

OFFICE OF THE CITY MANAGER

June 26, 2006

TO: CITY COUNCIL

FROM: CITY MANAGER

SUBJECT: FINANCE COMMITTEE BUDGET ACTIONS

At the Special Joint meeting held on June 19, 2006, the City Council Finance Committee voted to approve and forward to the City Council for consideration, the City Manager's Recommended Operating Budget for fiscal year 2007 with the following modification:

- 1) Reduce appropriations in the General Fund, non-departmental, by \$10,000. Historically the General Fund has covered the cost of staging the annual Turkey Tussle football game held at the Rose Bowl, between Pasadena High School and John Muir High School. The total cost for last year's game was approximately \$39,000. The Finance Committee believes it appropriate for the school district to contribute the ticket revenue (estimated at \$10,000) towards event costs, accordingly, the city would reduce its appropriation by the expected amount of support from the District.

In addition the Committee requested that the following items be revisited after the end of the first quarter of the new fiscal year:

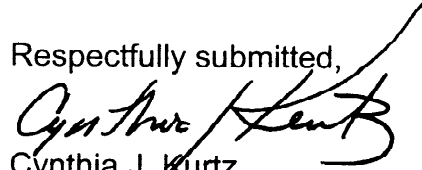
- 1) The Police Department request to add two Corporal positions for the Homicide Unit to work on long-term unsolved cases at a cost of \$285,896.
- 2) Conduct a review of the Neighborhood Connections office to determine whether the level of activity warrants the addition of one-half FTE.
- 3) Consider accelerating the restoration of the General Fund 8% reserve prior to fiscal year 2012 as previously planned. As part of budget actions during fiscal year 2004 the General Fund 8% reserve was held constant at approximately \$13.7 million. The fiscal year 2006 operating budget began the process of restoring the reserve. With the adoption of the fiscal year 2007 budget, an additional \$436,396 will be added to the reserve bringing

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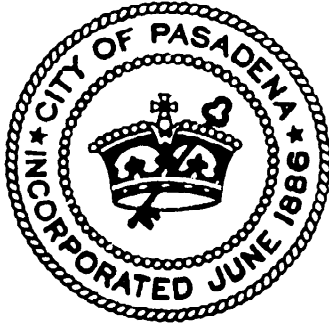
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it to \$14.9 million, or approximately 7.55% of appropriations. In order to achieve the full 8% reserve in fiscal year 2007 approximately \$900,000 would have to be added to the reserve.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Cynthia J. Kurtz', with a large, sweeping flourish extending from the end of the signature.

Cynthia J. Kurtz
CITY MANAGER



Agenda Report

DATE: JUNE 19, 2007

TO: CITY COUNCIL
THROUGH: Finance Committee

FROM: CITY MANAGER

SUBJECT: ADOPTION OF THE FISCAL YEAR 2007 OPERATING BUDGET

RECOMMENDATION

It is recommended that the City Council:

- i) Adopt by resolution the City's fiscal year 2007 Operating Budget as detailed in the attached Exhibit A and as amended by the recommended modifications outlined in the Background section of this report;
- ii) Adopt a resolution determining additional amounts to be transferred from the Light and Power Fund to the General Fund for fiscal year 2006 and approve a journal voucher amending the Fiscal Year 2006 Operating Budget;
- iii) Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for fiscal year 2007;
- iv) Direct the City Attorney to prepare an ordinance amending Section 10.12.100 (Old Pasadena Parking Meter Zone) of the Pasadena Municipal Code to reflect new parking rates for the Old Pasadena Parking Meter Zone effective upon adoption;
- v) Direct the City Attorney to prepare an ordinance amending Section 10.45.200 (Civic Center Parking Meter Zone) of the Pasadena Municipal Code to reflect new parking rates for the Civic Center Parking Meter Zone effective upon adoption;

- vi) Direct the City Attorney to prepare an ordinance amending Section 10.45.210 (West Gateway Parking Meter Zone) of the Pasadena Municipal Code to reflect new parking rates for the West Gateway Parking Meter Zone effective upon adoption;

RECOMMENDATION FROM ADVISORY BODIES

The Old Pasadena Parking Meter Zone Advisory Commission (OPPMZAC) at a special meeting held May 22, 2006 approved recommending to the City Council an increase in the parking rates in the Old Pasadena Parking Meter Zone; recommendation iv above.

