

# Agenda Report

**TO:** CITY COUNCIL **DATE:** May 19, 2003  
**FROM:** CITY MANAGER  
**SUBJECT:** Public Hearing – Fiscal Year 2004 Recommended Operating Budget

## **RECOMMENDATIONS:**

It is recommended that the City Council:

1. Open the public hearing on the City Manager's Recommended Fiscal Year 2004 Operating Budget; and
2. Continue this public hearing to each subsequent meeting of the City Council at 8:00 p.m. until June 23, 2003 or such other later date as the City Council may determine, and at which time the City Council will be asked to close the public hearing and formally adopt the Operating Budget.

## **BACKGROUND:**

The City of Pasadena Charter requires that the proposed Operating Budget for the upcoming fiscal year be submitted to the City Council on or before the third Monday in May. Through the above recommendation, the Council is requested to formally open the public hearing on the Recommended Operating Budget. Also, the budget is being presented to the City Council for review and referral to the Finance Committee. Attachment A reflects the current schedule for departmental budget reviews.

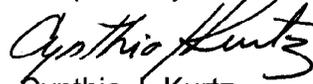
Following the review by the Finance Committee, a final Recommended Operating Budget will be presented to the City Council for adoption.

City Council  
May 19, 2003

**FISCAL IMPACT:**

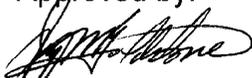
The fiscal impact for the fiscal year 2003 Operating Budget is detailed in Exhibit A in the budget document.

Respectfully submitted,



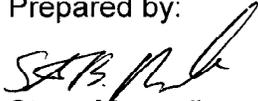
Cynthia J. Kurtz  
City Manager

Approved by:



Jay M. Goldstone  
Director of Finance

Prepared by:



Steve Mermell  
Budget Administrator

## City Manager's Transmittal Letter

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May 19, 2003

### To the Honorable Mayor and City Council Members of the City of Pasadena:

#### INTRODUCTION

It is my pleasure to submit to you the recommended fiscal year 2004 Operating Budget for the City of Pasadena. The following tables provide a comparison of the budget for the General Fund and all City Funds, as well as a summary of full-time equivalent positions for the City. The information is provided for the adopted fiscal year 2003 budget, the revised fiscal year 2003 budget that reflects budget amendments approved by the City Council during the fiscal year, and the recommended fiscal year 2004 budget.

Sufficient funds are available for fiscal year 2004 to support the recommended budget. In addition, the budget continues to fund the various City reserves in accordance with City Council policy. As was the case with the development of the fiscal year 2003 budget, the deficit at the state-level and the manner in which it is addressed is the greatest fiscal uncertainty facing the City. Accordingly, the proposed fiscal year 2004 Operating Budget has taken into consideration the possibility of a loss of revenue to the state and includes a plan to address these impacts once they are better defined.

#### **Total Appropriations**

	Adopted Fiscal Year 2003	Revised Fiscal Year 2003	Recommended Fiscal Year 2004
Operating Budget			
All Funds	\$439,767,485	\$441,186,920	\$468,436,678
General Fund	\$159,672,158	\$160,209,671	\$172,637,905

#### **Total Full-Time Equivalent Positions**

	Adopted Fiscal Year 2003	Revised Fiscal Year 2003	Recommended Fiscal Year 2004
Operating Budget			
All Funds	2,234.13	2,257.43	2,297.27
General Fund	1,057.81	1,067.76	1,066.90

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**ISSUES GUIDING THE DEVELOPMENT OF THE BUDGET**

**THE STATE BUDGET CRISIS**

On January 10, 2003 Governor Gray Davis proposed a \$96.4 billion state budget for the state's 2004 fiscal year. Included in the budget was a plan for addressing an estimated \$34.6 billion, 18-month deficit. As presented, the Governor's budget would have resulted in a loss to the City of nearly \$3 million in fiscal year 2003 and anywhere between \$7 and \$15 million in fiscal year 2004.

As a result of an inability in Sacramento to reach consensus on how to manage the state budget crisis, the City was able to avoid significant revenue reductions in fiscal year 2003. The state cannot afford to avoid the reckoning much longer as delays only increase the size of the deficit. The submission of the Governor's revised budget proposal, known as the "May Revise" is expected to signal the beginning of a more intense period of debate over the state budget as the Legislature works to meet the Constitutional deadline of passing a budget by June 15. However, given that even in relatively good years the state has failed to pass a budget by the deadline, the ultimate outcome and its affect on Pasadena may not be known until the fall. Staff is currently reviewing the May Revise budget proposal closely to determine how it would impact the City.

Nevertheless, because the state's deficit is so large, the City will almost certainly face some loss of revenue. Not knowing what that loss will be, has presented a particular challenge for developing the Recommended Operating Budget.

**The City's Response**

Fortunately the City began preparing early. In fiscal year 2002, the City reserved \$1.89 million in the General Fund against the possible loss of Vehicle License Fee backfill revenue. Another \$1.8 million was added to this Stabilization Reserve with the adoption of the fiscal year 2003 Operating Budget. And in March 2003, mid-year budget reductions totaling \$1.68 million in the General Fund were approved by the City Council, thereby bringing the Stabilization Reserve to \$5.37 million. Through other actions included in the Recommended Operating Budget and outlined later in this letter, the Stabilization Reserve will exceed \$8 million as the City enters fiscal year 2004. This amount is in addition to the normal reserve requirements established by the City Council.

The fiscal year 2004 Recommended Operating Budget utilizes a combination of the Stabilization Reserve, budget reductions and new General Fund revenues. The result is a balanced budget with a plan to address revenue loss/budget reductions in a phased approach that ensures the budget remains in balance.

