

Agenda Report

November 28, 2011

TO: Honorable Mayor and City Council

THROUGH: Michael Beck, City Manager

FROM: Department of Finance

**SUBJECT: RECOMMENDED AND POTENTIAL BUDGET REDUCTIONS TO
ADDRESS THE ADDITIONAL \$3.5 MILLION SHORTFALL PROJECTED
IN THE GENERAL FUND FOR FISCAL YEAR 2012**

RECOMMENDATION:

In order to address a projected \$3.5 million shortfall in the General Fund, in addition to the \$4.7 million budgeted shortfall, it is recommended that the City Council take the following actions as further detailed within the body of this report:

1. Reduce appropriated expenditures and fulltime equivalents in the various General Fund departments and programs;
2. Adopt a resolution increasing the amount to be transferred from the Light and Power Fund to the General Fund for fiscal year 2012 from 8% of gross revenues to 10%, and direct staff to prepare future General Fund projections utilizing a 9% transfer rate; and,
3. Adjust estimated revenues in the General Fund to reflect revised estimates based on the revenue decreases experienced in FY11 and the increased revenues anticipated from the recommendation outlined in this report.

BACKGROUND:

Through the leadership of the City Council and the dedicated efforts of City staff, over the course of the past three years the City has worked to address the unprecedented fiscal challenges resulting from the most significant economic downturn since the Great Depression.

In mid-Fiscal Year (FY) 2009 as the depth of the downturn was becoming clear, the City Council adopted a 5-Year Financial Plan to address a growing structural deficit in the City's General Fund. Using a balanced approach of spending reductions and use of

\$25 million of existing undesignated fund balance, the Plan seeks to minimize impacts on City services and avoid devastating programmatic reductions that would have otherwise been necessary to balance the budget. Had this action not been taken, the projected gap between revenues and expenses in the General Fund would have grown to more than \$28.5 million by FY 2014.

As a result of the actions taken to date including those incorporated in the current FY 2012 Adopted Budget, the City's General Fund will avoid in excess of \$150 million in cumulative expenses between FY 2009 and FY 2016. Since personnel-related expenses account for more than 75% of all General Fund operating expenditures, eliminating staff positions has been a key component of this effort. Since FY 2009 the City has eliminated 286 Full-time Equivalents (FTEs) or approximately 12% of the FY 2009 authorized staffing level. While many of these reflect the elimination of vacant positions, to date a total of 29 employees have been laid off and 94 have taken advantage of voluntary early separation incentives. Despite these significant reductions, the FY 2012 Adopted Budget anticipated that expenses would outpace revenues by roughly \$4.7 million.

Given the continued sluggishness of the economy, the FY 2012 Budget used conservative estimates for revenues. Unfortunately, roughly halfway through the fiscal year even these conservative estimates are not being met. Some of the major macro-economic factors that have continued to negatively impact the City include:

- A continuing soft housing market, which is exacerbated by tighter credit requirements for home loans.
- Low consumer confidence. The Conference Board reports that current consumer confidence is at recession 2008/09 levels.
- High unemployment. For September 2011, Pasadena was 9.4%, California 11.4% and the overall United States 9.1%.
- Instability in financial markets brought about by the European debt crisis.

Locally, Pasadena has also had to contend with shrinking sales tax base. Over the past ten years the City has lost 11 auto dealerships, resulting in a 31% decrease in annual revenue in this sales tax category. Other large sales tax contributors have seen their sales diminish over the past few years, and the City faces increased competition from adjacent communities. Overall, sales tax revenue stands at its lowest level since FY 2002. For the second quarter of 2011, Pasadena was one of only 13 cities of the 88 in Los Angeles County with negative sales tax cash receipts growth.

The General Fund's two other major revenue sources, property tax and utility users tax, which when combined with sales tax accounts for 46% of total revenues, are trending flat and down over prior years, respectively. Conversely, on the expense-side the City has had to contend with ever-increasing costs of employee benefits, most prominently CalPERS retirement and allowances provided to employees for the purchase of health insurance.

Based on these factors and trends, current projections indicate that the projected \$4.7 million deficit in the current fiscal year is expected to rise to \$8.3 million unless additional action is taken immediately. Moreover, given that the City has drawn down \$21 million of reserves over the past three years, and what remains of the undesignated fund balance will be needed to fulfill the 5-Year Financial Plan, there are no options other than undertaking a combination of further cost reductions and revenue enhancements.

