

Agenda Report

TO: CITY COUNCIL DATE: MARCH 22, 2004

FROM: CITY ATTORNEY

SUBJECT: ADOPT A RESOLUTION INCREASING THE COMBINED TRANSFERS FROM THE LIGHT AND POWER FUND TO THE GENERAL FUND FROM 7.5% TO 8.35% OF GROSS REVENUE NOT TO EXCEED NET INCOME. – **Supplemental Report.**

RECOMMENDATION

It is recommended that the City Council: 1) rescind resolution number 8335 adopted on March 15th; and, 2) adopt a resolution increasing the combined transfers from the Light and Power Fund to the General Fund from 7.5% to 8.35% of gross revenue not to exceed net income.

BACKGROUND

On March 15th, staff presented a resolution increasing the combined transfers from the Light and Power Fund to the General Fund from 7.5% to 8.35% of gross retail revenue.

During the ensuing discussion, the Council modified the language of the resolution as follows:

1. The amount of transfer applicable to fiscal years ~~2003~~ "2004 and 2005" pursuant to Charter Section 1407 from the Light and Power Fund to the General Fund "for improvements related to City Hall" shall be 2.50% of the annual gross electric retail income, or approximately \$2,974,551.
2. The amount of transfer applicable to fiscal years ~~2003~~ "2004 and 2005" pursuant to Charter Section 1408 from the Light and Power Fund to the General Fund shall be 5.85% of the annual gross electric retail income, or approximately \$6,960,449.

The language pertaining to City Hall was inserted in order to clarify that the amount transferred pursuant to Charter Section 1407 is specifically related to the

seismic retrofit of the building, consistent with the funding plan previously approved by the City Council. Changing "fiscal year 2003" to fiscal years 2004 and 2005 was done with the intent of correcting what was believed to be an erroneous reference to fiscal year 2003 and to allow for the 8.35% combined transfers to occur in the current fiscal year as well as next fiscal year, without the need to pass an additional resolution. For the reasons below, it is necessary to approve the attached revised resolution in order clarify and implement the intent of the Council.

City Charter Sections 1407 and 1408 allow for a transfer from the Light and Power Fund based on the gross income of the electric utility during the "immediately preceding fiscal year". Therefore, in order to accomplish Council's intent to transfer a combined 8.35% from the Light and Power Fund to General Fund in the current fiscal year (FY 2004), the resolution must refer to fiscal year 2003 Light and Power Fund gross income. Staff has added language to the resolution to clarify this intent. Additionally, the attached resolution clarifies that it applies only to the current fiscal year, which is again consistent with Charter requirements.

FISCAL IMPACT

The increase of 0.85% will generate approximately \$935,000 of additional revenue for the General Fund per year. Of this amount, approximately \$212,700 will be transferred to the Library Services Fund and \$78,500 to the Health Fund. The remaining balance of approximately \$643,800 will remain in the General Fund to offset the cost of electricity in that fund.

Each year pursuant to City Charter Section 1407 and 1408 the City may transfer an amount up to 16% of the gross income of the electric works received during the immediately preceding fiscal year, provided it does not exceed net income and would not be detrimental to the proper functioning and administration of the power utility.

Respectfully submitted,


Michele Beal Bagneris
City Attorney

RESOLUTION NO _____

A RESOLUTION OF THE CITY OF PASADENA RESCINDING
RESOLUTION NUMBER 8335 AND INCREASING THE TRANSFERS FROM
THE LIGHT AND POWER FUND TO THE GENERAL FUND

WHEREAS, Section 1407 of the City of Pasadena City Charter (“Charter”) authorizes a transfer from the Light and Power Fund to the General Fund of up to eight percent (8%) of the gross income of the electric works received during the immediately preceding fiscal year from the sale of electric energy at rates and charges fixed by ordinance for municipal improvements and bond redemption and Charter Section 1408 authorizes a similar transfer of up to eight percent (8%) of the gross income for any municipal purpose;

