

WEDNESDAY, JUNE 5, 2002

An adjourned meeting of the Council of the City of Burbank was held in the Council Chamber of the City Hall, 275 East Olive Avenue, on the above date. The meeting was called to order at 6:13 p.m. by Mr. Laurell, Mayor.

Present- - - - Council Members Golonski, Murphy, Ramos, Vander Borgh and Laurell.

Absent - - - - Council Members None.

Also Present - Mr. Ovrom, City Manager; Ms. Alvord, Assistant City Manager; Mr. Barlow, City Attorney; and Mrs. Campos, City Clerk.

U.S.C. Graduate Students Mr. Nicoll, Management Services Director, introduced students from the U.S.C. Masters program from a course in public budgeting and finance, including scholars from China.

Reporting on Closed Session Mr. Barlow reported that in addition to the items listed on the agenda, the Council discussed the case of Burbank v. Burbank-Glendale-Pasadena Airport Authority, and the potential continuance of the Measure A hearing from June 26 to sometime in August. He added that on a 4-1 vote, with Ms. Murphy voting "No", the Council directed staff to request that the Court expedite the hearing.

Budget Study Session Mr. Laurell stated that the purpose of this meeting was to conduct a Budget Study Session to discuss the Budget Overflow Items, Discussion Paper Items, State Budget Issues and Final Recommendations on the Proposed Budget.

Mr. Ovrom stated there have been a number of budget sessions leading up to tonight and have reached the point where the Council has received an overview. He further stated that the City received word that the Governor was going to balance the State budget by making certain take-backs from city and redevelopment resources. He noted there is no assurance that this will be the final State budget, and it may be August before they're done. The City's Charter requires that a balanced budget be adopted by June 30.

Mr. Ovrom stated that Tuesday, June 11 is the official Budget Public Hearing and Council action and the three reports before Council include staff's recommendations as to what should be included in the budget resolutions. He informed the Council that staff would make brief presentations as follows: a synopsis on how to balance the General Fund, a discussion on funding the Discussion Paper items, and finally a presentation on the Redevelopment Agency budget.

Mrs. Sarquiz, Deputy Financial Services Director, summarized the status of the State budget as follows: Governor Davis has

released his May revision of the budget; the projected deficit has grown from \$12.5 billion to \$23.6 billion; the shortfall is proposed to be addressed through program reductions, fund shifts, debt restructuring, loans, transfers and a temporary roll-back of the Vehicle License Fee. She noted that, based on the information known at the present time, staff anticipates Burbank will see reductions totaling \$338,294 in five areas: 1) Public Library Funds will likely withstand a 43 percent reduction which will amount to a \$67,022 cut; 2) elimination of Booking Fees will amount to a \$12,772 reduction; 3) local law enforcement technology grants are proposed to be cut in half, and the Burbank Police Department currently participates in the California Law Enforcement Equipment Program Grant (CLEEP) and, based in the award received this year, Burbank could potentially suffer a \$31,000 reduction next year; 4) Redevelopment Agencies are proposed to pay about 3.5 percent of their total tax increment into the Educational Revenue Augmentation Fund (ERAF) and Burbank's share is estimated at approximately \$745,000; and, 5) there is a proposal to place a two-year moratorium on payments received for various State-mandated claims which will impact Burbank by about \$227,500.

Mrs. Sarquiz reiterated that staff has prepared recommendations with regard to these proposed cuts, and believes the City is entering into the next fiscal year in a stable position; however, State budget cuts will undoubtedly impact the General Fund by at least \$338,294, and due to the fact that this is an election year, there is a likelihood that a final State budget will not be adopted until after the election in November. She noted staff has worked hard to present a viable strategy to the Council that will not only balance the budget but will prepare the City to deal with whatever additional cuts are made before the final adoption of the State budget.