General Fund Revenue and Expense Summary

Revenue Category	FY 09 Actual	FY 10 Actual	FY 11 Actual	FY 12 Adopted	FY 12 Revised
Sales Tax	31,941,372	28,059,194	29,249,499	31,300,000	30,300,000
Transient Occupancy Tax (TOT)	7,382,353	6,941,949	7,667,817	7,800,000	8,160,000
Utility Users Tax (UUT)	31,162,427	29,519,607	29,355,561	32,621,000	30,202,800
Construction Tax	2,366,386	1,397,077	1,480,416	1,800,000	1,400,000
Property Tax	38,414,298	38,266,093	37,952,059	39,100,000	38,800,000
Other Tax	15,313,182	14,162,319	14,506,845	15,826,351	14,965,000
Other General Fund Revenues	88,828,619	94,148,167	88,214,037	82,428,649	82,857,700
Sub-Total (exc FPRS)	215,408,637	212,494,406	208,426,171	210,874,768	206,685,500
FPRS	947,693	4,981,704	8,036,000	0	0
Total General Fund Revenue	216,356,330	217,476,110	216,462,171	210,874,768	206,685,500
Expense Category	FY 09 Actual	FY 10 Actual	FY 11 Actual	FY 12 Adopted	FY 12 Revised
Operations	194,776,773	183,388,586	180,432,215	182,918,640	183,190,820
Debt Service	29,664,987	35,072,953	34,128,414	32,683,158	31,811,180
Sub-Total (exc FPRS)	224,441,760	218,461,539	214,560,629	215,601,798	215,002,000
FPRS	968,788	4,981,704	8,036,000	0	0
Total General Fund Expense	225,410,548	223,443,243	222,596,629	215,601,798	215,002,000
Surplus/(Deficit)	(9,054,218)	(5,967,133)	(6,134,458)	(4,727,030)	(8,316,500)
				Difference	-3,589,470

General Fund Unallocated Fund Balance Activity

	FY09	FY10	FY11
Beginning Unallocated Fund Balance	29,129,097	20,074,879	14,107,746
Operating Gain/(Loss)	(9,054,218)	(5,967,133)	(6,134,458)
Ending Unallocated Fund Balance	20,074,879	14,107,746	7,973,288

ADDRESSING THE ADDITIONAL \$3.5 MILLION CHALLENGE

In September of this year, as revenue shortfalls became apparent, the City Manager directed all departments to examine potential cost reductions, particularly those that provide long-term, structural savings, as well as potential revenue enhancements.

On October 31st the City Council participated in a Strategic Planning Workshop focused on developing parameters to guide the development of proposed expense reductions and/or revenue enhancements. The City Council directed staff to return with a comprehensive list of considerations and recommendations. Accordingly, staff has prepared the attached list of potential reductions and revenue enhancements for City Council Consideration. The list is categorized into three parts: 1) Items recommended by staff, 2) Items considered but not recommended. And, 3) Items that require additional analysis to determine feasibility and true fiscal impact. All figures provided below are annualized amounts. Attachment A indicates the amounts actually available in the current fiscal year as well as next.

Part 1. Reductions and Revenue Enhancements Recommended by Staff

1. Operational reorganization in City Attorney/City Prosecutor

Department – This proposal includes under-filling two vacant Assistant City Attorney positions with Deputy City Attorneys to start mid-fiscal year; filling these positions is needed to meet workload; reduction of administrative supplies, equipment and the budget for outside legal services; a delay in filling a vacant paralegal position for the entire fiscal year, which will impact the ability to sufficiently handle small claims actions which seem to be on the rise, to provide assistance with trial preparation and with transactional matters. ***Estimated Savings \$224,250***

2. Under-fill Assistant City Clerk position - The proposed action would allow four current Staff Assistant III(c) employees in the Official Records Division to serve (in a rotating capacity) as acting Deputy City Clerk as they compete to fill the vacancy on a permanent basis, thus supporting the concept of promoting from within and succession training while reducing costs. This action may lead to a drop-off in the performance, skill set, and experience at a key Department position. By under filling, the Department will have the flexibility in the future to transition the position back to the Assistant City Clerk (through promotion or otherwise), and depending on the progress of the employee permanently appointed to the position. It is anticipated that this change will remain in place for period of 4 to 6 years and would net approximately \$80,000 to \$120,000 in savings during that time. ***Estimated Savings \$20,000***

