

Agenda Report

July 27, 2020

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: CITY MANAGER AND CITY CLERK
SUBJECT: **ADOPTION OF RESOLUTIONS RELATED TO THE SUBMITTING OF THE PASADENA CITY SERVICES PROTECTION MEASURE TO VOTERS AT THE NOVEMBER 3, 2020 GENERAL MUNICIPAL ELECTION**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) as defined in Section 21065 and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;
2. Adopt a resolution of the City Council of the City of Pasadena calling a General Municipal Election of the City of Pasadena on Tuesday, November 3, 2020, for the submission of a Pasadena City Services Protection Measure;
3. Adopt a resolution of the City Council of the City of Pasadena setting priorities for the filing of written arguments pertaining to the Pasadena City Services Protection Measure; and directing the City Attorney to prepare an impartial analysis; and
4. Adopt a resolution of the City Council of the City of Pasadena providing for the filing of rebuttal arguments.

EXECUTIVE SUMMARY

In 1906 the City of Pasadena established the Municipal Light and Power Department. This gave the City a locally controlled power plant that would provide necessary electricity for residents and businesses. As a community owned utility, Pasadena's customers have enjoyed the benefits that support the City's infrastructure and essential services like fire, paramedics, public safety, programs for the health of our community, even amid medical emergencies, natural disasters and federal and state budget cuts. This support is made possible through the annual operating budget adoption process

where a set percentage of revenues is transferred from the Power Fund to the General Fund as defined in the City Charter.

A ballot measure is being proposed that will protect and preserve this transfer so that general fund services can continue. Over the past several years just under \$18 million was transferred annually from the Power Fund to the General Fund.

Proposed Ballot Measure Language

Following, is the full text of the Pasadena essential services protection ballot measure question:

Pasadena City Services Protection Measure Shall the measure maintaining 911 response, fire, paramedic, public health, senior and homeless services, street repairs, and other services by amending the City Charter to continue collecting in electric rates and maintain the longstanding transfer, limited to 12% gross revenue, providing \$18,000,000 annually to Pasadena's General Fund that does not increase taxes or utility rates until ended by voters, requiring financial audits with all funds locally controlled benefitting Pasadena residents, be adopted?	YES	
	NO	

Adoption of Resolutions

Adoption of the three recommended resolutions will accomplish the following: (1) call the City of Pasadena General Municipal Election for the purpose of submitting the Pasadena City Services Protection Measure to City voters; (2) set priorities for the filing of written arguments for the measure, and direct the City Attorney to prepare an impartial analysis for the measure; and, (3) allow for the filing of rebuttal arguments.

BACKGROUND:

A crucial function of local government is providing essential services for residents and businesses. These services include paramedics, 911 response, public health and safety programs, roadways, parks, homelessness and housing programs, senior services, after-school programs and libraries, which are all critical to Pasadena's thriving community. Through the General Fund, the City provides these and many other essential services, which are the foundation of Pasadena's long-standing mission of being "dedicated to delivering exemplary municipal services responsive to our entire community and consistent with our history, culture and unique character."

The General Fund is the City's primary operating fund and is supported by several revenue sources including sales and property taxes, license fees, permit fees, charges for services, fines, and investment earnings, to name a few. Additionally, a significant in-house revenue source for the General Fund is the annual transfer from the Water and Power Department's Light and Power Fund.

Under Section 1404 of the City Charter, all money received by the City's electric utility for providing electrical service must be deposited in the Light and Power Fund; however, Charter Sections 1407 and 1408 permit a combined annual transfer to the General Fund of up to sixteen (16%) percent of the electric utility's gross income received during the prior fiscal year, not to exceed its net income. This is to help ensure that the General Fund Transfer ("GFT") provides necessary annual funding for maintaining essential services without compromising the financial health of the City's electric utility. Of the 16 percent that may be transferred, up to 8 percent may be used for any municipal purpose and the remaining 8 percent is restricted for municipal improvements and bond redemption.

The amount of money transferred varies year-to-year depending on: 1) the electric utility's net income after expenses from the previous fiscal year; and 2) the amount that the City Council determines is not detrimental to the proper functioning and administration of the utility during the budget year under consideration.

Table I displays the amount transferred from the City's Light and Power Fund to the General Fund during last 10 fiscal years ("FY") expressed in dollars and as a percentage. Since FY 2015, the GFT rate has remained at 10 percent, well below the 16 percent cap.

Table I

Light and Power Fund Historical GFT			
Transfer Year	Prior FY Revenues	GFT Amount	GFT%
FY 2011	\$159,279,408	\$12,742,353	8%
FY 2012	\$158,605,146	\$15,860,515	10%
FY 2013	\$156,588,498	\$14,092,965	9%
FY 2014	\$161,598,468	\$14,577,612	9%
FY 2015	\$159,748,797	\$15,974,880	10%
FY 2016	\$171,849,190	\$17,184,919	10%
FY 2017	\$173,713,266	\$17,371,327	10%
FY 2018	\$168,466,348	\$16,846,635	10%
FY 2019	\$176,088,131	\$17,608,813	10%
FY 2020	\$173,146,246	\$17,314,625	10%

The City Council adopted the FY 2021 Operating Budget during the June 15, 2020 City Council meeting. This action included adoption of a resolution for a FY 2021 GFT of \$18 million. This amount is approximately 9.8 percent of the estimated annual gross electric retail revenue for FY 2020.

