

APPROVED
COUNCIL MEETING
6/20/2016



SCHEDULED ITEM
D-1

TO: HONORABLE MAYOR/CHAIRMAN AND CITY COUNCIL/BOARD MEMBERS

FROM: TROY L. BUTZLAFF, ICMA-CM, CITY MANAGER

DATE: JUNE 20, 2016

SUBJECT: ADOPTION OF FISCAL YEAR 2016/17 CITY, UTILITIES, AZUSA PUBLIC FINANCING AUTHORITY, AND SUCCESSOR AGENCY OPERATING AND CAPITAL IMPROVEMENT PLAN BUDGETS

SUMMARY:

The City's annual budget is an important policy document. It serves as an annual financial plan, identifying the spending priorities for the organization. The budget is used to balance available resources with community needs, as determined by the City Council. It also serves as a tool for communicating the City's financial strategies and for ensuring accountability.

The City's operating budget is a plan for one specified fiscal year. The fiscal year for this budget begins on July 1, 2016 and ends on June 30, 2017. An overview of the City's Fiscal Year 2016/17 Preliminary Operating Budget and Capital Improvement Budget (CIP) Budget was provided to the City Council at a Budget Study Session on June 13, 2016. This action will approve resolutions adopting the FY 2016/17 budgets for the: City, Utility, Azusa Public Financial Authority and Successor Agency of the Former Redevelopment Agency of the City of the City of Azusa.

RECOMMENDATION:

Staff recommends that the City Council take the following actions:

- 1) Approve Resolution 2016-C39, A Resolution of the City Council of the City of Azusa adopting the budget and approving appropriations for the City of Azusa for the fiscal year commencing July 1, 2016 and ending June 30, 2017;
- 2) Approve Resolution UB-4-2016, A Resolution of the Utility Board of the City of Azusa adopting the budget and approving appropriations for Utilities for the fiscal year commencing July 1, 2016 and ending June 30, 2017;
- 3) Approve Resolution 2016-P1, A Resolution of the Azusa Public Financing Authority of the City of Azusa adopting the budget and approving appropriations for the Authority for the fiscal year commencing July 1, 2016 and ending June 30, 2017; and

- 4) Approve Resolution 2016-R11, A Resolution of the Successor Agency for the Former Redevelopment Agency of the City of Azusa adopting the budget and approving appropriations for the Agency for the fiscal year commencing July 1, 2016 and ending June 30, 2017.

BUDGET DEVELOPMENT:

Per the Azusa Municipal Code, the City Manager is responsible for the development of a proposed budget for consideration by the City Council. The budget development process begins in February with a mid-year update of the current year budget and the General Fund revenue forecast, which establishes a general framework under which to develop budget guidelines for the upcoming fiscal year.

The primary goals in developing the operating budget have been to ensure public safety, maintain the City's sizeable infrastructure, and maintain core services to residents and businesses in the face of dwindling revenues. The City's budget was developed utilizing Zero-Based Budgeting ("ZBB"). ZBB is an approach to budgeting in which each budgeted year's activities are evaluated in a self-contained fashion, with little or no weight given to the precedents of past years. ZBB is contrasted to incremental budgeting, in which the budget justification is focused on the difference between the current year and the proposed budget year.

Establishing the base budget involves taking the final budget from the previous year, reducing it for any one-time expenditures, and adjusting for contractual obligations in accordance with established labor agreements and other long-term contracts. Adjustments are also made for other anticipated increases in specified line items (e.g. insurance costs). The base budget is then provided to each department. Departments review their base budget and prepare augmentation requests to fund current service levels consistent with the fiscal policies referenced above and the Council's adopted goals and objectives for the coming year. Departmental budgets are then submitted to the City Manager for review and individual meetings to discuss their budget requests for the coming fiscal year. Following these meetings a draft preliminary budget is prepared. Once the draft preliminary budget is prepared it is presented to the City Council at a Study Session to solicit input and obtain further direction before the budget is finalized for adoption. The City Council held a Study Session on June 13th to preview the draft preliminary budget and provide input to Staff.

GENERAL FUND BUDGET HIGHLIGHTS:

Below are highlights from the City's Proposed FY 2016/17 General Fund Budget:

- The Budget is balanced with a projected surplus of \$1.2 million (excluding one-time revenues).
- Tax revenues are tracking slightly higher than last fiscal year. Property tax revenues are projected to increase by 3.0% over estimated actual revenues. Sales and use taxes are projected to increase by 2.5%.
- One-time revenues of \$2.0M for sale of property related to Metro Gold-line.
- Best practice of budgeting for attrition/vacant position savings (-\$417,140).
- Includes the impacts of recent labor negotiation (\$33,315).