BACKGROUND

On May 8, 2006 the City Manager submitted the Recommended Fiscal Year 2007 Operating Budget in compliance with the requirements of the City Charter. Since that date, joint meetings between the Finance Committee and the City Council have been held to review and discuss the recommended budget for each City department, as well as the two operating companies.

The following items are related to the first recommendation above and summarize the changes between the Recommended Operating Budget submitted by the City Manager on May 8th and the revised recommended budget.

1. Reduce appropriations in the General Fund, Non-Departmental by \$3,300,000. The Recommended Budget inadvertently overstated the amount for debt service due on the Fire and Police Retirement System (FPRS) pension obligation bonds.
2. Increase estimated revenues in the General Fund by \$1,451,726 and decrease estimates revenues in the Health Fund by \$48,290 as a result of the cost of services study. Although these amounts were included in the General Fund five-year plan that was presented to City Council on May 8th, due to the timing of approval they were not included in the actual Recommended Operating Budget.
3. Increase estimated revenues in the Building Services Fund by \$75,000 for investment earnings. This revenue was inadvertently omitted from the Recommended Operating Budget.
4. Increase appropriations in the General Fund, Police Department by \$32,500. The funds are related to on-going OSHA requirements for cleaning at the indoor firing range and the cost of non-toxic ammunition. On May 8, 2006 the City Council approved a like appropriation in the current fiscal year, however, as these cost are on-going they should also be included in the fiscal year 2007 operating budget.

5. Add 1.0 Staff Assistant III to the Affordable Housing (60%) and Supportive Housing (40%) programs and increase appropriations by \$59,995. As previously discussed at the joint City Council/Finance Committee meeting, this position will assist with the expansion of the Inclusionary Housing, Workforce Housing, Local Hiring, Ten-Year Strategy to End Homelessness and Tenant Protection programs. The position was listed on the list of enhancements but not included in the Recommended Operating Budget.
6. Increase appropriations in the Paseo Colorado Parking Operations Fund by \$80,000 for property insurance premium increases related to the three parking structures (Colorado Subterranean, Los Robles and Marengo). The recommended budget included an amount of \$200,000 for insurance; however, the total cost based on information received subsequent to the submission of the budget will be \$280,000.
7. The Recommended Operating Budget included a recommendation to extend the hours of operation in the Old Pasadena Parking Meter Zone. The change in hours would necessitate the installation of new signage. Accordingly, \$112,000 was programmed in the budget for this purpose. However, recently the Old Pasadena Parking Meter Zone Advisory Commission recommended a rate increase in the District, which if approved by Council, would eliminate the need for extending the hours of operation, consequently, the proposed budget enhancement is not needed.
8. Increase appropriations in the Old Pasadena Parking Meter Fund by \$312,636 for debt service requirements on the 2004 Auction Variable Certificates of Participation which was inadvertently omitted from the Recommended Operating Budget. This action does not impact the fund's five year plan as the debt service was included.
9. Reduce appropriations in the Water & Power Department by \$420,602 to a total of \$197,840,115. The reduction is the result of moving 3.80 FTEs from Power operations to Power capital and correcting the FTE distribution by changing a Work Experience Aide to a Staff Assistant II in the GMs office. Total FTEs in the Water & Power Department will remain the same as recommended at 413.00.

Regarding recommendations 2 and 3, the Pasadena City Charter Section 1407 and 1408 set forth the formula for determining the annual transfer from the Light and Power Fund to the General Fund. In combination, these Sections allow for a transfer of up to 16% of annual gross electric retail income not to exceed the total net income of the Light and Power Fund. Consistent with these provisions the

Fiscal Year 2007 Recommended Operating Budget included a transfer of 8.35% of estimated gross retail income, or \$10,688,000.