In recent years, the City's ability to maintain essential services has become more difficult as a result of reduced overall revenues and increased operating costs. This issue has been exacerbated by the economic impacts of the COVID-19 pandemic. As noted in Update of the Financial Impact of COVID-19 presented to the Finance Committee on July 23rd revenue losses between FY 2020 and FY 2021 are projected at \$30.4 million. Further, it remains unclear how pronounced the pandemic's long-term economic impacts will be on the City's electric utility and the City as a whole.

The GFT has remained between 8 and 10 percent for the past 10 years. In keeping with this historically-consistent amount while further safeguarding the financial health of the City's electric utility, the proposed essential services protection ballot measure will reduce the maximum GFT from 16 percent to 12 percent.

Specifically, the proposed measure would amend the City Charter and allow the City to continue collecting revenue through electric rates and to transfer up to 12 percent of electric utility gross income annually to the General Fund. At the current rate, voter

approval of the measure would provide up to \$21 million annually to Pasadena's General Fund, and continue to allow all transfers to be used for any municipal purpose. Note: This figure would change year-to-year based on fluctuations in annual gross electric retail revenues and net income.

If the GFT is eliminated, the City would need to reduce local services and programs equivalent to a loss of up to \$18 million. This would unquestionably jeopardize numerous essential services the City provides to the community, and would undermine the City's fiscal stability in a time of economic uncertainty.

General Fund Transfer and Voter Approval

Since 1934, the Pasadena Charter provisions calling for the annual transfer of funds have previously gone to and been passed by voters a combined total of seven times thereby demonstrating decades-long commitment to community services. 1934 was the first time that Pasadena voters approved the bond transfer for the GFT and would do that again five more times (1938, 1968, 1972, 1976, 1993). Additionally, the unrestricted transfer has been approved by the voters a total of four times (1942, 1968, 1972, 1993) validating their pledge towards allocation of dollars. With the approval of this ballot measure, the Charter amendment would eliminate the bond transfer but would maintain the unrestricted transfer with a net lower percentage of net income.

Pending Litigation

In 2017, the City was served with a class action lawsuit, *Komesar v. City of Pasadena*, challenging the validity of Charter-authorized transfers from the Light and Power Fund to the General Fund, alleging the transfer is a new tax (subject to voter approval).

The lawsuit seeks a refund of the transferred monies and is also seeking a court order preventing the City from continuing the GFT going forward, until and unless the City obtains voter approval.

The City is vigorously defending the allegations. There is a November 18, 2020 trial date in the case. Staff recommends the City Council place the measure on the ballot, which would, if approved by voters, amend the Charter, to explicitly approve of (a) the past practice of funding the transfer from electric rates; and (b) such a practice on a going-forward basis.

As noted above, Pasadena voters have established and confirmed the transfer in the City Charter multiple times since 1934. However, to alleviate any potential loss and to maintain the current voter-approved funding, staff recommends the City Council place a Pasadena City Services Protection Measure on the November 3, 2020 ballot.

FISCAL IMPACT:

Based on estimates from the Los Angeles County Registrar-Recorder/ County Clerk, the following chart provides a breakdown of the projected election expenses, which include the run-off election for the Office of Mayor and the ballot measure:



Election Estimating Calculator

[Go to Election Estimate Home](#)

Select Estimate Type

Select Jurisdiction(s)

Estimated Result

The estimated cost is based on the cost factors below. **Any changes to the election cost factors will impact the final costs for your jurisdiction.**

If you need cost estimates for other elections or further assistance in using the cost estimate calculator, please contact our Election Billing team at electionbilling@rrcc.lacounty.gov.

CITY OF PASADENA

CITY OF PASADENA - At Large


<i>Voter Count</i>	<i>Rate Breakdown</i>	<i>Estimated Cost</i>
Registered Voters (RV)	89,239	
Permanent Vote By Mail (PVBM)	56,063	
<i>Election Operations (rate * (RV - PVBM))</i>		
	\$8.4952 * 33176	\$281,836.76
<i>Vote By Mail Processing (rate * PVBM)</i>		
	\$1.0116 * 56063	\$56,713.33
<i>Sample Ballot Processing and Printing</i>		
Office(s)/Seat(s) (rate * No. of Offices *(RV - PVBM))	\$0.0198 * 1 * 33176	\$656.88
Measures(s) (rate * No. of Measures *(RV - PVBM))	\$0.0198 * 1 * 33176	\$656.88
Measure Text (rate * No. of Text Pages for all measures *(RV - PVBM))	\$0.0790 * 8 * 33176	\$20,967.23
Voting Information (rate * No. of RV)	\$0.2470 * 33176	\$8,194.47
<i>Candidate Filing and Campaign Finance (rate * No. of Candidates)</i>		
	\$645.4390 * 0	\$0.00
Election Preparation Cost (Flat rate per jurisdiction)		\$6,211.75
CITY OF PASADENA TOTAL ESTIMATE		\$375,237.30

Sufficient funds are available in the City Clerk's Fiscal Year 2021 Operating Budget, Account No. 10113002-811400, to cover these expenses

Respectfully submitted,



STEVE MERMELL
City Manager



MARK JOMSKY, CMC
City Clerk

Resolutions:

Calling and Consolidating Election

Setting Priorities for the Filing of Written Arguments and Impartial Analysis

Providing for the Filing of Rebuttal Arguments