- Includes proposed personnel changes (\$311,495).
- LA County Fire contract increase of 4.1% (\$178,683) mandated by agreement.
- The uncommitted reserve fund balance is expected to increase to \$5,184,485 by the end of FY 2016/17. This includes one-time revenues of \$2.0 million and the projected \$1.2 million surplus at fiscal year-end.

GENERAL FUND OVERVIEW:

The General Fund is the primary revenue source and operating fund for most of the services provided to the community, such as public safety, economic development, library services, recreation and park maintenance.

Taxes continue provide the majority of General Fund revenues. Property and sales taxes comprise 37.0%, or \$14.7 million of the \$40.5 million in resources provided to the General Fund. As a result of higher tax revenues and one-time revenues related to property sales, FY 16/17 revenues are projected to be higher than the current FY 15/16 revised budget by \$3.4 million or 9.3%.

The FY 2016/17 budget includes \$37.3 million in recommended expenditures. Overall expenditures have increased slightly by \$34,576 or 0.09% over the FY 2015/16 revised budget. Personnel costs, which include salaries and benefits, represent 60.6% (\$22.6 million) of the total expenditures. The remaining budget is comprised of operational costs, which include materials, services and supplies, capital outlays, debt service and transfers to other funds. In keeping with the Council's highest priorities, public safety (e.g., police and fire) represents 60.9% of the General Fund budget.

One of the benchmarks used to assess the General Fund's progress toward financial sustainability is the General Fund Reserve Policy. The proposed budget is expected to provide for an uncommitted reserve fund balance of \$5.2 million by the end of FY 2016/17 and increase of \$3.2 million over FY 15/16 projected fund balance. Due to significant one-time revenues generated by property sales and positive operating results, Staff expects to be about 1% or \$0.4 million from the City's 15% reserve target (approx. \$5.6 million based on FY 16/17 proposed budget).

One of the property sales contributing to the increase in fund balance is the Enterprise site. Although proceeds from the \$2.3 million March 2016 sale of the Enterprise site cannot be wholly recognized in the current year due to Successor Agency statues, the City will draw down a portion of those proceeds each year (\$0.6 million in FY 16/17). Each draw down will help the City in meeting its General Fund reserve target.

FIVE YEAR CAPITAL IMPROVEMENT PLAN (CIP):

For Fiscal Year 2016/17, Staff proposes to roll-out a 5-year CIP Plan totaling \$45.8 million City-wide. Of the \$45.8 million CIP plan, \$31.9 million in projects are expected to be funded by non-general fund sources and \$13.9 million are currently unfunded.

The total proposed CIP budget for FY 2016/17 is \$10.8 million City-wide, which includes \$8.0 million in carryover projects. In addition to more routine capital projects, following is a short list of some of the proposed FY 16/17 projects:

- Citywide street signing, striping, and curb painting
- Azusa Ave street rehabilitation
- Foothill Blvd/Alosta Ave traffic signal
- Library auditorium renovation and restroom improvements
- City Hall restroom and security improvements
- Street light fixture LED retrofit

CONCLUSION:

The proposed operating budget for FY 2016/17 reflects the ongoing efforts of Staff to maintain service levels while achieving long-term fiscal stability. For many programs, comparisons between the proposed budget and prior-year budgets will show significant differences due to major reductions that have occurred across the organization in staffing levels and reductions in materials, services and supplies. However, at the department level, overall spending remains very close to the prior year.

Over the course of the coming fiscal year, Staff will continue to explore various methods for providing services in the most cost-effective way possible, as well as examine different opportunities to address the City’s unfunded liabilities such as retiree medical, leave bank accruals and retirement costs that continue to be major impediments to achieving fiscal sustainability. Successful negotiation of six of the City’s seven bargaining groups was a major step in contributing to the aforementioned goals.

Overall, the City’s fiscal picture is good -- the budget is balanced, revenues are slowly increasing, and spending remains controlled and stable.