3. Eliminate payroll checks/Statements of Deposit - There are currently 146 employees who receive actual paper checks. The stock used to produce these checks is expensive and processing paper checks is time consuming. Employees would access their payroll statements online. In an effort to support the City's sustainability goal, this would require all employees to

participate in direct deposit. Accommodations would be made for those employees without banking facilities or who don't have access to a computer. ***Estimated Savings \$31,000***

4. **Eliminate Administrative Fire Captain** - The Administrative Captain position will be eliminated in the operating budget effective January 2012. The various duties and responsibilities assigned to this position will transfer to the Administrative Bureau of the Fire Department. The Administrative Deputy Fire Chief position (currently vacant until FY13) will take on the added responsibilities of community liaison, management and coordination of community based program delivery, public education programs and special projects. ***Estimated Savings \$185,160***
5. **Eliminate two full-time vacant and two full-time filled positions in Human Services & Recreation** - The two filled positions serve in various capacities that support departmental functions such as commission support, liaison to various community groups, and carrying out community-wide projects. The vacant positions provided coordination of after school activities and general customer service at the City's parks and community/recreation centers. The duties can effectively be assigned to other employees. Functions of the existing positions will be assigned to other departmental administrative staff with some cross training to support taking on new assignments. The vacant positions have already been consolidated with existing staff with the same level of service offered to the community. ***Estimated Savings \$441,460***
6. **Defund five vacant non-sworn positions in the Police Department** -
 - One Police Specialist VI - Forensic Services. Forensic Services is operating with minimal staffing to provide internal and external forensics needs, which includes evidence collection and processing, photography, and finger print analysis. Understaffing issues have been mitigated with the use of City Temporary Workers on an as-needed basis. Eliminating the funding for this position thereby eliminating the source of funds to hire temporary staff, may necessitate overtime and/or the transfer of responsibilities to sworn personnel in Field Operations.
 - One Jailer – Strategic Services, Jail. Pasadena's jail is a Type I custody facility which allows the detention of prisoners up to 72 hours with capacity to house 112 inmates. The jail provides booking and detention resources to approximately nine independent municipalities. Additionally custody services are provided to California Highway Patrol and the Department of Homeland Security. Core responsibilities are outlined in California Code of Regulations, Titles 15 and 24, which include the processing, care and welfare of, and the preparation of detainees for court. The impacts of defunding of this position will eliminate funding for overtime which will result in reduced capacity for booking (internal and external prisoners). The time to process prisoners may be negatively impacted and result in sworn police officers remaining in the facility longer to ensure custodial safety for the prisoners and jail staff.

- One Police Specialist II – Strategic Services, Records. Currently the Records Section is operating at a minimum staffing level to provide internal and external support services, process and data entry of statistical information for required reporting mandates to Local, State and Federal agencies. Records staff is also responsible for various functions, for example: processing Public Records Act requests, criminal information for investigative purposes, registration of sex offenders, parolees and other criminal predators; and customer service provided at the Police Department front counter. The impact of further reduction in front counter hours, live scan processing would be limited and transfer of responsibilities to other sections in the department, e.g., sex registrations to sworn personnel in Criminal Investigations.
- Two Security Rangers – Field Operations, Patrol. Currently Security Rangers are responsible for patrolling and monitoring 27 different community parks seven days a week. General duties include municipal code enforcement, facilitating community meetings and maintaining a family-friendly environment in the parks. In short, Security Rangers provide a safe environment to enhance the public's quality of life. The impacts: Defunding of these positions may necessitate the transfer of responsibilities to on duty patrol officers. Already reduced coverage in the parks will be further limited. ***Estimated Savings \$444,185***

7. **Amend Tree Trimming Schedule for Slow Growing Trees** - Adjust the trimming cycle for one-half of the City's 50,000 hardwood tree species identified as slow growing. The new pruning cycle would be 7 years instead of 5 years. The modified trimming cycle could be placed into effect with no significant impact, as the City would continue to address critical tree needs as they occur. This proposal would not impact trimming for utility line clearance. ***Estimated Savings \$38,000***
8. **Reorganization of responsibilities in Transportation Department** - Consolidation of programs and functions in the Department of Transportation will make two positions (a Senior Planner and a Transportation Administrator) available for reduction. If these staff positions are eliminated, the program duties handled by the positions would be redistributed to other staff in the Department. The change will result in some efficiencies, but there would be fewer staff overall to handle the already challenging department workload that has built as a result of previous staffing reductions. ***Estimated Savings \$257,000 in the General Fund and \$85,000 in other funds***
9. **Eliminate a Management Analyst position in the Public Works Department** - This proposal includes reorganization of division responsibilities including reduction of Management Analyst position thus making best use of limited resources. Responsibilities will be absorbed by other staff. ***Estimated Savings \$85,595***