WHEREAS, Resolution number 8120 adopted June 10, 2002 set the annual transfer under Charter Section 1407 from the Light and Power Fund to the General Fund at 7.5% of the gross income of the City’s electric utility from the sale of electric energy beginning in fiscal year 2003; and,

WHEREAS, an increase in the Light and Power Fund transfers under City Charter Sections 1407 and 1408 is necessary to mitigate impacts of state budget reductions upon the City of Pasadena municipal operations, including the General Fund, the Health Fund and the Library Services Fund; and,

WHEREAS, changing the amount of the transfers based upon gross income of the electric works from the sale of electric energy in fiscal year 2003 under Charter Section 1407 from 7.50% to 2.50%, and under Charter Section 1408 from 0.0% to 5.85%, will not be detrimental to the proper functioning and administration of the electric utility:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena as follows:

1. Resolution 8335 is hereby rescinded.
2. The amount of transfer from the Light and Power Fund to the General Fund based upon fiscal year 2003 for use in fiscal year 2004 pursuant to Charter Section 1407 for improvements related to City Hall shall be 2.50% of the gross income of the electric works in fiscal year 2003 from the sale of electric energy at rates and charges fixed by ordinance, or approximately \$2,974,551.
3. The amount of transfer from the Light and Power Fund to the General Fund based upon fiscal year 2003 for use in fiscal year 2004 pursuant to Charter Section 1408 shall be 5.85% of the gross income of the electric works in fiscal year 2003 from the sale of electric energy at rates and charges fixed by ordinance, or approximately \$6,960,449.

Adopted at the regular meeting of the City Council on the _____ day of March, 2004, by the following vote:

AYES:

NOES:

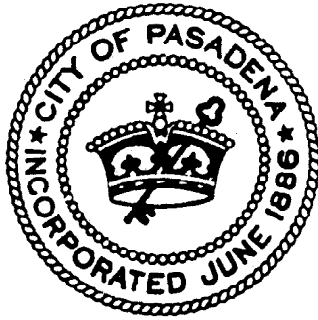
ABSENT:

ABSTAIN:

JANE L. RODRIGUEZ, CITY CLERK

Approved as to form:


MICHELE BEAL BAGNERIS
CITY ATTORNEY



Resolution No. 8335

Agenda Report

TO: CITY COUNCIL

DATE: MARCH 15, 2004

FROM: CITY MANAGER

SUBJECT: ADOPT A RESOLUTION INCREASING THE COMBINED TRANSFERS FROM THE LIGHT AND POWER FUND TO THE GENERAL FUND FROM 7.5% TO 8.35% OF GROSS REVENUE NOT TO EXCEED NET INCOME.

RECOMMENDATION

It is recommended that the City Council adopt a resolution increasing the combined transfers from the Light and Power Fund to the General Fund from 7.5% to 8.35% of gross revenue not to exceed net income.

BACKGROUND

On February 23rd, the City Council approved a series of recommendations aimed at reducing the projected gap between General Fund revenues and expenses. One of the recommendations was to increase the annual transfer from the Light and Power Fund to the General Fund by 0.85% in the current fiscal year and for the next three years, thereby increasing the existing 7.5% transfer to 8.35%.

The purpose for the increase is to offset the estimated cost of electrical service in the General Fund, Library Services Fund and Health Fund. The combined annual cost of which is approximately \$935,000.

As outlined in the report of the 23rd the General Fund, Library Services Fund and Health Fund have all lost revenues as a result of the state's fiscal crisis. Each of these funds has made reductions to adjust for these losses and brace for further reductions. In examining how other funds and City operations can assist the organization as a whole in dealing with the impacts in these particular funds, it was determined that one way the Light and Power Fund can assist is to, on a temporary basis, provide additional transfers to the General Fund, which in turn will be prorated to the Library Services Fund and Health Fund, in an amount sufficient to offset the cost of electricity consumption for these three funds.