Next, Mrs. Sarquiz stated staff has presented eleven options for Council consideration and has recommended a staff position on how best to approach the next fiscal year, and discussed the options for dealing with State budget cuts in detail. She began by pointing out the easiest option is the \$297,556 budget correction in recurring savings that was previously addressed regarding an inadvertent budgeting of funds for the purchase of LED traffic lights. She added that each Department was allowed a one percent inflationary increase in their Materials, Services, and Supplies (MS&S) accounts, however the Council could choose not to grant this increase which will result in \$150,225 savings, but staff is not recommending this option. She addressed requested new positions and position upgrades by stating that some of them

are revenue off-set, that this option would give the Council the ability to consider deleting all non-revenue off-set positions and upgrades from the budget, resulting in a recurring savings of \$233,921, that staff doesn't recommend deleting the positions altogether, however, staff believes it would be prudent to freeze these positions until after January 2003, which equate to a potential salary savings of \$120,000 next year. In addition to the one percent inflationary increases included for each Department, additional non-recurring increases totaling \$265,564 were provided to many Departments to cover extraordinary anticipated expenses, and staff is not recommending this option.

Mrs. Sarquiz further stated the Proposed Budget also provides for \$310,190 for new Capital Outlay items, all or some of which could be deleted or postponed, but these are non-recurring items and staff is not recommending this option. She added the Proposed Budget also includes \$2,749,700 in one-time items which includes \$1,500,000 for seismic strengthening projects, \$500,000 for Youth Programs, \$390,000 for the Hillside Neighborhood Protection Program, \$314,000 for a contribution to the Communication Equipment Fund, \$25,000 for the Walk of Fame project, and \$20,700 for the Joslyn Center project, and staff is not recommending deleting these items.

Mrs. Sarquiz indicated that the Proposed Budget includes \$88,685 for a new Parking Control Supervisor and Parking Control Officer, which are expected to raise \$175,000 in new revenues, and that the revenue in excess of the cost for the new positions was used to fund additional Police Department positions totaling \$36,419, and staff recommends that these positions be kept in the Budget but frozen until January 2003 which will amount to an approximately \$18,000 salary savings next year. She added that, if necessary, the City can make actual net reductions in all of the Departmental existing MS&S accounts, or allow the Departments to make cuts in their Departmental Budgets, that each one percent would be approximately \$150,000, but staff is not recommending this option.

Mrs. Sarquiz noted Burbank Water & Power's (BWP) budget includes a transfer to pay for City services provided by the General Fund, such as financial and human resources services, that the total allocation is proposed to be \$3,198,638, or two percent, and that while increasing the cost allocation is a viable option, staff recommends delaying this option for at least a year or two, allowing BWP time to adjust to the market turmoil of the past two years and to be in a position whereby

their revenues exceed their expenses and they are not living off their reserves. She explained staff's recommendation to transfer \$50,000 each from the Utility User's Tax (UUT) and in-lieu set-aside accounts to the General Fund as this influx of funds would help with the current recurring budget deficit, stating that \$2.35 million will be collected by the end of 2001-02, and additional funds are projected for 2002-03. Finally, Mrs. Sarquiz detailed the possibility of profit/equity sharing from the Fiber Optic Network between the City and BWP, discussing that it is reasonable that the City should receive some share of the proceeds, in the approximate amount of between \$40,000 and \$50,000 annually, but adding staff is not recommending this option at this time due to the need for the utility to recover from the market turmoil of the past two years, but adding that in the event it becomes necessary, this source of revenue may very well have to be considered later in the fiscal year.

Mrs. Sarquiz concluded by noting that there are 19 Discussion Paper items (currently unfunded projects/programs) which have been submitted by Departments and the Council, with a total recurring impact of \$1,210,392 and a non-recurring impact of \$1,061,431, and identified the items as the in-house airport attorney for the City Attorney's Office; three items for the Community Development Department including funding for the Code Enforcement Program, the current status of the Enforcement Program for Conditions of Approvals, and the Magnolia Park Parking, Streetscape and Flags in conjunction with the Public Works Department; a citizen survey and a grant writing item by the City Manager's Office in conjunction with the Financial Services Department; three items from the Fire Department, including the Hazardous Materials Area Plan Update Modification, the Disaster Preparedness Program, and the Battalion Chief Staff Assistants request; Information Technology has the Mobile Wireless Initiative; the Library has the Buena Vista Branch Library Sunday Hours and Buena Vista Branch Interior Art and Plants; Park, Recreation & Community Services has six items including the tree trimming response time reduction, the Community Services Grant Funding, additional Perform Arts Grant Funding, the Downtown Tree Lights, Landscaping the LADWP lots and Burbank Center Stage Colony Theatre signage; and the Public Works Department has backfilling the CDBG sidewalks. She added that as the Proposed Budget stands now, it is projected that there will be a \$22,340 surplus in recurring funds, and a \$336,819 surplus in non-recurring funds. She noted that it is staff's recommendation that the Council fund three Discussion Paper items: Sunday hours at the Buena Vista Branch Library for a total recurring amount of \$12,678; the Hazardous Materials Area Plan Update and Modification totaling a non-recurring hit