10. Institute Conduit Debt Issuance Charge – In order for 501c (3) entities to take advantage of more advantageous interest rates for the issuance of debt, federal law requires that they receive approval from the municipality where the bond proceeds will be used. Although the municipality has no liability for the debt, the holding of a TEFRA hearing helps save the 501c (3) significant dollars in debt service costs. Currently Pasadena charges \$5,000 to hold a TEFRA hearing. The proposal is to raise this amount to \$15,000. It is difficult to estimate how many 501c (3) entities will request this approval in any given year. The City has held two such hearings in the past two years. Staff is also proposing that the charge for acting as a conduit issuer of debt for an entity desiring to issue debt, be increased from the current 25 basis points to 30 basis points with a minimum charge of \$30,000. Pasadena has not had a request to be a conduit issuer in a number of years due to the existence of other pool conduit issuers in the state, but as the economy improves this could change. **Estimated Revenue \$10,000**

11. Merge Fire inspectors with Building inspectors and reduce total number of positions (2.0 vacant fire inspectors) - Staff has identified several areas where staff teams can be merged to eliminate redundancies and streamline programs: Fire inspectors and building inspectors both perform building inspections and execute similar tasks, sometimes redundantly checking the same safety factors. With the conversion of the fire inspectors to civilian personnel as part of the adopted FY 2012 Budget, they can be merged into the Planning Department, Building Services Division, and both teams cross-trained to perform a broader range of technical inspections. Working as one team with a shared purpose, rather than two teams with overlapping focus, will eliminate redundancies and streamline the inspection process. **Estimated Savings \$209,090**

12. Retool recreation program fees for service – A new cost recovery model is proposed for budgeting based on a differential pricing structure, consisting of ability to pay and residency status. The proposed new model is expected to be presented to the City Council in January which if approved would be implemented in FY 2013. Currently the City recovers just 14% of the cost to provide recreation programs through related fees. In the future, fees can be structured based on core and value added services, with a robust scholarship program that ensures every Pasadena youth can participate in recreation activities. Even under this model, programs operating in CDBG zones and/or where 80% or more of the children are on the free/reduced school lunch program would remain free or low cost. Under the anticipated model, the City can expand summer programs from the current 6 week offering, to a full traditional summer program. This expansion in services applies to those programs with reduced fees/no fees.

Additionally, staff proposes that the percentage split between the City and contractors providing recreation programs be increased from 70/30 to 60/40—60% to the instructor, and 40% to the City for instruction on City/PUSD property,

and 70/30 for instruction operating offsite. Additional revenues can be used to support maintenance of facilities where programs operate, and help offset staffing to market and administer programs. Increasing the contractor percentage split may result in contractor turnover. Some contractors may also request to increase fees. The City will continue to recruit contractors to provide programs that are the best fit for the City. ***Estimated Revenue \$300,000***

- 13. Implement a .25% General Plan Maintenance and Implementation fee on all permits** - State law allows cities to charge a fee to support the long-range planning function. Although common in other cities, Pasadena has never charged such a fee and instead relied on the General Fund. Staff proposes a .25% General Plan maintenance fee on each building permit based on valuation. This revenue would be used specifically to offset the cost of consultants necessary to update the General Plan, Specific Plans, and Zoning Code on a regular schedule. ***Estimated Revenue \$312,500***
- 14. Managed Savings through restructuring of facility maintenance services in the Public Works Department** – The Department has indicated it can achieve "managed savings" through the active management of funds allocated to landscape maintenance at the Norton Simon Museum (NSM) and Rose Bowl Aquatics Center (RBAC) for facility maintenance. NSM receives \$116,000 annually for various services including \$15,000 for extra work/special projects. Examples of special projects include turf renovations, pond repairs, and tree removals. The goal is to achieve 50% "managed savings" in extra work/special projects or \$7,500. The City provides \$50,000 in facility maintenance services and an \$11,500 subsidy to RBAC for landscape maintenance. The goal is to achieve \$10,000 in "managed savings" in facility maintenance category. ***Estimated Savings \$17,500***
- 15. Restructuring of Planning Department staff resulting in reduction of 2 FTEs** – The Planning Department is proposing to restructure a number of the sections within the Planning Division as well as the manner in which it provides support to various commissions. As a result, the Department believes it can reduce two FTEs without a significant impact in overall productivity. ***Estimated Savings \$126,331 in the General Fund and \$200,000 in other funds***
- 16. Restructure of Local Hire Program** – In June 2010, the Council directed that the existing First Source program be enhanced to provide a greater emphasis on stimulating local hiring and assisting local businesses. The enhanced program created is Pasadena First Buy Local (PFBL). In addition to City functions, PFBL was assigned to assist the Rose Bowl Renovation Project with its local hiring and local procurement efforts. There are two individuals dedicated to this program. Reducing this program back to the requirement under the First Source Ordinance will allow the reduction of a Project Manager position and the reassignment of a Technical Specialist position allowing for the elimination of a vacant Staff Assistant II position. The impact of this action is that public outreach