Although there will be no adverse affect on utility rates as a result of this modest increase, this increase in the transfer will be reviewed on an annual basis as well as when the electric distribution system master plan is completed.

FISCAL IMPACT


The increase of 0.85% will generate approximately \$935,000 of additional revenue for the General Fund per year. Of this amount, approximately \$212,700 will be transferred to the Library Services Fund and \$78,500 to the Health Fund. The remaining balance of approximately \$643,800 will remain in the General Fund to offset the cost of electricity in that fund.

Each year pursuant to City Charter Section 1407 and 1408 the City may transfer an amount up to 16% of the gross income of the electric works received during the immediately preceding fiscal year, provided it does not exceed net income and would not be detrimental to the proper functioning and administration of the power utility.

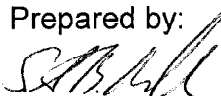
Respectfully submitted,


Cynthia J. Kurtz
City Manager

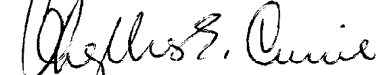
Approved by:


Jay M. Goldstone
Director of Finance

Prepared by:


Steve Mermell
Budget Administrator

Concur:


Phyllis Currie
General Manager
Pasadena Water & Power

RESOLUTION NO 8335

A RESOLUTION OF THE CITY OF PASADENA REGARDING AN
INCREASE IN THE TRANSFERS FROM THE LIGHT AND POWER FUND
TO THE GENERAL FUND

WHEREAS, Section 1407 of the City of Pasadena City Charter (“Charter”) authorizes a transfer from the Light and Power Fund to the General Fund of up to eight percent (8%) of the gross income of the electric works received during the immediately preceding fiscal year from the sale of electric energy at rates and charges fixed by ordinance, for municipal improvements and bond redemption, and Charter Section 1408 authorizes a similar transfer of up to eight percent (8%) of the gross income for any municipal purpose, provided the City Council declares by resolution that such transfers would not be detrimental to the proper functioning and administration of the power utility; and,

WHEREAS, Resolution number 8120 adopted June 10, 2002 set the annual transfer under Charter Section 1407 from the Light and Power Fund to the General Fund at 7.5% of the annual gross electric retail income of the electric utility beginning in fiscal year 2003; and,

WHEREAS, an increase in the Light and Power Fund transfers is necessary to mitigate impacts of state budget reductions upon the City of Pasadena municipal operations, including the General Fund, the Health Fund and the Library Services Fund; and,

WHEREAS, changing the amount of the transfer applicable to fiscal year 2003 under Charter Section 1407 from 7.50% to 2.50%, for municipal improvements and bond redemption, and the amount of the transfer under Charter Section 1408 from 0.0% to

5.85%, for any municipal purpose, would not be detrimental to the proper functioning and administration of the electric utility:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena as follows:

1. The amount of transfer applicable to fiscal years 2004 and 2005 pursuant to Charter Section 1407 from the Light and Power Fund to the General Fund for improvements related to City Hall shall be 2.50% of the annual gross electric retail income, or approximately \$2,974,551.
2. The amount of transfer applicable to fiscal years 2004 and 2005 pursuant to Charter Section 1408 from the Light and Power Fund to the General Fund shall be 5.85% of the annual gross electric retail income, or approximately \$6,960,449.

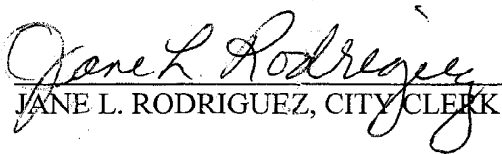
Adopted at the regular meeting of the City Council on the 15th day of March, 2004, by the following vote:

AYES: Councilmembers Gordo, Haderlein, Holden, Little, Madison, Streater, Vice Mayor Tyler, Mayor Bogaard

NOES: None

ABSENT: None

ABSTAIN: None


JANE L. RODRIGUEZ, CITY CLERK