FISCAL IMPACT:

The fiscal impact of the Combined Operating Budget is \$141,517,082 (including Internal Services) with Transfers of \$10,608,183 and comprising of the following:

By Agency

Agency	Operating	Transfers	Total Budget
City	\$ 61,207,480	\$ 9,753,213	\$ 70,960,693
Utilities (L&W)	74,037,387	854,970	74,892,357
APFA	366,095	-	366,095
Successor Agency	5,906,120	-	5,906,120
Total Budget	\$ 141,517,082	\$ 10,608,183	\$ 152,125,265

By Fund Type

Fund Type	Operating	Transfers	Total Budget
General	\$ 31,488,210	\$ 5,780,533	\$ 37,268,743
Internal Services	11,218,628	548,355	11,766,983
Special Revenue	16,476,460	332,600	16,809,060
Debt Service	3,502,705	2,715,660	6,218,365
Enterprise	71,695,049	1,231,035	72,926,084
Capital Projects Fund	1,229,910	-	1,229,910
Successor Agency	5,906,120	-	5,906,120
Total Budget	\$ 141,517,082	\$ 10,608,183	\$ 152,125,265

A summary of the proposed City-wide budget for FY 2016/17 is attached to this report. The full budget documents are available for review at the City Clerk's Office, the Library or on the City's website.

Prepared by:

Talika M. Johnson
 Director of Finance

Reviewed and Approved:

Louie F. Lacasella
 Management Analyst

Reviewed and Approved:

Troy L. Butzlaff, ICMA-CM
 City Manager

Attachments:

- 1) Resolution 2016-C39, A Resolution of the City Council of the City of Azusa adopting the budget and approving appropriations for the City of Azusa for the fiscal year commencing July 1, 2016 and ending June 30, 2017;
- 2) Resolution UB-4-2016, A Resolution of the Utility Board of the City of Azusa adopting the budget and approving appropriations for Utilities for the fiscal year commencing July 1, 2016 and ending June 30, 2017;
- 3) Resolution 2016-P1, A Resolution of the Azusa Public Financing Authority of the City of Azusa adopting the budget and approving appropriations for the Authority for the fiscal year commencing July 1, 2016 and ending June 30, 2017; and
- 4) Resolution 2016-R11, A Resolution of the Successor Agency for the Former Redevelopment Agency of the City of Azusa adopting the budget and approving appropriations for the Agency for the fiscal year commencing July 1, 2016 and ending June 30, 2017.
- 5) Fiscal Year 2016/17 Budget Summaries

RESOLUTION NO. 2016-C39

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AZUSA
ADOPTING THE BUDGET AND APPROVING APPROPRIATIONS FOR
THE CITY OF AZUSA FOR THE FISCAL YEAR COMMENCING JULY
1, 2016 AND ENDING JUNE 30, 2017.**

THE CITY COUNCIL OF THE CITY OF AZUSA DOES RESOLVE AS FOLLOWS:

SECTION 1. The preliminary budget for the City of Azusa for the fiscal year commencing July 1, 2016 and ending June 30, 2017, presented and reviewed at a public workshop held June 13, 2016, is hereby approved and adopted as the budget of the City of Azusa for said fiscal year.


SECTION 2. From the effective date of said budget, the several amounts stated herein as proposed expenditures shall be and become appropriated to the several departments, offices and agencies of the City for the respective objects and purposes therein set forth, subject to expenditure pursuant to the provisions of all applicable ordinances of the City and statutes of the State. Further, it is established that said departments, offices, and agencies of the City shall not exceed their respective budgets.

SECTION 3. All appropriations in the 2015-2016 budget of the City not expended or encumbered hereby expire and terminate, except for those appropriations expressly continued and carried forward into the budget for 2016-2017. Appropriations for Capital Improvement Projects and Capital Outlay are hereby carried forward until project completion or equipment acquisition.

SECTION 4. Pursuant to Government Code 37208, warrants drawn in payment of demands certified or approved by the City Clerk as conforming to a budget approved by ordinance or resolution of the City Council need not be audited by the City Council prior to payment. Budgeted demands paid by warrant prior to audit by the City Council shall be presented to the City Council for ratification and approval at the first meeting after delivery of the warrants.

SECTION 5. The City Clerk shall certify as to the adoption of this resolution.

PASSED, APPROVED and ADOPTED this 20th day of June, 2016.