and development of programs to assist residents and businesses in the area of local hiring and procurement will be severely curtailed. ***Estimated Savings \$195,023***

17. Reassign a part-time MASH position to a non-General Fund function - This position is currently shared between Housing's MASH and Public Works' graffiti removal programs. The proposal is to transfer the position to Public Works non-General Fund budget full time. This change will reduce the available resources to answer the graffiti hotline and requests would go to voicemail. ***Estimated Savings \$28,876***

18. Reduce Summer Rose Program stipends from \$1,200 per participant to \$600 - This proposal would result in budget savings starting in FY 2013. As proposed the same number of participants, 175 PUSD students, would remain unchanged while the stipend provided to each participant would be reduced. ***Estimated Savings \$105,000***

19. Additional Transfer from the Light and Power Fund

The recommended cost reductions and revenue enhancements total \$1,130,559 for FY 2012, this due to the fact that full implementation of a number of these items will not occur until FY 2013. Consequently, in order to achieve the outcome necessary in the current fiscal year, staff is recommending that the annual transfer from the Power and Light Fund to the General Fund be increased by 2%, thus bringing the total amount transferred from the Power Utility for Fiscal Year 2012 to 10%, or \$15,860,515.

Pursuant to City Charter sections 1407 and 1408, the Light and Power Fund makes an annual contribution to the City's General Fund. Although the two charter provisions in combination, allow for a transfer of up to 16% of gross revenue not to exceed net income, historically the annual transfer amount has been considerably less. The amount of transfer included in the Adopted FY 2012 Budget was 8% of gross revenues or \$12,688,412. Based on the FY 2011 financial results for the Light and Power Fund, a total of \$20,281,946, representing the net income of the Fund for FY 2011, is available for transfer to the General Fund. The recommended additional 2% represents a sum of \$3,172,103.

Consistent with the provisions of the City Charter, the amount of transfer from Light and Power Fund is set annually by the City Council as part of the annual budget process. Nevertheless, staff bases future financial projections on the anticipated amount of future transfers. The current General Fund 5 year financial plan assumes an 8% transfer in Fiscal Year 2013 and beyond. In order to ensure the success of the City's budget balancing effort and to avoid undertaking more significant budget reductions than those proposed above, staff recommends that the City Council consider assuming a 9% annual transfer from the Light and Power Fund over the course of the next several years.

In terms of impact on the Light and Power Fund, making an additional transfer in the current fiscal year can be absorbed with limited impact on the operations of the Power utility and will not result in any rate increase to customers. However, funds transferred to the General Fund are then no longer available for future capital improvement programs and will therefore need to be made up in the future through operational savings and/or have an impact on future rates. To the extent that future transfers are increased these impacts will be felt more significantly.

Part 2. Reductions and Revenue Enhancements considered but not Recommended by Staff.