However, recent projections indicate that the Light and Power Fund's net income for fiscal year 2006, upon which the fiscal year 2007 transfer is based, will not be sufficient to transfer the full amount included in the Recommended Operating Budget. This is a result of the electric utility experiencing higher than anticipated purchased energy costs stemming from the volatility of natural gas markets, coupled with the use of available Light and Power Fund cash reserves to mitigate the impact rather than pass the full cost through to ratepayers.

Unless corrected, the resulting transfer would be less than necessary to fund the Fiscal Year 2007 General Fund Operating Budget and would thereby jeopardize the continuance of vital city services. To remedy this shortfall staff recommends an additional transfer of \$6,092,915 be made for fiscal year 2006, which is permissible under the City Charter. Although this additional transfer will be made later than the June 1 timeline under the City Charter, the short delay will cause no detriment to the electric utility or harm to the Light and Power Fund. This action will have no impact on customer rates or the ability of the utility to provide services or maintain the water and power facilities.

Regarding recommendation number 4, the Old Pasadena Parking Meter Zone Advisory Commission (OPPMZAC) at a special meeting held May 22, 2006, reviewed and discussed several options for the Proposed Fiscal Year 2007 Operating Budget for the Old Pasadena Parking Meter Fund. In an effort to balance the fund and help create more parking turnover for visitors to Old Pasadena, the Commission recommended the City Council approve a rate increase of \$0.25 cents per hour for the entire District effective July 1, 2007. The new recommended rates for the core area of the District will be \$1.25 per hour and \$0.75 cents per hour in the outlying area of the District. This rate change will increase estimated revenues from \$1,462,053 to \$1,610,892, which if approved, will be included in the adopted budget.

It is also recommended (recommendation five and six) that with the proximity of the parking meters in the Civic Center to that of the Old Pasadena zone, that the on-street parking meter rates in Civic Center be increased by \$0.25 cents per hour to a new rate of \$1.25 per hour and to be consistent with that of Old Pasadena. In the West Gateway district it is also recommended that the meter rates be increased from \$0.25 cents per hour to a new rate of \$1.25 per hour adjacent to Colorado Boulevard and \$0.75 cents per hour for the outlying areas to be consistent with Old Pasadena. The change will increase estimated revenues in Civic Center Parking Meter Fund from \$440,000 to \$515,502 and in the West Gateway Fund from \$18,500 to \$27,275, which if approved, will be included in the adopted budget.

FISCAL IMPACT

Approval of the above recommendations will establish the Fiscal Year 2007 budget as illustrated in the following tables:

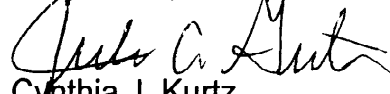
Total Appropriations

Operating Budget	Adopted Fiscal Year 2006	Revised Fiscal Year 2006	Recommended Fiscal Year 2007 – as submitted May 8	Recommended Fiscal Year 2007 – as proposed June 19
All Funds	508,538,313	511,271,432	538,633,728	538,553,257
General Fund	193,162,865	193,704,059	203,057,698	200,090,198

Total Full-Time Equivalent Positions

Operating Budget	Adopted Fiscal Year 2006	Revised Fiscal Year 2006	Recommended Fiscal Year 2007 – as submitted May 8	Recommended Fiscal Year 2007 – as proposed June 19
All Funds	2,329.585	2,337.505	2,361.692	2,362.692
General Fund	1,053.075	1,054.995	1,069.265	1,069.265

Respectfully submitted,


Cynthia J. Kurtz
CITY MANAGER

Approved by:


Steve Mermell
Acting Director of Finance

Prepared by:


Paula Hanson
Management Analyst V

RESOLUTION NO. _____

**A RESOLUTION OF THE PASADENA CITY COUNCIL ADOPTING THE
OPERATING BUDGET FOR FISCAL YEAR 2007**

WHEREAS, the City Council of the City of Pasadena has received and reviewed the City Manager's recommendations for the Operating Budget for Fiscal Year 2007; and

WHEREAS, pursuant to Section 904 of the City Charter, the City Council desires to adopt the Fiscal Year 2007 Operating Budget and to appropriate certain funds therefore; and