Joseph Romero Rocha
Mayor

ATTEST:




Jeffrey Lawrence Cornejo Jr.
City Clerk

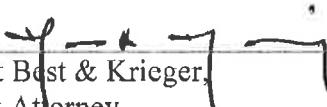
STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF AZUSA)

I **HEREBY CERTIFY** that the foregoing Resolution No. 2016-C39 was duly adopted by the City Council of the City of Azusa at a regular meeting held on the 20th day of June 2016, by the following vote of the Council:

AYES: COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: COUNCILMEMBERS: NONE
ABSENT: COUNCILMEMBERS: NONE


Jeffrey A. Cornejo, Jr.
City Clerk

APPROVED AS TO FORM:


Best Best & Krieger,
City Attorney

RESOLUTION NO. 2016-PI

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE AZUSA PUBLIC FINANCING AUTHORITY ADOPTING THE BUDGET AND APPROVING APPROPRIATIONS FOR THE AUTHORITY FOR THE FISCAL YEAR COMMENCING JULY 1, 2016 AND ENDING JUNE 30, 2017

THE BOARD OF DIRECTORS OF THE AZUSA PUBLIC FINANCING AUTHORITY DOES RESOLVE AS FOLLOWS:

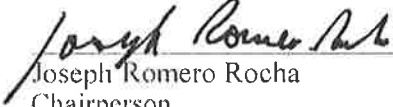
SECTION 1. The preliminary budget for the Azusa Public Financing Authority for the fiscal year commencing July 1, 2016 and ending June 30, 2017, presented and reviewed at a public workshop held June 13, 2016, is hereby approved and adopted as the budget of the Azusa Public Financing Authority for said fiscal year. A copy of said budget is hereby ordered to be filed in the office of the Secretary and shall be certified by the Secretary as having been adopted by this resolution.

SECTION 2. From the effective date of said budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the respective objects and purposes therein set forth for the Authority subject to expenditure pursuant to the provisions of all applicable ordinances of the Authority and statutes of the State. Further, it is established that the Authority will not exceed its budget.

SECTION 3. Pursuant to Government Code 37208, warrants drawn in payment certified or approved by the Secretary as conforming to a budget approved by ordinance or resolution of the Authority Board need not be audited by the Authority Board prior to payment. Budgeted demands paid by warrant prior to audit by the Authority Board shall be presented to the Authority Board for ratification and approval at the first meeting after delivery of the warrants.

SECTION 4. The Secretary shall certify to the adoption of this resolution.

PASSED, APPROVED and ADOPTED this 20th day of June, 2016.


Joseph Romero Rocha
Chairperson

ATTEST:


Jeffrey Lawrence Cornejo Jr.
Secretary

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF AZUSA)

I HEREBY CERTIFY that the foregoing Resolution No. 2016-P1 was duly adopted by the Board of Directors of the Azusa Public Financing Authority at a regular meeting thereof, held on the 20th day of June, 2015, by the following vote of Board:

AYES: BOARDMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: BOARDMEMBERS: NONE
ABSENT: BOARDMEMBERS: NONE


Jeffrey Lawrence Cornejo, Jr.
Secretary

APPROVED AS TO FORM:



Best Best & Krieger, LLP
City Attorney

RESOLUTION NO. UB-4-2016

A RESOLUTION OF THE UTILITY BOARD OF THE AZUSA LIGHT AND WATER ADOPTING THE OPERATING BUDGET AND APPROVING APPROPRIATIONS FOR AZUSA LIGHT AND WATER FOR THE FISCAL YEAR COMMENCING JULY 1, 2016 AND ENDING JUNE 30, 2017

THE UTILITY BOARD OF AZUSA LIGHT AND WATER DOES RESOLVE AS FOLLOWS:

SECTION 1. The preliminary budget for Azusa Light and Water ("Utility") for the fiscal year commencing July 1, 2016 and ending June 30, 2017, presented and reviewed at a public workshop held June 13, 2015, is hereby approved and adopted as the Utility budget for said fiscal year. A copy of said budget is hereby ordered to be filed in the office of the Secretary and shall be certified by the Secretary as having been adopted by this resolution.


SECTION 2. From the effective date of said budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the respective objects and purposes therein set forth for Utility subject to expenditure pursuant to the provisions of all applicable ordinances of Utility and statutes of the State. Further, it is established that Utility will not exceed its budget.

SECTION 3. All appropriations in the 2015-2016 budget of Utility not expended or encumbered hereby expire and terminate, except for those appropriations expressly continued and carried forward ("rebudgeted") into the budget for 2016-2017. Appropriations for Capital Projects and Capital Outlay are hereby carried forward until project completion or equipment acquisition.

