

OFFICE OF THE CITY MANAGER

June 28, 2004

TO: City Council
FROM: City Manager
SUBJECT: ADOPTION OF THE FISCAL YEAR 2005 OPERATING BUDGET

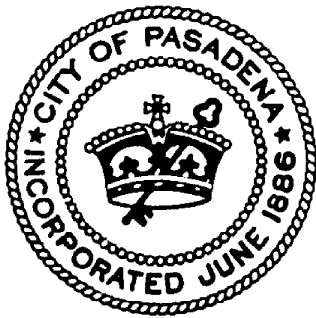
Following discussion of the Recommended Operating Budget, the Finance Committee recommended approval of the staff recommendation with the following addition:

Reduce appropriations in the Community Development Commission FY05 Operating Budget by \$70,000 thereby eliminating funding for the retail recruitment and survey effort, and direct staff to return as soon as possible with alternative uses for these funds, including repayment of a general fund loan and the subsequent use of those proceeds to support summer employment programs for local youth, or citywide marketing plan, etc.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

06/28/2004
6.A. (7:00 P.M.)



Agenda Report

DATE: JUNE 21, 2004

TO: CITY COUNCIL
THROUGH: Finance Committee

FROM: CITY MANAGER

SUBJECT: ADOPTION OF THE FISCAL YEAR 2005 OPERATING BUDGET AND AMENDMENT TO LEASE NUMBER 16,315 WITH COMMUNITY HEALTH ALLIANCE OF PASADENA

RECOMMENDATION

It is recommended that the City Council:

- i) It is recommended that the City Council adopt by resolution the City's fiscal year 2005 Operating Budget as detailed in the attached Exhibit A and as amended by the recommended modifications outlined in the Background section of this report, including the Old Pasadena Parking Meter Fund (213) Budget and direct staff to return within 90 days with a plan to address the projected 2005 operating deficit in that fund.
- ii) Authorize the City Manager to enter into an amendment to lease number 16,315 with the Community Health Alliance of Pasadena (CHAP) that reduces the annual rent to \$1 effective May 1, 2003.

BACKGROUND

On May 17, 2004 the City Manager submitted the Recommended Fiscal Year 2005 Operating Budget in compliance with the requirements of the City Charter. Since that date, joint meetings between the Finance Committee and the City Council were held to review and discuss the recommended budget for each City department, as well as the two operating companies.

The following items summarize the changes between the Recommended Operating Budget submitted by the City Manager on May 17th and the revised recommended budget, with the exception of item 3, which is budget-related but

not a change from the recommended budget. Except where otherwise noted all changes are in the General Fund:

1. Increase appropriations by \$75,000 in the Human Services and Recreation Department in order to expand the range and supply of affordable recreation and employment opportunities for Pasadena residents, as outlined in the City Manager's memorandum to the Finance Committee dated June 9, 2004. (Attachment 1)
2. Reduce estimated revenues by \$346,696 as detailed in the table below, to reflect recent State budget actions, specifically the "triple-flip". These revised revenues were included in the five-year financial plan previously presented to City Council on May 17th.

	Amount in recommended budget \$	Corrected amount \$
Motor Vehicle In Lieu Tax (101-6378)	8,156,913	1,049,489
Retail Sales Tax (101-6008)	32,136,000	24,102,000
Property Tax Reimbursement – ERAF (101-6034)	-1,500,000	13,294,728

3. Authorize the funding of a Management Analyst III (Confidential) in the Human Resources Department. In April the City Council approved a separation package for an individual classified as Management Analyst III (Confidential) in the Human Resources Department. At the time of approval, the Council directed that the position remain unfilled throughout fiscal year 2005 as a way of offsetting the cost of the separation package.

Recently, however, another staff member in the department, who had been assuming a large portion of the workload, went on maternity leave. This, combined with other reductions in the department has severely limited Human Resources' ability to provide timely recruitment services for other City departments. Moreover, since many departments have made reductions that negatively impact service-levels, it is vital that vacant positions are filled as quickly as possible. Consequently, staff requests approval to fill the position. The position has been vacant since April and if approved by Council it is expected to be filled by September 1, 2004. Therefore, 5 months of the separation package would be from salary savings. The difference between these savings and the cost of the separation package would be charged to the Benefits and Insurance Fund. This action will not change total appropriations.

4. Reduce estimated revenues and expenses in the Water and Power Department, Public Benefit Fund as follows:

	Amount in recommended budget \$	Corrected amount \$
Utility Rebate Expense (8176-834700)	1,187,204	784,000
Utility Assistance Rebate Expenses (8216-834700)	785,382	399,250
Public Benefit Charge Revenue (7175-834700)	6,597,964	3,495,500

During the development of the recommended budget, the Water and Power Department had requested that the amounts in far right column above replace amounts previously budgeted in these accounts. However, as a result of an error, these amounts were added to the existing figures rather than replacing them. The proposed action will correct this.

