

Agenda Report

June 20, 2016

TO: Honorable Mayor and City Council
FROM: Department of Finance
SUBJECT: **AMENDMENTS TO FISCAL YEAR 2016 ADOPTED BUDGET
AND AMENDMENTS TO FISCAL YEAR 2017 ADOPTED
CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment and;
2. Amend the Fiscal Year (FY) 2016 Adopted Budget and;
3. Amend the FY 2017 Adopted CIP Budget as detailed in the following report.

BACKGROUND:

Throughout the fiscal year, budget amendments are necessary to account for unanticipated changes to the adopted budget. These revenue and appropriation amendments are presented to the City Council for its consideration.

This report includes proposed amendments to the FY 2016 Operating Budget and the FY 2017 CIP Budget. These proposed budget amendments fall into one of the following categories:

1. Appropriate expenditures for previously approved and reserved CIP projects;
2. Amendments to the FY 2016 budget based on information that was not available when the budget was presented to the City Council for adoption on June 22, 2015;
3. Recognize revenue and/or appropriate expenditures for funds not budgeted in previous fiscal years and are now necessary due to the implementation of the Tyler Munis Enterprise Resource Planning (ERP) System;

4. Amendments to the recently adopted FY 2017 CIP budget.

A discussion of each of the proposed budget amendments is included below. Additionally, Attachments B, C, D and E provide accounting details by fund and department for the FY 2016 Operating Budget and for the FY 2017 Approved CIP Budget.

FY 2016 AMENDMENTS

1. Appropriate expenditures for previously approved and reserved CIP projects

For better budgetary controls and to remove the appearance of an over-budget fund, appropriate dollars for previously approved CIP projects.

Police Department

a. In-Car Police Video

The following recommendation will increase the budget by \$239,700 – Supplemental Law Enforcement Fund and Public Safety Augmentation Fund CIP Reserved Fund Balance

In FY 2014, the City Council approved a transfer of \$300,000 to this CIP project; however, due to delays, only \$60,300 was expended. Staff is requesting that the City Council appropriate the balance of \$139,700 from the Supplemental Law Enforcement Fund CIP Reserved Fund Balance and appropriate expenditures of \$100,000 from the Public Safety Augmentation Fund CIP Reserved Fund Balance to the previously approved CIP project for in-car police video. This project provided replacement for the failing mobile audio/video system and included replacement/overhaul of in-car components. This item was approved on the Amendments to CIP agenda report dated March 24, 2014. The proposed action does not increase the overall cost of the project.

2. Amendments to the FY 2016 budget based on information that was not available when the budget was presented to the City Council for Adoption on June 22, 2015.

City Attorney/City Prosecutor Department

a. Outside Legal – General Fund Increase

Appropriate \$200,000 from the unappropriated fund balance of the General Fund to increase Outside Legal. This budget increase will address anticipated litigation, expert, transactional, and related legal fees that are contemplated in matters handled by outside lawyers. More complex and specialized legal services necessitate increased outside legal services to support in-house attorneys.

Department of Information Technology

b. ERP Project – General Fund and CIP Fund Increase

Decrease appropriations of \$100,000 from City Manager's Office operating budget and decrease appropriations of \$145,000 from the Finance Department's operating budget and appropriate \$200,000 from the General Fund unappropriated fund balance and transfer these amounts to the ERP project Phase 1A and 2. Additional temporary staff was onsite to support the Finance Department during the configuration and launch of the new Tyler Munis ERP System that went live on July 1, 2015. The majority of the additional support was unanticipated and a result of the embezzlement uncovered during the middle of the ERP project implementation in late 2014. The additional temporary staff assisted or filled-in for permanent staff responding to and incorporating recommendations from the KPMG report, Audit Task Force and Auditor recommendations affecting the legacy financial system and the new ERP system. Temporary staff also filled vacancies within the Finance Department to maintain operations in two financial systems and to support the annual year-end audit processes. The cost of the additional temporary staffing support totaled \$445,000. Total costs to date on the project are \$5,587,663 and the total approved budget as of FY 2017 Approved CIP is \$8,261,358.

Housing and Career Services Department

c. **Property Acquisition at 1015 N. Lake – Other Housing Funds**

On January 27, 2014, the City Council approved and appropriated \$167,000 for the Pasadena Enterprise Center (PEC) to cover due diligence costs and the repayment of the County of Los Angeles Community Development Commission (LACDC) loan. The Housing Department expended only \$5,060 on structural and risk assessment costs and requests appropriation of the \$161,840 balance from the unappropriated fund balance of the Other Housing Funds to cover due diligence costs related to the City's acquisition of the real property located at 1015 N. Lake Avenue. The total project cost is unchanged.

d. **Refund of Inclusionary In-Lieu Fees for Montana II Project – Inclusionary Housing Fund**

Appropriate \$819,000 from the unappropriated fund balance of the Inclusionary Housing Funds to refund inclusionary in-lieu fees for the Montana II project located at 380 E. Union Street that was paid in 2005. The developer, MS Property Company, submitted a written request to the Office of the City Manager for a refund. The project was not completed. Provisions for the refund comply with the Inclusionary Housing regulations section IV.A.2 and the refund payment has been made. The proposed action will allow the budget to reflect this action.