- 20. Increase parking fines/penalties by \$20** - Pasadena currently processes an average of 3,082 parking violations per month. The current penalty that Pasadena retains is \$26 per violation. Since the penalty is imposed to reduce unwanted behavior and since increases in fines and penalties are exempt from the requirements of Prop 218, the penalty for parking fines could be increased by \$20 to \$46 per violation or a lesser amount. The revenue estimate assumes a 50% collection rate with a \$20 increase. ***Estimated Revenue \$350,000***
- 21. Hold five sworn positions vacant:** - The vacant positions consist of one Police Corporal in Patrol, two Police Officers in Special Enforcement, one Police Officer in Crimes against Persons, and one Police Officer in Crimes Against Property. Given the level of sworn staff reductions thus far, 14 over the past three years, coupled with the state's new early prison release policy, staff does not recommend further reductions to sworn positions. ***Estimated Savings \$300,000***
- 22. Return to stricter enforcement of parking regulations** – The City contacts out parking enforcement. Due to numerous complaints and the risk that heavy enforcement will discourage retail visitors; a softer interpretation of regulations was implanted. This proposal would return to a more strict interpretation of the parking regulations and the issuance of citations for parking violations.
Estimated Revenue \$1,000,000
- 23. Solicit advertising on ARTS buses and/or website** – This proposal would be based on using 16 ARTS buses with a rear bus wrap or full bus wrap for advertising. However, there are concerns regarding the inability of the City to control content as well as perception. ***Estimated Revenue \$50,000***
- 24. Brown-out Fire Company when four or more absences occur** - A brown-out reduction would create a rotating Fire Company closure when four or more firefighter absences occur. Under this concept, there would not be any permanent personnel reductions; rather, savings would be captured in overtime not paid out for Position Coverage. A four-person Fire Company would go unstaffed on a daily basis. It should be noted that this model leads to inefficiencies and has the

ability to compromise public safety. To achieve maximum savings, vacancies in Operations would need to equal, in rank, the staffing of one Fire Company; One Fire Captain, one Engineer, and two Firefighters. When four Firefighters are absent, a Fire Company will be closed for the day. ***Estimated Savings \$1,693,235***

25. Elimination of After School Program Sites (12 sites) - The City operates 12 After School Program sites. Currently there is no other provider to offer reduced/low cost services that could serve the current youth enrolled in the program. LEARNS is a state grant-funded program operated by PUSD, under the current structure, PUSD cannot accept additional enrollment. Over 1,000 youth participate in the City's program. If this program were eliminated it is unclear what alternative programs could fill the gap and therefore students could be without organized and supervised after-school enrichment activities. ***Estimated Savings \$1,197,850***

26. Elimination of Flintridge Foundation Contract to serve as Institutional Home for Youth Violence Prevention- The City supports the efforts of Flintridge Foundation to serve as the Institutional Home for Youth Violence Prevention. Under agreement with the City, the Flintridge builds the capacity of partnering agencies and serves as the lead convener for work focused on positively impacting youth. By eliminating this program, Flintridge may have to reduce supporting services to area non-profits focused on addressing youth violence prevention. This may impact the successful coordination efforts underway and result in an increase in youth violence. ***Estimated Savings \$38,900***

27. Merge Community Planning & General Plan Sections reducing 4 FTEs - Updating the General Plan is a primary function of the Community Planning Section of the Planning Department; however, this function was made into a separate work group within the Department in 2009. Although this separation created the necessary structure at the time, the circumstances demanding this structure no longer exist. Merging the General Plan function back into the Community Planning Section brings together all of the long-range planning staff to one team again. Returning to this fundamental structure will allow greater flexibility in staffing resources and eliminate overlapping work programs. The potential downside of reducing four FTEs is that sufficient staff resources may not be available to manage average workload and/or special requests for studies, code and specific plan amendments. ***Estimated Savings \$478,331***

28. Contract out various security services - The City currently utilizes a combination of City staff and contract services to provide security at parks and various other City facilities. Preliminary indications are that these services could be provided less expensively by shifting a greater portion of the work to the contract provider. ***Estimated Savings \$517,130***

Part 3. Items Requiring Additional Analysis

- 29. Relocate staff from non-City owned facilities to reconfigured City Hall -**
The staff reductions required over the last three years has resulted in available space at City Hall. This available space could be consolidated and used to house various City functions that are currently paying rent at other facilities throughout the City. Staff is currently pursuing this initiative. ***Estimated Savings Currently Unknown***
- 30. Renegotiate medical benefits –** Restructure the allowance provided to employees for the purchase of medical insurance so as to reduce amounts provided beyond what is necessary to purchase coverage. ***Estimated Savings Unknown***
- 31. Establish a benefits coalition -** A coalition would be established for all represented groups to standardize and control benefits costs. ***Estimated Savings Unknown***
- 32. Cap Employee Option Benefit Fund allowances at the current rate –**
Currently employees are allowed to place any unused medical benefit allowance into deferred compensation accounts or take the savings as a cash payment, less a 40% discount. This proposal would place a cap on the increase of the allowance. Implementation of this proposal would require successful negotiation of agreements with the City's bargaining units. ***Estimated Savings \$1,300,000***
- 33. Increase the amount employees contribute to their CalPERS retirement by 1% or more.** The City currently pays the full 9% of the employee portion of CalPERS for safety employees while all non-safety employees contribute varying amounts, but no less than 3.4% towards their 8% portion. Negotiating for employees to pick up a larger share would provide significant savings. The City's current practice has been to have the employees pick up more of their portion of the PERS rate to offset salary increases that could not be negotiated away. If the employees were to pick up more of their share of PERS without an offsetting salary increase, the net impact to the employee would be a reduction in take home pay. And if the City were to offset the additional employee PERS pick up with a salary increase, the savings would not be realized. ***Estimated Savings Varies by Bargaining Group***
- 34. New employees pay the full Employee Portion of CalPERS retirement, 8% for miscellaneous and 9% for safety.** Another method of reducing pension cost over the long term would be to require all new employees pay their full employee portion of the PERS rate. This could impact recruitment activity in the future. ***Estimated Savings based on number of new employees***