of \$25,000; and, the Downtown Tree Lights, which totals \$76,427 over a three-year period, which is proposed to be paid by the BWP Street Lighting Fund. Mrs. Sarquiz stated that if the Council approved the recommended options for dealing with the State budget cuts, these three Discussion Papers can be accommodated and the estimated cuts from the State can be absorbed, with a projected recurring amount of \$68,924 and a projected non-recurring amount of \$2.7 million, and that staff has identified other resources that could be used to offset further State cuts, if necessary, or fund additional Discussion Paper items after the mid-year budget review.

Mr. Golonski suggested reviewing the entire Discussion Paper list to discuss the merits of each program and implementing a pilot program for some of the items, such as on item no. 4.

After Council deliberation, staff was directed to bring a report back for possible implementation of a Code Enforcement pilot project on a non-recurring basis in the amount of \$100,000; and to fund the Hazardous Materials Area Plan Update and Modification in the amount of \$25,000, the Disaster Preparedness Program in the non-recurring amount of \$47,650, the Buena Vista Branch Library Sunday hours in the amount of \$12,678, Downtown Tree Lights in the amount of \$76,427, which includes \$25,000 to be allocated per year beginning in FY 2003-04, and backfilling CDBG Public Works Sidewalks in the amount of \$258,500.

ERAF Staff  
Report

Mrs. Georgino stated one of the Governor's proposals for balancing the State budget this year is to pull money from redevelopment agencies by reinstating the Educational Revenue Augmentation Fund (ERAF). She noted the ERAF was mandated in fiscal year 1992-93 and it survived through 1994-95, and if the State reinstates the ERAF, it is not known what formula will be used but it is anticipated that it will be similar to that used in 1992-93, where the formula was calculated as a percentage of the agency's total tax increment revenue, net of pass-through payments, but before deducting the 20 percent housing fund. She added that the redevelopment agencies were allowed to borrow up to 50 percent of the required ERAF payment from their housing set-aside funds, but the housing fund could not be a permanent source for funding the ERAF, that such a transfer from the housing fund is a form of debt of the agency and that if the city cannot afford the ERAF payment then it is obligated to make the payment out of the city's general fund. Mrs. Georgino stated that calculating a 4.55 percent of total revenues, net of pass-throughs, results in a total required

transfer from Burbank to the State ERAF of \$745,000.

Mrs. Georgino stated that based on the current estimation, it would cost about \$250,000 out of our project areas. In West Olive, she said, the payment would be \$53,000 however with the amendment of the project, the payment would be \$98,000; the Golden State project area generates the highest level of tax increment and it is estimated to be \$422,000; and South San Fernando's ERAF payment would be \$26,450. She further noted that the impact is also dependent on what's going on in the project areas and the only project area that cannot meet its ERAF payment with its current financing is City Centre at \$240,721 due to existing debt and making one-half of the tax increment reimbursement to the mall. Mrs. Georgino stated that the Golden State, West Olive and South San Fernando project areas can meet their obligation, therefore staff is recommending that Golden State and West Olive pay their portions (\$422,146 and \$52,518, respectively) of the ERAF transfer for each area and that the South San Fernando project area fund the balance of the payment of \$271,175 for South San Fernando and City Centre as well as the streetscape project. This recommendation will be incorporated into the 2002-03 Annual Budget for adopted on June 11, 2002.

Adjournment      There being no further business to come before the Council, the meeting was adjourned at 7:25 p.m.

Margarita Campos, City Clerk

APPROVED JULY 23, 2002

Mayor of the Council  
of the City of Burbank