

Agenda Report

June 16, 2014

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Department of Finance
SUBJECT: **FISCAL YEAR 2015 OPERATING BUDGET ADOPTION**

RECOMMENDATIONS:

It is recommended that the City Council:

1. Close the public hearing and adopt by resolution the City's FY 2015 Operating Budget as presented in the May 12, 2014 City Manager's Recommended Budget or as subsequently amended during the budget hearing process; and
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund is 10 percent for FY 2015.

BACKGROUND:

On May 12, 2014, the City Manager submitted the Recommended Fiscal Year (FY) 2015 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. This budget represents the City's financial plan for FY 2015 and furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with the City's history, culture, and unique character. In addition to the City's anticipated operating revenues and expenses, the Recommended FY 2015 Budget includes the FY 2015 appropriations of the FY 2015-2019 Capital Improvement Program (adopted by the City Council on May 19, 2014) and the City's operating companies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

The Recommended FY 2015 Operating Budget was developed to meet the City Council's strategic goals, maintain a balanced General Fund budget, and address other current and future issues such as growing pension costs. Numerous other fiscal drivers, such as increasing personnel costs, slow revenue growth, aging infrastructure, and unfunded liabilities also contributed to the development of the recommended budget. The practice of conservative revenue estimates was also continued in the recommended budget's development. Unfortunately, the budget does not provide for significant replenishment of General Fund reserves that were used to address the impacts of the Great Recession.

The Recommended FY 2015 Operating Budget totals \$675.2 million, which includes an operating budget of \$540.7 million, capital appropriations of \$72.3 million, and appropriations of \$62.2 million for the City's three operating companies - Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation. Also included are General Fund appropriations of \$209.5 million and estimated General Fund revenue of \$209.6 million.

The Recommended Budget reflects a slight decrease from the previous year's adopted budget while also showing modest increases in funding for technology, direct service delivery, employee safety and training and continued investments to Pasadena's municipal infrastructure.

Modest revenue growth allows for a few funding enhancements in the recommended budget; however, there are limited discretionary opportunities to enhance City programs and services. Although City departments continue to identify and track millions of dollars in funding requests to meet the needs of our community, available funds continue to fall far short of need. This is exemplified by the fact that \$5 million of requests for FY 2015 could not be approved due to lack of funding.

Since May 12, 2014, the Finance Committee and City Council participated in three afternoon budget hearings reviewing the budgetary recommendations for all city departments and operating companies. Many questions and requests for additional information were raised during the hearings and written responses were presented. A summary of those questions and answers are attached (Attachment 5).

Included as Attachment 1 for additional information, is the FY 2015 City Manager's budget transmittal letter that was originally submitted with the budget documents. Attachment 2 includes a summary of city-wide Recommended FY 2015 Operating Budget appropriations and Full Time Equivalents (FTEs) by department and affiliated agency and estimated revenues by category. Also attached is a copy of the Five-year General Fund Financial Forecast and a summary of assumptions, which continues to be the basis for determining the long-term impact of financial decisions and planning.

Corresponding detail budget information has been available for public review at City facilities and posted on the City's website since May 9, 2014.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through adoption of the FY 2015 Recommended Budget.

FISCAL IMPACT:

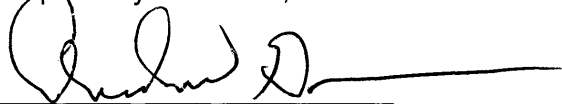
Recommended Budget Summary

	Appropriations	Revenues
Operating Budget		
General Fund	\$209.5 Million	\$209.6 Million
All Other Funds	<u>\$331.2 Million</u>	<u>\$534.6 Million</u>
Citywide Operating Costs	\$540.7 Million	\$744.2 Million
Capital Improvement Program	\$72.3 Million	\$72.3 Million
Operating Companies	<u>\$62.2 Million</u>	<u>\$62.2 Million</u>
Total:	<u>\$675.2 Million</u>	<u>\$878.6 Million</u>

FTEs

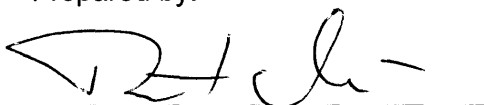
General Fund 945.4
All Funds 2,170.4 (includes 140 FTEs for affiliated agencies)

Respectfully submitted,




ANDREW GREEN
Director of Finance
Department of Finance

Prepared by:



Richard Davis
Budget Administrator

Approved by:

for 
MICHAEL J. BECK
City Manager

Attachments: (5)

- Attachment 1: FY 2015 City Manager Transmittal Letter
- Attachment 2: FY 2015 Operating Budget Revenues, Appropriations, and FTEs
- Attachment 3: General Fund 5-yr Financial Forecast
- Attachment 4: General Fund 5-yr Financial Forecast Summary of Assumptions
- Attachment 5: Summary of Follow-up Items