COUNCIL POLICY CONSIDERATION:

The proposed actions are consistent with the City Council's strategic planning goal of maintaining fiscal responsibility and stability. Nevertheless, it should be recognized that a number of the proposed and potential reductions are likely to have a deleterious impact on several other strategic plan goals.

FISCAL IMPACT:

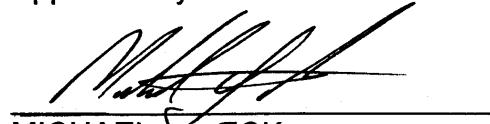
The proposed cost reductions and revenue enhancements proposed herein for FY 2012 would reduce overall appropriations in the General Fund by \$ \$960,559 and increase anticipated revenues by \$ \$3,342,103.

Respectfully submitted,



ANDREW GREEN
Director of Finance
Department of Finance

Approved by:



MICHAEL J. BECK
City Manager

Attachment: (1)

Attachment A – List of Potential Budget Reductions

Attachment A

Item #	Recommended Items	Department	FY 2012	FY 2013
1	Operational reorganization in City Attorney/City Prosecutor Department	City Attorney	\$224,250	\$64,750
2	Underfill Assistant City Clerk position with Deputy City Clerk position in the Official Records Division	City Clerk	-	\$20,000
3	Eliminate payroll checks/Statements of Deposit (require all employees to use direct deposit)	Finance	-	\$31,000
4	Eliminate Administrative Captain Position	Fire	\$90,000	\$185,160
5	Reorganize of department responsibilities resulting in the defund two full-time vacant and two full-time filled positions	Human Services and Recreation	\$185,160	\$441,460
6	Defund five vacant non-sworn positions: 1 Police Spec VI in Forensics; 1 Police Spec II in Records; 2 Security Rangers in Park Safety; and 1 Jailer	Police	\$200,000	\$444,185
7	Lengthen Tree Trimming cycle for Slow Growing Trees (does not impact utility line clearance)	Public Works	\$38,000	\$38,000
8	Reorganize department responsibilities, resulting in two filled FTE reductions	Transportation	-	\$257,000
9	Reassign responsibilities resulting in elimination of 1 filled FTE	Public Works	-	\$85,595
10	Institute charge to agencies requesting that the City helps them with the issuance of conduit bonds (\$15,000 for TEFRA hearing. For bonds transactions where the City is the conduit issuer 30% with a minimum \$30,000)	Finance	\$10,000	\$10,000
11	Merge Fire and Building inspection and reduce combined number of inspectors by 2 vacant FTE	Planning	\$104,545	\$209,090
12	Retool recreation program fees for service resulting in additional cost recovery	Human Services and Recreation	\$100,000	\$300,000
13	Implement a .25% General Plan Maintenance and Implementation fee on all permits	Planning		\$312,500
14	Managed Savings though restructuring of facility maintenance services	Public Works	\$17,500	\$17,500
15	Restructure work assignments resulting in elimination of 2 filled FTE one in the General Fund and one in the Building Fund	Planning	\$63,166 - G.F. amount	\$126,331 G.F. amount
16	Restructure Pasadena First/Local Hire Program efforts resulting in the reduction of 1 filled FTE and 1 vacant FTE	Fiannce	-	\$195,023
17	Reassign .5 part-time MASH position to non GF function	Housing	\$14,438	\$28,876
18	Reduce Summer Rose Program stipend from \$1,200 to \$600	Housing	-	\$105,000
19	Increase General Fund Transfer from Power Fund by 2% in FY2012 and 1% in FY2013	City Manager	\$3,172,103	\$1,586,052