WHEREAS, pursuant to Section 903 of the City Charter, a notice of public hearing on the proposed Fiscal Year 2007 Operating Budget was published in the Pasadena Star News on April 21, 2006, and public hearings were held on May 15th, June 5th, June 12th, June 14th and June 19th; and

WHEREAS, the City Council approved said Operating Budget by oral motion on June 19, 2006; and

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

SECTION I. In compliance with Section 904 of the Charter of the City of Pasadena, the proposed Operating Budget for Fiscal Year 2007, as submitted by the City Manager and amended by the City Council, is approved and adopted, and the City Clerk is directed to file a certified copy of the approved Operating Budget in her office and to forward a certified copy thereof to the Director of Finance. The Fiscal Year 2007 Operating Budget is attached hereto and incorporated herein by reference as Exhibit "A".

SECTION II. The specific sums of money set forth opposite the names of funds, activities, projects, programs and objects of expenditure, as shown on Exhibit "A" are appropriated to these funds, activities, projects, programs and objects in order to carryout the approved Fiscal Year 2007 Operating Budget.

Adopted at the regular meeting of the City Council on the 19th day of June, 2006
by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JANE L. RODRIGUEZ, City Clerk

Approved as to form: 5/24/06



NICHOLAS GEORGE RODRIGUEZ
Assistant City Attorney

**THE OPERATING BUDGET
WAS DISTRIBUTED
TO THE CITY COUNCIL WITH THE
MAY 8, 2006 AGENDA PACKET**

RESOLUTION NO.

A RESOLUTION OF THE CITY OF PASADENA DETERMINING ADDITIONAL AMOUNTS TO BE TRANSFERRED AND TRANSFERRING SAID AMOUNTS FROM THE LIGHT AND POWER FUND TO THE GENERAL FUND FOR FISCAL YEAR 2006

WHEREAS, Sections 1407 and 1408 of the City Charter provide for the transfer of certain amounts from the Light and Power Fund to the General Fund; and

WHEREAS, the amount to be transferred in fiscal year 2006, as determined at the time the City's operating budget for fiscal year 2006 was adopted was \$13,973,764, an amount less than the full amount actually available for transfer under the City Charter; and

WHEREAS, pursuant to Sections 1407 and 1408 of the City Charter, a portion of this amount, \$7,055,679, was transferred in July 2005, and the balance of \$6,918,085 was transferred subsequently following the receipt of a report by an independent certified public accountant on the examination of the books of account of the City's electric utility for fiscal year 2005; and

WHEREAS, Section 4.100.020 of the Pasadena Municipal Code provides for a maximum aggregate amount available for transfer pursuant to Sections 1407 and 1408 of the City Charter and further provides that the City Council may by resolution transfer a different amount, not to exceed the net income of the electric utility in the preceding fiscal year or the maximum amount allowable under the City Charter, if it determines that such additional transfer would not be detrimental to the functioning and administration of the electric utility during the budget year under consideration; and

WHEREAS, the City Council desires to transfer the full 8% allowed by Section 1407 and the full 8% allowed by Section 1408 of the City Charter for fiscal year 2006 for the reasons set forth in the accompanying agenda report, which amounts do not exceed the net income of the electric works for fiscal year 2005; and

WHEREAS, the additional transfer provided herein will not be detrimental to the functioning and administration of the electric utility during said fiscal year for the reasons set forth in the accompanying agenda report:

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

1. The additional amount to be transferred from the Light and Power Fund to the General Fund of the City of Pasadena with respect to which the books of account of the electric utility have been audited in accordance with the provisions of Section 1407 of the City Charter has been determined to be and hereby is fixed as the sum of \$3,397,985 which combined with the transfers previously made pursuant to Section 1407 represents 8% of the gross income of the electric works received during the immediately preceding fiscal year from the sale electricity at rates and charges fixed by ordinance.

2. The sum of \$3,397,985 hereby is ordered to be and hereby is transferred from the Light and Power Fund to the General Fund of the City of Pasadena. The sum thus advanced and transferred shall be expended for the payment of interest, principal or both due or to become due prior to July 1, 2006 on bonds of the City of Pasadena which are wholly payable out of moneys received from general taxes of the City and for municipal improvements included in the 2006 Budget as provided by Section 1407 of the City Charter.

