



Agenda Report

June 18, 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 adopted by 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 have a net impact of \$700,224 in additional appropriations across multiples funds.

Proposed Budget Amendments

1. **Transfer of Personnel and Other Savings** – The Finance Department recommends transferring appropriations of \$1,075,000 within the General Fund from departments projected to have significant personnel and other savings to two departments that will not be able to absorb their projected personnel overages – a net-zero impact. Overall, the General Fund budget for personnel is trending to finish FY 2018 under budget by approximately \$700,000 or 0.46%; however, the results of individual departments vary significantly. In reviewing the year-end forecast, the City Council and Fire Departments will require transfers of appropriations; rather than utilize fund balance and potentially put the City in worse financial position, staff recommends transferring funds from departments who have underspent in order to maintain adequate budget at the department level. As mentioned during the Fire Department's FY 2019 budget presentation, personnel costs for position coverage have trended over budget for several years – warranting an additional \$1.0 million in the FY 2019 budget. A recommendation to transfer in \$1.0 million to the Fire Department budget will ensure adequate funding for FY 2018. The second department involves the City Council's budget. Since the number of personnel charged to this budget is relatively small and the vacancy factor is essentially zero, a transfer in of \$75,000 is recommended to ensure the overall department does not go over budget. In order to offset the amounts for these two departments, corresponding transfers out from the Human Services and Recreation, Public Works, City Manager and non-departmental budgets are recommended. These recommended transfers are routine in nature and will likely be more common in future years as we continue to tighten the overall budget. These transfers will not affect future appropriations, nor are they intended to give authority to departments to overspend annual appropriations.
2. **Outside Legal Services** – The City Attorney/City Prosecutor Department recommends appropriating expenditures of \$750,000 in the General Fund from the General Fund unappropriated fund balance for Outside Legal Services. Outside Legal Services expenses had averaged \$1,154,000 annually for the past two fiscal years, and the City Council originally appropriated \$750,000 in the current fiscal year. During the third quarter budget adjustments in April 2018, staff advised the City Council that expenses were projected to be over \$1.4 million for the fiscal year, and the Council approved a \$250,000 budget amendment, increasing the Outside Legal Services budget to \$1.0 million. The anticipated expenses will in fact exceed \$1.4 million, due to higher volume and complexity of cases, vacancy of a civil lawyer, and variable legal needs of the City Council and client departments. The extent of the need to increase the budget to this level recently became apparent and this final FY 2018 budget amendment should result in an appropriate budget amount for the department.
3. **Purchased Water** – The Pasadena Water and Power Department recommends recognizing revenue and appropriating expenditures of \$600,000 for purchased water in the Water Operating Fund. Due to a warmer than normal winter season, the actual amount of retail sales and the associated cost of purchased water

have been higher than expected compared to the FY 2018 budget. The recommended additional revenue and appropriations will realign budget to actuals.

4. **New Libraries Illuminated Grant Award (Southern California Library Cooperative)** – The Libraries and Information Services Department recommends recognizing revenue of \$24,860 to the Library Services Fund. The Southern California Library Cooperative awarded the department grant funding for the expansion of hands-on technology and STEAM (Science, Technology, Engineering, the Art and Mathematics) based learning opportunities to patrons through the addition of laptop computers and Oculus equipment (virtual reality). With the new technology, the department will be able to leverage high-speed Internet connections to provide a variety of programs allowing for direct, hands-on learning, which include: coding lessons for kids and teens, 3-D modeling workshops and GIS systems learning. There are sufficient appropriations within the existing budget to cover the expenditures associated with this grant award.
5. **New Mental Health Initiative Grant Award (California State Library)** – The Libraries and Information Services Department recommends recognizing revenue of \$15,916 to the Library Services Fund. The California State Library through its Mental Health Initiative awarded the department grant funding to support the equivalent of four months salary for the Library Care Navigator position, which in partnership with the Public Health Department, assists with the homeless population at various library locations. There are sufficient appropriations within the existing budget to cover the expenditures associated with this grant award.
6. **New Mental Health Initiative/Mental Health Resource Fair Grant Award (California State Library)** – The Libraries and Information Services Department recommends recognizing revenue of \$9,000 to the Library Services Fund. The California State Library awarded the department grant funding for a Mental Health Resource Fair to provide the community with resources and opportunities to better understand mental illness and spread awareness about mental health services in Pasadena. This second annual fair will consist of experiential workshops to cope with mental illness, address problems that children, teens and adults with mental illness face, connect with community resources and learn more about mental illness and treatment. There are sufficient appropriations within the existing budget to cover the expenditures associated with the fair, which will take place before fiscal year-end.

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 increase FY 2018 total authorized operating appropriations across multiple funds by \$1,350,000. These increased costs will be offset through increased revenues of \$649,776.

The unappropriated fund balance of the General Fund will decrease by \$750,000.

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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Attachment: (1)

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