolutions, as well as a Supplemental Benefits and Compensation resolution, which are set forth in this report individually by employee group, as follows:

- GCEA/Hourly/Confidential Classifications
- GMA and GMA Employee Relations Exempt Classifications
- Appointed Executives
- Supplementary Benefits Resolution for Executives

The Resolutions contain all of the new or amended job classifications, identified by underlining. The classification titles and salary range numbers correspond to the attached “Exhibit A” following the resolutions.

STAKEHOLDERS/OUTREACH

Not Applicable

FISCAL IMPACT

Proposed Budget Adjustments

The proposed adjustment to the City’s budget is \$1,121,845, of which \$44,693 is in the General Fund, offset by \$10,000 in revenue, and \$1,077,152 is in the Non-General Fund offset by \$605,565 in revenue. These adjustments were not included as part of the FY 2022-23 adopted budget. The appropriation requests are outlined on the following page:

Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$34,693	25300-1010-000	48020-1010-NON-0050-P0000	General Fund - Undesignated Fund Balance
\$34,693	39100-2700-CSP	41300-2700-CSP-0020– Various Projects	Nutritional Meals Grant Fund - General Fund Transfer
\$5,000	38500-1010-CSP-3104-P5224	45350-1010-CSP-3104-P5224	General Fund - Donation Revenue
\$5,000	38500-1010-CSP-3100-P5571	45350-1010-CSP-3100-P5571	General Fund - Donation Revenue
\$177,952	32610-4090-CSP-0020-CSP00941AG	51200-4090-CSP-0020-CSP00941AG	CIP Reimbursement Fund – State Grants
\$200,000	24242-4080-CSP-0020-CSP00941BN	51200-4080-CSP-0020-CSP00941BN	Parks Quimby Fund – Impact Fees
\$91,346	39020-2610-GPD-0020-GPD00929AN	41100/43110/45350/44650-2610-GPD-0020-GPD00929AN	Police Fund – Settlement Revenue
\$29,987	31240-2750-LAC-0020-LAC00938AG	41100/43110-2750-LAC-0020-LAC00938AG	Library Fund – Federal Grant
\$271,587	32610-2750-LAC-0020- LAC00939AG	41100/43110/52100-2750-LAC-0020- LAC00939AG	Library Fund – State Grant
\$271,587	24274-4011-LAC-0020-LAC00939BN	41100/43110/52100-4011-LAC-0020- LAC00939BN	Measure S CIP Fund – Undesignated Balance

Medical Stipend, Inflation Relief, and Retention Pay

The Medical Stipend payment totaling to \$1,700,000 and the Inflation Relief payment totaling to \$5,197,500 will be paid with the carryover of the FY 2021-22 year-end surplus, and thus no new appropriation is being requested for FY 2022-23. The GWP Retention Pay in the amount of \$97,500 will be absorbed within GWP’s FY 2022-23 budget, and also does not require additional appropriation. The amounts are highlighted on the following page by fund type.

Fund Type	Medical Stipend	Inflation Relief	Retention Pay	Total
General Fund	\$1,213,424	\$ 3,559,500	\$ -	\$4,772,924
Enterprise Funds	394,850	1,244,950	97,500	1,737,300
Internal Service Funds	91,726	393,050	-	484,776
Total	\$1,700,000	\$ 5,197,500	\$ 97,500	\$6,995,000

Compensation Alignment

The Compensation Alignment was costed in a pro-rated fashion for the 2022-2023 fiscal year, with the remaining costs being spread over multiple fiscal years. In each of the Compensation Alignment recommendations, salary steps in increments of 5.5% are being added to the existing salary range depending on how far the particular classification falls below the labor market average. This has the effect of spreading the costs of any adjustments over several years, as the incumbent employees would only advance through each step of the salary range upon successfully meeting the standards of employment in their annual performance evaluation at the rate of one step per year until they reach the top step of the range. With that in mind, the overall cost of the Compensation Alignment per year is as follows:

Fiscal Year	Total Cost	General Fund Only
• 2022/2023 (pro-rated)	\$30,125	\$7,568
• 2023/2024	\$57,357	\$9,779
• 2024/2025	\$46,705	\$10,317

Any costs to these personnel actions will be absorbed within each department's FY 2022-23 budget. Additionally, the above transactions do not add to the budgeted Citywide headcount.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

This item is exempt from CEQA as it is not reasonably possible that it will lead to any significant environment effects.

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES

Alternative 1: Approve:

1. Motion to accept City of Glendale's Annual Comprehensive Financial Report, Report on Internal Control over Financial Reporting, and Communication with Those Charged with Governance for the fiscal year ended June 30, 2022
2. Motion to note and file the Financial Status Report for the year ended June 30, 2022.
3. Motion to note and file the Financial Status Report for the period ending September 30, 2022
4. Motion to Increase the Citywide Authorized Salaried Position Count

5. Motion to approve a one-time Medical Stipend, Inflation Relief and Retention Pay for City of Glendale Employees
6. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale Management Association Memorandum of Understanding, Including Employee Relations Exempt Classifications
7. Resolution Providing for the Establishment of Classification Titles and Compensation for Employees of the City of Glendale Covered by the Glendale City Employees' Association Memorandum of Understanding, Including Confidential and Hourly Classifications
8. Resolution Providing for the Establishment of Classification Titles and Compensation for Appointed Executive Level Employees of the City of Glendale
9. Resolution Providing for Supplementary Benefits and Compensation of Certain Officers and Executive Employees of the City of Glendale to Supplement the Classification and Compensation Resolution of Said City
10. Resolution of appropriation

Alternative 2: The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

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Shu-Jun Li, Deputy Director of Finance
Adrine Isayan, Deputy Director of Finance
Mari Karamyan, Budget Manager
Theresa Clark, Accounting Manager
Alwin Deleon, Accounting Manager

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

- 1) City of Glendale Annual Comprehensive Financial Report
- 2) Report on Internal Control over Financial Reporting
- 3) Communication with Those Charged with Governance