

# Proposed 2017-18 Budget Adjustment.

- Alternative Use of Redevelopment Funds.
- Stopping the Transfer from GWP
- Reducing Potential Impact of Liabilities
  - GCBG vs. Glendale (Prop 26 & fund transfer challenge)
- Buying yourselves 2 years
  - To resolve litigation or reach a verdict on appeal.
  - Use the time to place a Ballot Measure?



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# Alternative Use Of redevelopment Funds

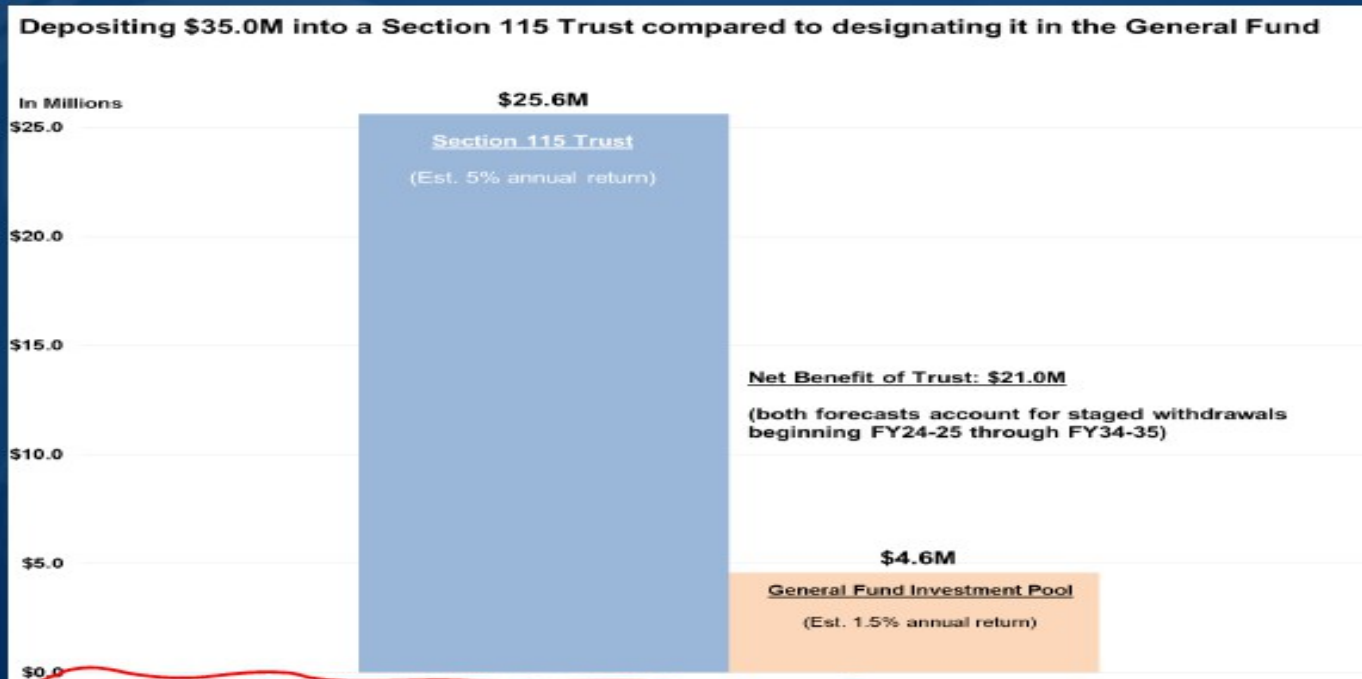
- Current Staff recommendation on use of the \$35 Million Redevelopment Litigation.
  - Use for a section 115 Trust, Irrevocable trust for employee pensions.
- Per Slide #16 1<sup>st</sup> budget study. \$35 Million Available.
  - \$24 Million July 1, 2017 (17-18 budget)
  - \$2.5 Million Jan 1, 2018 (17-18 budget)
  - \$5.0 Million Jan 1, 2019 (18-19 budget)
  - \$3.5 Million Jan 1, 2020 (19-20 budget)



