



Agenda Report

April 23, 2018

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Department of Finance
SUBJECT: **AMENDMENTS TO FISCAL YEAR 2018 ADOPTED OPERATING 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) 2018 Adopted Operating Budget as detailed in the *Proposed Budget Amendments* section of this report.

BACKGROUND:

Throughout the fiscal year, budget amendments are necessary to account for unanticipated changes to the adopted budget. This agenda report includes proposed amendments to the FY 2018 Operating Budget based on information that was not available when the operating budget was presented to the City Council on June 19, 2017.

An explanation of each proposed budget amendment is included in the *Proposed Budget Amendments* section of this report. As detailed in *Attachment A*, approval of the proposed budget amendments will decrease FY 2018 total authorized operating appropriations across multiples funds by a net amount of \$550,912.

Proposed Budget Amendments

- 1. Outside Legal Services** – The Finance Department recommends appropriating expenditures of \$250,000 in the General Fund from the General Fund unappropriated fund balance to the City Attorney’s budget for Outside Legal Services. Current budget is \$750,000 for Outside Legal Services but, expenditures are forecasted to be over \$1,400,000 including \$250,000 in open invoices and the anticipation that Outside Legal Services will incur at least \$250,000 more before fiscal year end due to an upcoming trial. The last two years, Outside Legal Services expenses average \$1,154,000 a year. The department is forecasted to have approximately \$400,000 in salary savings from a couple vacancies during in the fiscal year that will offset some of the need for additional funds. There is also a recent increase in the volume and complexity of matters handled by the City Attorney’s office, particularly in civil litigation matters. Additionally, there is an increased need for delivery of legal services based on legitimate needs of the City Council and client departments, as well as the vacancy of one civil lawyer position for half of this fiscal year, all requiring significant increased use of outside lawyers.
- 2. Carryforward Funding for Homeless Assistance and Prevention Activities** – The Housing and Career Services Department recommends appropriating \$250,000 from unappropriated fund balance in the Housing Successor Fund for homeless prevention programs. In April 2016, the City Council approved the allocation of \$250,000 of Housing Successor Funds for homeless assistance and prevention activities. This allocation was recognized in the FY 2016 budget. Subsequent to the contracting process, these funds were awarded in FY 2017 for contracts that began in FY 2018. These contracts are now active and the unspent funds should be carried over to FY 2018.
- 3. Carryforward Funding for Pasadena Enterprise Center (PEC) Escrow Costs** - The Housing and Career Services Department recommends appropriating \$155,340 in unappropriated fund balance in the Other Housing Fund to carry forward funds from FY 2017 to FY 2018 for due diligence costs related to acquisition of the real property at 1015 N. Lake Avenue. Originally, the City Council approved \$167,000 for the PEC building in FY 2014, which the Housing and Career Services Department carried forward to FY 2017, but did not carryforward to FY 2018. This action will recognize and carry forward to FY 2018 the balance of \$155,340 so that the Housing and Career Services Department can draw the funds to close escrow.
- 4. Community Development Block Grants (CDBG) – MASH Program Reduction** - The Housing and Career Services Department recommends reducing revenue and unappropriating expenditures of \$125,000 in the CDBG Fund – MASH program. Per the action by the City Council on February 26, 2018, the CDBG Annual Action Plan was amended to reduce the funding allocated to the Pasadena Single Family Residential Rehabilitation project of the Department’s MASH program. This program was originally budgeted for \$650,000 in CDBG funds to perform lead-based paint stabilization, and install

solar panels on single-family residences. Based on current projections, the project is on pace to expend \$525,000 in CDBG funds for the program year. The MASH program did not expend all of its budgeted CDBG funds because it performed more fee-for-services work than anticipated including rehab of the El Centro building and turf termination work in partnership with Pasadena Water and Power. The City will not be losing the \$125,000 as it was already reallocated/reappropriated to the PEC building. As a result, no additional available CDBG funds are available for projects such as sidewalk repair.

- 5. Humanities for All Quick Grant Award** – The Human Services and Recreation Department recommends recognizing \$5,000 in grant revenue from California Humanities for the state program “Time Travel”, which broadens awareness and deepens understanding of issues relevant to California and the Pasadena community, and appropriating expenditures of the same amount in the department’s La Pintoresca Teen Education Center FY 2018 Operating Budget.
- 6. Rose Bowl Operating Company (RBOC)** - RBOC recommends recognizing revenue in the amount of \$11,866,589 and appropriating \$10,660,337 in additional expenses for the RBOC’s FY 2018 operating budget. These additional revenues are mainly the result of \$6.9 million for Capital Investment/Contribution income and the remaining from three additional special/major events that will take place in May 2018 (two Taylor Swift concerts and a men’s national soccer game). The increased appropriations are similarly split between operating and capital corresponding to the aforementioned concerts and soccer game.

COUNCIL POLICY CONSIDERATION:

The City Council’s strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the FY 2018 Adopted Operating Budget and by implementing necessary budget amendments.

FISCAL IMPACT:

As detailed in *Attachment A*, approval of the proposed budget amendments will decrease FY 2018 total authorized operating appropriations across multiple funds by a net amount of \$550,912. The General Fund's unappropriated fund balance will be decreased by \$250,000.

The budget amendments included in this agenda report are not anticipated to impact existing FY 2018 budgeted indirect and support costs such as maintenance and DoIT support.

Respectfully submitted,



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Approved by:



STEVE MERMELL
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Attachments: (1)

- 1) Attachment A: Summary of Proposed FY 2018 Budget Amendments