



Agenda Report

June 18, 2018

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: ADOPTION OF FISCAL YEAR 2019 OPERATING BUDGET

RECOMMENDATIONS:

It is recommended that the City Council:

1. Close the public hearing and adopt by resolution the City's Fiscal Year 2019 Operating Budget as presented in the May 21, 2018 City Manager's Recommended Budget with the following revisions:
 - a. Defund but retain the five Police Officer positions recommended for reduction.
 - b. Increase recommended revenues in the Library Special Tax Fund by \$108,431 per consultant's estimate.
 - c. Reduce recommended revenues in the Water Fund by \$1.7 million based on projected retail sales.
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund is 10 percent of gross revenues from retail sales for Fiscal Year 2019.
3. Direct the City Attorney to prepare an amendment to Pasadena Municipal Code Section 2.268.020, moving responsibility for the Foothill Workforce Development Board to the City Manager's Office from the Housing Department.

BACKGROUND:

On May 7, 2018, the City Manager submitted the Recommended Fiscal Year (FY) 2019 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 2019 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 FY 2019 Recommended Budget includes the FY 2019 appropriations for the FY 2019-2023 Capital Improvement Plan (adopted by the City Council on May 7, 2018) and the City's affiliated agencies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

Since May 7, 2018, the Finance Committee and the City Council conducted four joint meetings to consider the recommended budget (May 14; May 21; June 4; and June 11, 2018). The recommended operating budgets for City departments and affiliated agencies were reviewed and discussed. Many questions and requests for additional information were posed by the City Council during the budget hearings, and written responses were provided by staff. Under separate cover, the City Manager is transmitting this additional follow-up information.

The Recommended FY 2019 Operating Budget addresses the City Council's strategic goal to maintain fiscal stability and to address aging infrastructure, unfunded liabilities, and maintain adequate reserves. To balance the General Fund Operating Budget for the upcoming fiscal year, staff has identified \$500,000 in projected new Transient Occupancy Tax (TOT) revenues associated with the approval of land-use regulations for short-term rentals. Another \$732,000 represents a reduction in debt service payments related to payoff off a prior financing and the shifting of the costs from the General Fund to other funds where the expenses are more appropriate. The balance of recommendations to close the General Fund budget gap are departmental budget reductions totaling \$2.349,000 that include the elimination or defunding in the case of Police Officer positions, of 14.8 Full-Time Equivalent positions in various City departments, all of which are currently vacant.

Non-Departmental	
Projected increase in TOT revenues	\$500,000
Reduction in debt service payments	\$731,979

Shifting of costs from General Fund to non-General Fund	
Costs of 2.0 FTEs in Planning Department to Building Fund	\$247,837

Departmental Reductions – all position reductions are currently vacant	
City Attorney – eliminate 1.0 Deputy City Attorney	\$174,192
City Manager – eliminate 1.0 Management Analyst IV (partial funding)	\$77,488
City Manager – reduce business support resources for economic development	\$100,000
Fire – eliminate 1.0 Battalion Chief	\$246,396
Fire – eliminate 1.0 Office Assistant	\$56,374

Human Resources – reduce printing budget	\$30,000
Human Services & Recreation – eliminate 1.0 Community Service Representative III	\$70,705
Human Services & Recreation – eliminate 0.80 Adaptive Recreation Specialist	\$68,749
Human Services & Recreation – reduce support for community events	\$31,500
Police – defund but retain 5.0 Police Officers	\$694,927
Police – eliminate 3.0 Parks Security Rangers	\$246,339
Public Works – eliminate 1.0 HVAC Technician	\$106,341
Public Works – reduce contract services and materials and supply budget	\$198,260
Total	\$3,581,087

During the public hearing process two departments identified adjustments to the original submission of the Recommended FY 2019 Operating Budget.

- Libraries and Information Services: increase recommended revenues in the Library Special Tax Fund by \$108,431 per consultant's estimate.
- Pasadena Water and Power: reduce recommended revenues in the Water Fund by \$1.7 million based on projected retail sales.

Attachment 1 summarizes citywide Recommended FY 2019 Operating Budget Appropriations by department and affiliated agencies. Attachment 2 is the General Fund Five-Year Financial Forecast based on the current proposed budget, which continues to be the basis for determining the long-term impact of financial decisions and planning.

Regarding recommendation number 2, pursuant to Pasadena Municipal Code Section 4.1 00.020, the maximum aggregate amount available for transfer pursuant to Sections 1407 and 1408 of the City Charter from the Light and Power Fund to the General Fund shall be calculated by multiplying the annual gross electric retail income by 8 percent for a maximum amount of 16 percent, and comparing the amount so calculated to the accrual year's actual net income. The City Council shall by resolution transfer the lesser of the two amounts. Notwithstanding the foregoing, the City Council may transfer an amount other than 8 percent pursuant to Section 1407 and another 8 percent pursuant to Section 1408 by resolution if it determines that it would not be detrimental to the functioning and administration of the power utility during the budget year under consideration.

For FY 2019, staff is recommending the City Council adopt a resolution transferring a total amount equal to 10 percent of estimated gross revenues, or \$17,826,743.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through adoption of the FY 2019 Recommended Budget.

FISCAL IMPACT:

TOTAL BUDGETED APPROPRIATIONS (INCLUDING AFFILIATED
in millions

	FY 2017 Actuals	FY 2018 Adopted	FY 2019 Recommended
General Fund	\$235.1	\$236.7	\$245.6
All Funds	\$786.9	\$782.9	\$815.1

FULL TIME EQUIVALENT POSITIONS (INCLUDING AFFILIATED

	FY 2017 Actuals	FY 2018 Adopted	FY 2019 Recommended
General Fund	1,002.55	983.75	972.91
All Funds	2,218.60	2,171.26	2,179.57

Respectfully submitted,


MATTHEW E. HAWKESWORTH
Director of Finance
Department of Finance

Approved by:


STEVE MERMELL
City Manager

- Attachments: (3)
Attachment 1: FY 2019 Appropriations by Department
Attachment 2: General Fund Five-Year Financial Forecast and Summary of Assumptions
Attachment 3: Summary of Follow-up Items