# City's Method of Funding the section 115 Trust

Slide 16

**Impact of PERS Stabilization Trust Fund**  
*Scenario\**: \$35 million deposited earning 5.0% return vs.  
General Fund Pool earning 1.5% return



\* Assumes deposits of \$24.0m on July 1st 2017, \$2.5m on Jan 1st 2018, \$5.0m on Jan 1st 2019, and \$3.5m on Jan 1st 2020

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# Alternative Use Of Redevelopment Funds

- \$26.5 Million available from 17-18 budget
- \$5.0 Million available from the 18-19 budget
- GWP transfer proposed in 17-18 budget is \$20.1 Million
- GWP transfer est. for 18-19 budget is also \$20.1 Million
- **2 Year plan will be presented.**
- **Instead of funding a section 115 Trust, We will use the funds to offset losses from the GWP transfer for the next 2 years as follows:**



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# Dealing with the Impact of Stopping the GWP Transfer Year 1 & 2

- Year #1 2017-2018 Budget
- \$20.1 Loss from the GWP transfer can be offset as follows
  - \$16.5 Million from the proposed and in Lieu of the section 115 trust funds (remember staff was placing \$26.5 million in the 17-18 Budget we are only using \$16.5 million of that the 1<sup>st</sup> year).



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## •Year #1 2017-2018 Budget (continued)

- \$ 3.6 Million used from reduction in following areas
  - **Estimate saving \$1.5M** Cost of Living Adjustments for GFFA (3.5%), GPOA (3%), GMA (Police Sworn) (3%), GMA (Fire Sworn) (2%) **(Slide 37 1<sup>st</sup> Session)**
  - **Estimated Savings of \$1.1M** Adjusts one time and recurring charge from Police and Fire \$1.06M + \$1.16M = \$2.21 **(Slide 40 1<sup>st</sup> Session)** reduce by 50%.  
(capable management of resources)
  - **Estimated Savings of \$1.0M** Reduce overtime adjustment from \$1.5M to \$0.5M **(Slide 36 1<sup>st</sup> Session)**. Actual overtime available would still be \$7.5 Million.
  - Permitted by the MOU's signed by GPOA & GMA due to adverse verdict to city in GCBG vs. Glendale Litigation.
    - Page 84-85 of GMA <http://www.glendaleca.gov/home/showdocument?id=35875>
    - Page 121 of GPOA MOU. <http://www.glendaleca.gov/home/showdocument?id=35873>
  - GFFA should work with the City. MOU is up for renewal next year



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Permitted by the MOU's signed by GPOA & GMA due to adverse verdict to city in GCBG vs. Glendale Litigation.



Glendale Management  
Association Memorandum of  
Understanding

July 1, 2014 – June 30, 2017 – General Managers  
July 1, 2016 – June 30, 2018 – Sworn Fire Managers  
July 1, 2016 – June 30, 2019 – Sworn Police Managers  
**ARTICLE EIGHT**

the City of Glendale and Glendale Management Association, representing Police Sworn Managers, dated July 1, 2014 to June 30, 2016 shall control.

Additionally, should any other adverse ruling occur in the above case(s) during the term of this Agreement which prohibit or otherwise limit the City from making the General Fund transfer, the City may immediately reopen labor negotiations on economic proposals and the GMA agrees it will come to the collective bargaining table within thirty (30) calendar days to begin the reopener negotiations.



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## •Year #1 2017-2018 Budget (Summary)

- \$20.1 Million Loss from the GWP transfer can be offset as follows
  - \$16.5 Million from the proposed and in Lieu of the section 115 trust funds.
  - \$ 3.6 Million cost reduction = 1.5% reduction
- No Impact on any departments except safety
- Impact on safety is minimal with no loss of personnel



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# Year #2 2018-2019 Budget

- Again, \$20.1 Million Loss from the GWP transfer can be offset as follows
  - \$10.0 Million left over from the 17-18 budget
    - ( $\$26.5 - 16.5\text{Million} = \$10.0\text{ Million}$ )
  - \$5.0 Million from the 18-19 budget
  - \$2.5 Million due to base reduction in safety from year #1
  - \$2.6 Million can be offset in increased revenue as has happened 16-17 budget due to increased UUT and Occupancy, sales and Property Taxes. (Or accelerating the 3.5 Million available in the 19-20 budget for the funding of the 115 trust fund.)