5. The following are recommendations made by the Community Development Committee and supported by Staff: Increase appropriations to the Bad Weather Shelter program by \$10,000 and the Rebuilding Together Pasadena program by \$5,000 and decrease the Affordable Housing Program fund balance by \$15,000. Transfer \$100,000 in HOME funds from the Home Ownership Program to assist transitional housing projects in the Affordable Housing Fund.
6. Reduce appropriations and estimated revenues by \$502,300 in the Rental Assistance Fund to meet anticipated reductions from the United States Department of Housing and Urban Development (HUD).
7. Transfer \$40,000 in Family Self-sufficiency (FSS-HUD) HUD revenues and appropriations from the Rental Assistance Fund to the Supportive Housing Programs Fund. In order to segregate and more effectively track revenues and appropriations for Section 8 Rental Assistance as a result of recent reductions by HUD, the FSS-HUD program has been moved to Supportive Housing Programs Fund.
8. Increase appropriations by \$887,700 in the following Pasadena Community Development Commission funds to meet additional required ERAF payments to the State: Downtown Project - \$609,745, Orange Grove Project - \$169,073 and Old Pasadena Project - \$108,882.
9. Reduce appropriations and FTEs in the Public Health Department, Public Health fund from \$10,609,541 and 96.44 FTEs, to \$10,586,183 and 94.94 FTEs. The change of \$23,358 in appropriations and 1.50 FTEs is the result of a number of actions outlined in supplemental budget material provided to the Council and discussed at the Finance Committee on June 7th.
10. Increase Rose Bowl Operating Company appropriations from \$7,988,882 to \$8,355,009, an increase of \$366,127. And revenues from \$9,326,325 to

\$9,668,067, an increase of \$341,742. The recommended budget of May 17th inadvertently omitted the revenue and expense related to the 10% of green fee "set-aside": approximately \$324,000. The balance of increased appropriations is related to an anticipated increase in janitorial costs, the scheduling of an international soccer event and the change in date of the Billy Graham Crusade event.

During the review of the Transportation Department's recommended operating budget members of the Finance Committee expressed concern regarding the projected operating deficit in the Old Pasadena Parking Meter Fund (213). In order that operations may continue, staff recommends that the City Council adopt the budget as submitted (which includes no loans) but direct staff to return within 90 days with a plan to eliminate the deficit.

With the consent of the City, the Community Health Alliance of Pasadena (CHAP) has not paid rent since May 2003, as it pursued federal funding. The total outstanding rent is \$243,780. CHAP is one of many non-profit, social service agencies that rent space from the City. However, it is one of few that pay market-based rent. Most others pay a nominal amount, typically \$1 per year in exchange for providing direct value to the community. For example, the Northwest Community School provides the equivalent of six full scholarships in lieu of rent and the Armory Center for the Arts pays \$1 per year in exchange for providing programs for schools and the community. It is recommended that in recognition of the community benefit provided by CHAP, the Council forgive CHAP's outstanding rent and reduce future rent payments to \$1 per year, by way of a contract amendment. However, in addition to amounts owed for rent, CHAP has an outstanding balance of \$438,823 related to a loan for tenant improvements that also remains unpaid. Staff does not recommend forgiving this loan.

FISCAL IMPACT

Approval of the above recommendations will establish the Fiscal Year 2005 budget as illustrated in the following tables:

Total Appropriations

Operating Budget	Adopted Fiscal Year 2004	Revised Fiscal Year 2004	Recommended Fiscal Year 2005 – as submitted May 17	Recommended Fiscal Year 2005 – as proposed June 21
All Funds	465,835,690	466,970,850	475,239,602	475,268,435
General Fund	172,066,065	172,212,519	178,562,786	178,637,786

Total Full-Time Equivalent Positions


Operating Budget	Adopted Fiscal Year 2004	Revised Fiscal Year 2004	Recommended Fiscal Year 2005 – as submitted May 17	Recommended Fiscal Year 2005 – as proposed June 23
All Funds	2,283.870	2,285.040	2,272.851	2,271.351
General Fund	1,063.495	1,064.495	1,050.507	1,050.507

Approval of the amendment with CHAP would result in less revenue assuming that CHAP would otherwise make payment. However, the proposed action has no impact on the recommended operating budget, as these funds have not been included as revenue.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

Approved by:


Jay M. Goldstone
Director of Finance

Prepared by:


Steve Mermell
Budget Administrator

EXHIBIT A IS THE
RECOMMENDED OPERATING
BUDGET WHICH WAS
DISTRIBUTED WITH THE MAY 17
AGENDA PACKET