Human Resources Department – PrideShare Program

e. **Prideshare Program Expense Correction – General Fund**

Decrease appropriations of \$86,479 from the PrideShare program. On the April 11, 2016 agenda report to amend the 2016 Adopted Budget, the Air Quality Management District (AQMD) Fund increased its appropriations for the City's PrideShare program and reduced the transfer to the General Fund. The General Fund reduced revenue, but due to administrative oversight, the corresponding expenditure budget was not reduced. This action will correct the omission.

Human Services and Recreation Department

- f. McKinley School Gym – City of Pasadena’s Contribution – General Fund Reserved Fund Balance

Appropriate expenditures of \$1,250,000 from the General Fund reserved fund balance for a previously approved Joint Use Facilities Agreement between the City of Pasadena and the Pasadena Unified School District for the construction and use of the McKinley School Gymnasium. This action was approved on the February 21, 2012, Joint Use Facilities Agreement Agenda Report. The project is complete and the City has made payment to PUSD. The proposed action will allow the budget to properly reflect this.

- g. Donations for Survival Guide – General Fund

Recognize revenue of \$1,000 for donations from various donors solicited by the Commission on the Status of Women and appropriate expenditures of like amount for the printing of the bi-annual Survival Guide. This guide is a directory of available social services.

- h. Farmers Market Donation – General Fund

Recognize revenue of \$15,486 for a donation from the operator of the Farmers Market and appropriate expenditures of the same amount. The funds received are in addition to the \$25,000 contracted amount with the Farmer’s Market. These funds will be used for games and art supplies for the Senior Day Camp, games and arts and craft supplies for 12 after school sites, water safety equipment for the aquatics program, sports equipment, tables and chairs for summer camp, youth sports, and special events.

Planning and Community Development Department

- i. Recognize Revenue and Appropriate Expenditures for Getty Summer Multicultural Internship Grant – Cultural Arts Trust Fund

Recognize revenue of \$5,000 for a grant from the Getty Foundation for the Getty Summer Multicultural Internship Grant. Appropriate expenditures of \$5,000 for intern honoraria and for supplies. On March 17, 2016, the City of Pasadena, Cultural Affairs Division, was notified of the grant award from the Getty Foundation.

Police Department

j. Outfit New Police Vehicles with Technology – General Fund and Fleet Fund

Decrease appropriations by \$200,000 from the Police Department's General Fund operating budget and transfer the same to the Fleet Maintenance Fund for the cost to outfit the recently purchased vehicles with in-car video and mobile data computers. The Police Department will use salary savings from vacancies to fund the additional monies needed to outfit ten vehicles. The City will salvage the old vehicles and funds received will be returned to the Fleet Fund Reserve.

Successor Agency to the PCDC Department

k. Recognize Revenue and Appropriate Expenditures – Redevelopment Property Tax Trust Fund and Off-Street Parking Fund

Recognize revenue of \$2,063,248 in the Redevelopment Property Tax Trust Fund and transfer the same to the Off-Street Parking Fund. The State has recognized the Old Pasadena Parking Garage bonds as enforceable obligations and as such, remits the annual debt service payment on the bonds to the Successor Agency as part of the annual Recognized Obligations Payments Schedule (ROPS) remittance. The Successor Agency then transfers the money to the Off-Street Parking Fund.

Transportation Department

l. Recognize Revenue and Appropriate Expenditures – Off-Street Parking Facilities Fund and General Fund

Transfer \$1,979,903 in the Off-Street Parking Facilities Fund to the General Fund representing repayment of debt service paid by the General Fund on behalf of the Off-Street Parking Facilities Fund for the Old Pasadena Garages.

m. Master Lease Purchase Agreement – Old Pasadena Parking Meter Fund and Civic Center Parking Meter Fund

Transfer \$9,864 from the unappropriated fund balance in the Old Pasadena Parking Meter Fund to the Civic Center Parking Meter Fund for the annual payment of the Master Lease Purchase Agreement for six meters that were paid by the Civic Center Parking Meter Fund but were installed in the Old Pasadena Meter District.

Water and Power Department

n. Reduce Revenue In Wholesale Energy Sales – Light and Power Fund

Reduce revenue of \$2,500,000 for Wholesale Energy Sales in the Light and Power Operating Fund due to lower than expected wholesale energy activity, primarily due to low market prices.

o. Reduce Appropriations for Fuel Burned for Wholesale Energy – Light and Power Fund

Reduce appropriation of \$2,500,000 for fuel burned for wholesale energy in the Light and Power Operating Fund due to lower than budgeted sales and market prices.

p. Increases in Purchased Water – Water Operating Fund

Recognize \$2,818,000 in Water Commodity revenue, appropriate \$2,768,000 for purchased water and \$50,000 for purchased power in the Water Operating Fund due to higher than expected retail sales compared to the adjusted FY 2016 budget. This is primarily due to projected sales based on a 28 percent conservation target for Pasadena compared to actual sales, which are now projected to be higher than the conservation target.