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# Benefits of the Proposed changes to the budget.

- Stopping the transfer for 2 years will prevent continued accumulation of liability as the appeal progresses.
  - Remember each year you do the transfer, 20 Million just gets added to the final verdict. The \$57 Million Judgment in 2 years will become \$97 Million\* Minimum if transfers are continued. + Interest 3.2% (estimate).
  - Within 2 years the appeal should be exhausted and if the city stops the transfer it could limit its exposure to the current \$57 Million or **CITY Wins and starts the transfers again.**
  - Within 2 years while the appeal is ongoing, it will be easier to settle the matter as the dollar figure is not rising every year and the city is learning to not depend on the GWP transfers.

\* Best Case Senario from City's perspective. Actual damages can be much higher if litigation proceeds



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# Benefits of the Proposed changes to the budget.

- Stopping the transfer for 2 years will save the city \$\$\$.
  - Stopping the transfers saves the city 3.2% in annual judgment interest if the appeal is lost.
  - The GWP can use the \$40Million (\$20 Million each year) to payoff GWP bonds that it currently pays 3.5% interest. Again more savings.
  - The ongoing Litigation will affect the Bond rate of GWP/City for the \$350 Million upgrade contemplated. Reducing existing bond obligation and stopping the transfer will only enhance the credit of GWP and limit Glendale Exposure to liability. This will reduce the cost of borrowing for the \$350 Million Upgrade. More savings.



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# Unique Opportunity in the Next 2 years

- The recovery of the redevelopment fund presents you with a unique opportunity that you will never get again to address this major liability.
- You can use the 2 year period to resolve the claims either through settlement or by obtaining a ruling on appeal that will resolve the issue one way or another.
  - You have nothing to lose and much to gain or save.
- You can use the 2 year period to put a measure on the ballot to address true financial needs in a legal manner without violating prop 26 and the city charter.



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# Unique Opportunity in the Next 2 years

- Section 115 investment is speculative in return and does not and will not fix the pension problem.
  - It's throwing good money after bad money
- The proposed plan provides GUARANTEED savings at the minimum 3.5% and as high as 6.7%. IN SAVINGS.
  - Money saved is money earned.
- The Coalition urges Council members to take advantage of this unique opportunity And direct staff to prepare a budget consistent with the proposals suggested here.



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# Proposed 2017-18 Budget Adjustment.

End

For questions or more information please contact

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# Support Docs

## General Fund Appropriations

Category	Adopted 2016-17	Proposed 2017-18	Increase / (Decrease)	% Change
Salaries	\$ 84,784,962	\$ 89,950,763	\$ 5,165,801	6.1%
Overtime	7,152,702	8,649,193	1,496,491	20.9%
Hourly Wages	3,404,054	5,220,240	1,816,186	53.4%
Benefits (Net salary charges out)	28,297,602	27,601,712	(695,890)	-2.5%
PERS	22,473,795	30,400,680	7,926,885	35.3%
Maintenance & Operation	43,782,697	49,609,318	5,826,621	13.3%
Capital Outlay	-	125,628	125,628	N/A
Transfers	3,067,327	2,579,677	(487,650)	-15.9%
Retirement Incentive	897,511	-	(897,511)	-100.0%
<b>Total General Fund Budget</b>	<b>\$ 193,860,650</b>	<b>\$ 214,137,211</b>	<b>\$ 20,276,561</b>	<b>10.5%</b>
Use of Assigned Econ Dev Fund Balance	920,013	905,734	(14,279)	-1.6%
<b>Total General Fund Budget</b>	<b>\$ 194,780,663</b>	<b>\$ 215,042,945</b>	<b>\$ 20,262,282</b>	<b>10.4%</b>