Attachment A

Item #	Recommended Items	Department	FY 2012	FY 2013
M-1	More aggressively pursue Business licensing compliance with mobile businesses such as gardeners, mobile food cart/trucks, construction, doctors, etc.	Finance	\$60,000	\$125,000
M-2	Misc Administrative changes available one-time	Housing	\$23,500	
	Total Recommended Budget Impact		\$4,302,662	\$4,582,523
	Not-Recommended Items			
20	Increase Parking fines/penalties by \$20 Note: Amount will be revised	Finance		\$350,000
21	Hold five sworn positions vacant: 1 Police Corp in Patrol 2 Police Officers in Special Enforcement 1 Police Officer in Crimes against Persons 1 Police Officer in Crimes Against Property	Police	\$300,000	-
22	Return to stricter enforcement of parking regulations	Transportation	\$500,000	\$1,000,000
23	Solicit advertising on ARTS buses and/or website	Transportation		\$50,000
24	Brown-out Fire Company when four or more absences occur	Fire	\$846,618	\$1,693,235
25	Eliminate After School Programs at 12 sites	Human Services and Recreation		\$1,197,850
26	Eliminate Flintridge Foundation Contract to serve as Institutional Home for Youth Violence Prevention	Human Services and Recreation		\$38,900
27	Consolidate Community Planning & General Plan Sections resulting in the reduction of 4 filled FTEs	Planning	-	\$478,331
28	Expand use of contract services to provide security and related services	Public Works/Police/ Library		\$517,130
	Total Not-Recommended		\$1,646,618	\$5,325,446
	Additonal Study Needed Items			
29	Relocate staff from non-City owned facilities to reconfigured City Hall	City Manager	Unknown	Unknown
30	Adjust medical benefits to cover what is actually needed and used e.g. employee or employee and dependents and only allow employees to receive 25% - 50% of allocated amount for deferred comp	Human Resources	Unknown	Unknown
31	Establish a benefits coalition for all represented group to standardize and control benefits costs	Human Resources	Unknown	Unknown

Attachment A

Item #	Recommended Items	Department	FY 2012	FY 2013
32	Cap EOBF at current rate	Human Resources		\$1,300,000
33	Employee pick up additioal 1% of the employee PERS including safety employees	Human Resources	Varies by Bargaining Group	Varies by Bargaining Group
34	New employees pay full 8% of PERS	Human Resources	Varies by Bargaining Group	Varies by Bargaining Group
M-3	Establishment of parking tax (percent of all parking receipts in public or private facilities). 10% tax would generate between \$2.5M and \$3.0M.	Transportation	-	\$2.5 to \$3 million

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 2012

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 power 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, on June 27, 2011, the City Council adopted Resolution No. 9130, which fixed an amount of funds to be transferred and ordered the advancement of certain funds from the Light and Power Fund to the General Fund; and

WHEREAS, to the extent the stated Annual Gross Electrical Retail Income and the amount of funds to be transferred differs between Resolution No. 9130 and this Resolution, the terms of this Resolution shall control,

WHEREAS, the Annual Gross Electrical Retail Income of the power utility for fiscal year 2011 was \$158,605,146; and

WHEREAS, pursuant to Section 1407 of the City Charter, the City Council desires to transfer 6.36 percent of the Annual Gross Electrical Retail Income (\$10,087,287) from the Light and Power Fund to the General Fund; and

WHEREAS, pursuant to Section 1408 of the City Charter, the City Council desires to transfer 3.64 percent of the Annual Gross Electrical Retail Income (\$5,773,227) from the Light and Power Fund to the General Fund.

WHEREAS, the total amount of the two transfers is \$15,860,514.

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 \$10,087,287. In accordance with the Charter an amount equal to 75% of this sum (\$7,565,465) 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 2012, 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, 2012 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 2012 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 \$5,773,227. In accordance with the Charter an amount equal to 75% of this sum (\$4,329,920) 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 2012, 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 10 percent of the Annual Gross Electrical Retail Income of the electric works as allowed by Sections 1407 (6.36 percent) and 1408 (3.64 percent) of the City Charter for fiscal year 2011, will not be detrimental to the functioning and administration of the power utility during fiscal year 2012.

Adopted at the regular meeting of the City Council of the City of Pasadena on the _____ day of _____, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mark Jomsky, CMC
City Clerk

APPROVED AS TO FORM:

Javan N. Rad
Assistant City Attorney