q. Recognize Revenue Due to Increased Water Retail Sales – Water Operating Fund

Recognize \$1,706,000 in Water Capital Improvement Charge (CIC) revenue as a result of the water retail sales increase and a CIC rate increase effective February 2016. The increase in CIC revenue will be used to fund water capital projects such as distribution main replacement, water meter replacements, fire protection system improvements, and reservoir upgrades.

r. Monk Hill Treatment Plant – Water Operating Fund

Reduce revenue of \$1,200,000 for Jet Propulsion Laboratory (JPL) Reimbursements and reduce appropriated expenditures of \$1,200,000 for Other Contract Services in the Water Operating Fund due to a decrease in chemicals and filtering materials. Monk Hill Treatment Plant produced less treated water than expected resulting in lower water treatment expenses which are reimbursable by JPL. Reduced water production was the result of lower groundwater levels in the Monk Hill basin due primarily to ongoing drought conditions.

Rose Bowl Operating Company (RBOC)

s. Miscellaneous Budget Adjustments

Recognize revenues in the amount of \$9,193,787 and appropriate \$8,065,877 in additional expenses to the RBOC's FY 2016 budget. The additional revenues are the result in part from the addition of four special/major events that took place in the spring and higher than anticipated event revenues generated by increased quality of events and number of events. The increased appropriations are mainly comprised of the corresponding, additional event-related expenses and for non-event expenses such as higher utilities, internet services, Music & Arts Festival studies, and ongoing routine maintenance of the newer "Pavilion" complex, early commissions and incentives on extended contracts for premium seating.

3. Recognize revenue and/or appropriate expenditures for funds not budgeted in previous fiscal years and are now necessary due to the implementation of the Tyler Munis ERP System.

a. General Fund Projects Fund (Billable Fund)

To correct accounting noted by outside auditors, need to properly recognize revenue and appropriate expenditures for billable account dollars. Recognize \$2,908,656 in revenues for billable projects and appropriate \$2,980,822 in expenses for the work performed on billable projects.

b. Library Equipment Replacement Shared Fund

For better budgetary controls, appropriate expenditures of \$182,357 from the unappropriated fund balance of the Library Equipment Replacement Fund for the purchase of library books and subscriptions.

FY 2017 AMENDMENTS

4. Amendments to the Recently Adopted FY 2017 Capital Budget

a. Police Department – Mobile Data Computer (MDC) Replacement (71159)

Decrease appropriations by \$180,000 from the Police Department's General Fund and transfer the same amount to the MDC Replacement capital project to replace 60 computers. The MDCs currently installed in police vehicles have reached the end of their useful life and replacement will maintain effective operations. MDCs are used to aid in the response to emergencies and can collect and transmit data while in the field.

b. Police Department – Indoor Firing Range (71809)

Decrease appropriations by \$500,000 from the Police Department's General Fund and transfer the same amount to the Indoor Firing Range capital project. The indoor firing range was closed in June 2015. Police personnel are using an alternative facility outside of Pasadena for their required gun training. The facility needs installation of air dams to modify ventilation air flow and abatement of lead and heavy metal contamination. These funds will enable the range to re-open for use.

c. Transportation Department – Detection of Bicycles at Intersections (75043)

Appropriate expenditures of \$75,000 from unappropriated fund balance of the Traffic Impact Fee fund to cover contract and administration costs. This project consists of the installation of bicycle detections at various signal controlled intersections. The contract was approved by the City Council on May 16, 2016, Contract Award to Crosstown Electrical Agenda Report.

COUNCIL POLICY CONSIDERATION:


The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through monitoring of the FY 2016 Adopted Budget and by implementing necessary amendments.

FISCAL IMPACT:

Approval of the proposed budget amendments will increase FY 2016 total authorized operating appropriations across multiple funds by \$18,440,916; will increase revenues across multiple funds by \$20,464,100; and will increase unappropriated fund balance across all funds by \$2,023,184 as detailed in *Attachment A: Summary of Proposed Budget Amendments*. Currently the General Fund unappropriated fund balance is \$7,044,976; with the proposed net increase of \$416,382 the unappropriated fund balance will be \$7,461,358.

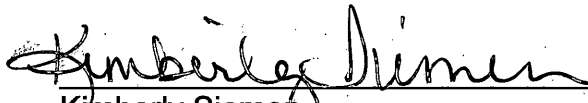
Line item detail of all revenue and expense amendments is provided in *Attachments B-E, Detail of Proposed Budget Amendments*. The budget amendments included in this agenda report are not anticipated to impact existing FY 2016 budgeted indirect costs and support costs such as maintenance and IT support.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
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Approved by:



STEVE MERMELL
Interim City Manager

Attachments: (5)
Attachment A: Summary of Proposed Budget Amendments
Attachment B: Detail of Previously Approved CIP Projects
Attachment C: Detail of Proposed Budget Amendments
Attachment D: Detail of Funds not Previously Budgeted
Attachment E: Detail of Proposed FY 2017 CIP Budget Amendments