SECTION 4. Pursuant to Government Code 37208, warrants drawn in payment certified or approved by the Secretary as conforming to a budget approved by ordinance or resolution of Utility Board need not be audited by Utility Board prior to payment. Budgeted demands paid by warrant prior to audit by Utility Board shall be presented to the Utility Board for ratification and approval at the first meeting after delivery of the warrants.

SECTION 5. The Secretary shall certify to the adoption of this resolution.

PASSED, APPROVED and ADOPTED this 20th day of June, 2016.



Joseph Romero Rocha
Board Member/Mayor

ATTEST:


Jeffrey Lawrence Cornejo, Jr.
City Clerk/Secretary

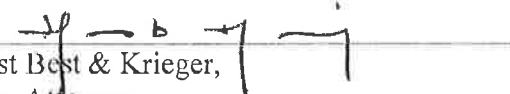
STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss
CITY OF AZUSA)

I HEREBY CERTIFY that the foregoing Resolution No. UB-4-2016 was duly adopted by the Utility Board/City Council of the City of Azusa at a special meeting of the Azusa Light & Water Utility Board on the 20th day of June, 2016.

AYES: BOARD/COUNCILMEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: BOARD/COUNCILMEMBERS: NONE
ABSENT: BOARD/COUNCILMEMBERS: NONE


Jeffrey Lawrence Cornejo, Jr.,
Secretary/City Clerk

APPROVED AS TO FORM:


Best Best & Krieger,
City Attorney

RESOLUTION NO. 2016-R11

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY FOR THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF AZUSA ADOPTING THE OPERATING BUDGET AND APPROVING APPROPRIATIONS FOR THE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF AZUSA FOR THE FISCAL YEAR COMMENCING JULY 1, 2016 AND ENDING JUNE 30, 2017

THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF AZUSA DOES RESOLVE AS FOLLOWS:

SECTION 1. The operating budget for the Successor Agency of the former Redevelopment Agency of the City of Azusa ("Agency") for the fiscal year commencing July 1, 2016 and ending June 30, 2017, presented and reviewed at a public workshop held June 13, 2016, is hereby approved and adopted as the budget of the Agency for said fiscal year. A copy of said budget is hereby ordered to be filed in the office of the Secretary and shall be certified by the Secretary as having been adopted by this resolution.

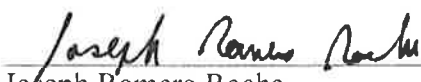
SECTION 2. From the effective date of said budget, the several amounts stated therein as proposed expenditures shall be and become appropriated to the respective objects and purposes therein set forth for the Agency subject to expenditure pursuant to the provisions of all applicable ordinances of the Agency and statutes of the State. Further, it is established that the Agency will not exceed its budget.

SECTION 3. All appropriations in the 2015-2016 budget of the Agency not expended or encumbered hereby expire and terminate, except for those appropriations expressly continued and carried forward ("rebudgeted") into the budget for 2016-2017. Appropriations for Capital Projects and Capital Equipment are hereby carried forward until project completion or equipment acquisition.

SECTION 4. Pursuant to Government Code 37208, warrants drawn in payment certified or approved by the Secretary as conforming to a budget approved by ordinance or resolution of the Agency Board need not be audited by the Agency Board prior to payment. Budgeted demands paid by warrant prior to audit by the Agency Board shall be presented to the Agency Board for ratification and approval at the first meeting after delivery of the warrants.

SECTION 5. The Secretary shall certify to the adoption of this resolution.

PASSED, APPROVED and ADOPTED this 20th day of June, 2016.



Joseph Romero Rocha
Chairman

ATTEST:


Jeffrey Lawrence Cornejo Jr.
Secretary

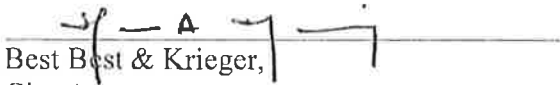
CERTIFICATION

I, Jeffrey Lawrence Cornejo Jr., City Clerk of the City of Azusa, do hereby certify that Resolution No. 2016-R11 was duly adopted by the City Council of the City of Azusa, serving as the Successor Agency to the Former Redevelopment Agency, at a regular meeting held on the 20th day of June 2016, by the following vote of the Agency:

AYES: AGENCY MEMBERS: GONZALES, CARRILLO, MACIAS, ALVAREZ, ROCHA
NOES: AGENCY MEMBERS: NONE
ABSENT: AGENCY MEMBERS: NONE


Jeffrey Lawrence Cornejo Jr.
Secretary

APPROVED AS TO FORM:


Best Best & Krieger,
City Attorney