3. The additional amount to be transferred from the Light and Power Fund to the General Fund of the City of Pasadena with respect to which the books of account of the electric utility have been audited in accordance with the provisions of Section 1408 of the City Charter has been determined to be and hereby is fixed as the sum of \$2,694,930, which combined with the transfers previously made pursuant to Section 1408 represents 8% of the gross income of the electric works received during the immediately preceding fiscal year from the sale electricity at rates and charges fixed by ordinance.

4. The sum of \$2,694,930 is ordered to be and hereby is transferred from the Light and Power Fund to the General Fund of the City of Pasadena. The sum thus transferred shall be expended for any municipal purpose as provided by Section 1408 of the City Charter.

5. It is hereby found and determined that the additional amounts hereby transferred in the sum of \$6,092,915 will not be detrimental to the proper functioning and

administration of the electric utility during fiscal year 2006.

Adopted at the regular meeting of the City Council of the City of Pasadena
on the _____ day of _____, 2005, by the
following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jane L. Rodriguez, CMC
City Clerk

APPROVED AS TO FORM:


Scott D. Rasmussen
Assistant City Attorney

RESOLUTION NO.

A RESOLUTION OF THE CITY OF PASADENA DETERMINING AMOUNTS TO BE TRANSFERRED FROM THE LIGHT AND POWER FUND TO THE GENERAL FUND FOR FISCAL YEAR 2007

WHEREAS, Sections 1407 and 1408 of the City Charter provide for the transfer of certain amounts from the Light and Power Fund to the General Fund; and

WHEREAS, Section 4.100.020 of the Pasadena Municipal Code provides for a maximum aggregate amount available for transfer pursuant to Sections 1407 and 1408 of the City Charter and further provides that the City Council may by resolution transfer a different amount, not to exceed the net income of the electric utility in the preceding fiscal year or the maximum amount allowable under the City Charter, if it determines that such additional transfer would not be detrimental to the functioning and administration of the power utility during the budget year under consideration; and

WHEREAS, the estimated net income of the electric utility for fiscal year 2006 is \$4,595,085 and the City Council desires to transfer this amount.

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

1. The amount to be transferred from the Light and Power Fund to the General Fund of the City of Pasadena in accordance with the provisions of Section 1407 of Article XIV of the Charter of the City of Pasadena has been determined to be and hereby is fixed as the sum of \$2,297,542. In accordance with the Charter an amount equal to 75% of this transfer (\$1,723,156) is hereby ordered to be advanced from the Light and Power Fund to the City's General Fund upon adoption of the Operating Budget for fiscal year 2007, with the balance to be transferred no earlier than the receipt of the annual financial audit

of the Light and Power Fund prepared by independent certified public accountant. This sum shall be expended for the payment of interest, principal or both due or to become due prior to July 1, 2007 on bonds of the City of Pasadena which are wholly payable out of moneys received from general taxes of the City and for municipal improvements included in the fiscal year 2007 Budget.

2. The amount to be transferred from the Light and Power Fund to the General Fund of the City of Pasadena in accordance with the provisions of Section 1408 of Article XIV of the Charter of the City of Pasadena has been determined to be and hereby is fixed as the sum of \$2,297,543. In accordance with the Charter an amount equal to 75% of this transfer (\$1,723,157) is hereby ordered to be advanced from the Light and Power Fund to the City's General Fund upon adoption of the Operating Budget for fiscal year 2007, with the balance to be transferred no earlier than the receipt of the annual financial audit of the Light and Power Fund prepared by independent certified public accountant. This sum shall be expended for any municipal purpose.

3. It is hereby found and determined that the total amounts to be transferred, representing the estimated Annual Net Income of the electric works as allowed by Sections 1407 and 1408 of the City Charter for fiscal year 2007, will not be detrimental to the functioning and administration of the power utility.

Adopted at the regular meeting of the City Council of the City of Pasadena on the _____ day of _____, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Jane L. Rodriguez, CMC
City Clerk

APPROVED AS TO FORM:


Scott D. Rasmussen
Assistant City Attorney