The Recommended Operating Budget proposes using no more than one-half of the Stabilization Reserve for fiscal year 2004 (i.e., \$4 million) and only after the City knows what the impact will be on Pasadena as the result of the State's budget decisions. Although it may be tempting to maintain the City's current level of spending and plug any gap that may be created by a loss of local revenue with the Stabilization Reserve, such an approach could be shortsighted, as there is a strong possibility that the City will lose revenues on an ongoing basis as it did during the state's last, and smaller, budget

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crisis. Presently the plan is to utilize the Stabilization Reserve over a two-year period to help cushion the impact of lost revenue and provide the City time to adjust its level of spending so that the budget remains in balance.

In terms of budget reductions, all departmental budgets have been closely reviewed, with particular attention on those in the General Fund. As a result, a series of budget reductions have been developed. The guiding principal in developing these reductions is to stave off actual reductions of service or staff until the impacts of the state budget are known definitively. Additionally, Pasadena is fortunate to be home to a number of non-profit organizations that provide critical services to the community. These non-profit organizations are also expected to suffer as a result of the state budget. Cognizant of this, the City's Recommended Budget does not balance itself at the expense of local non-profits. Moreover, because assuring a safe and secure community is the City's number one priority, no reductions involving filled sworn safety positions have been proposed.

Approximately \$4.5 million of budget reductions have been identified among City departments. These reductions have been divided into three categories. The first category of reductions totaling \$2.5 million have minimal service impacts on the community and no impact on filled city staff positions. These cuts have been incorporated into the recommended budget. Although no major services or existing personnel will be impacted as a result of these reductions, they do represent a reduction in departmental resources that will impact project schedules and work programs.

The second set of reductions, totaling nearly \$1.2 million represents actual service reductions and filled positions. These reductions include reducing hours at community centers and branch libraries as well as Municipal Services. In each instance the hours that would be reduced are those that have been determined to be the least utilized by the community. As proposed, the second set of reductions would only go into effect in the event the City the loss of revenue for fiscal year 2004 exceeds \$4 million.

The final set of reductions, which equals approximately \$730,000 are major service reductions that have been identified in the event the loss to the state is greater than \$5.2 million. This final set of reductions significantly impacts parks and parks safety to such a degree that were these reductions necessary, staff's recommendation would be for the City to pursue alternative means of generating funding for parks. If the impacts from the state exceed \$6 million it would trigger the need to reexamine the budget in its entirety and adjust accordingly.

### **Involving Employees in the Process**

Fortunately for Pasadena, the process of identifying budget reductions is one that hasn't occurred since 1992. And as with now, those reductions were the result of state actions beyond the control of the City. Managing the process, however, is within the City's control and key throughout the development of the Recommended Operating Budget has been a commitment to keeping employees informed and providing avenues for participation.

A series of meetings were held with representatives of the City's various labor organizations, which collectively represent in excess of 80% of the City's workforce.

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The purpose of these meetings was to provide labor an opportunity to review and comment on the budget reductions proposed by each department as presented by the respective department head. These meetings were well attended and by all accounts, well received. Ultimately, in only one instance did representatives of labor disagree with a reduction included in the Recommended Budget.

Through a series of communications, including the establishment of an intranet web page designed to track budget developments at the state-level, employees were encouraged to participate directly in the budget process by submitting suggestions for budget reducing measures. More than 50 suggestions have been submitted, and where possible have been quantified. Those that appear most promising are currently being explored for possible implementation. For example, one suggestion is to install sensors in city facilities that will turn off lights when rooms are not in use. This project will be discussed with the City Council during the Capital Improvement Program (CIP) review.

Although they do not represent immediate savings a number of other cost reduction measures are also being pursued. These include: reevaluating the City's fleet replacement schedule, providing incentives for early retirement where the subsequent restructuring of work can be made.

A number of administrative policy changes aimed at reducing costs are also being implemented. Specifically, a new policy regarding the use of City paid cell phones has been implemented whereby employees are asked to pay half the cost of their City-provided cell phone bill unless it is determined that the phone is used exclusively for City business. It is estimated that this will save the City \$120,000 per year. For fiscal year 2004 there has been an across the board reduction of 1/3 in departmental budgets for travel and conferences. And the City will no longer purchase items such as Personnel Digital Assistants (PDAs) for any staff member.

A number of employees expressed interest in taking advantage of a furlough program whereby they would work fewer hours per week or accept reduced pay in exchange for an extended period of time off. However, while providing flexible work schedules is a benefit for employees, furloughs yield savings only where there is no "back-fill" of a position. Furlough request will be reviewed on a case-by-case basis.

### **OTHER FACTORS IMPACTING THE BUDGET**

#### **General Fund Expenses**

While the potential impact of the state budget is the greatest fiscal challenge facing the City, it is not the only factor. City government is a service organization that operates through people and personnel costs represent the largest category of expenditure in the City's General Fund. Personnel costs have risen steadily over the past several years and at a rate that exceeds the normal growth in revenues. The growth in personnel costs represent more than just increases in wages, but reflect the enhanced staffing levels necessary to provide the ever-expanding level of services to the community. Since fiscal year 2000 the General Fund has added 26 positions in public safety, 16 in Human Services and Recreation and 11 in Public Works, most of which are devoted to parks. To

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the extent that wages have increased, they have done so as a means to attract and retain qualified staff and are in line with increases provided by comparable municipal organizations.

The category of personnel costs encompasses more than salaries and in fact many of the non-direct wage items have grown proportionally far higher in recent years, as compared to salaries. Most dramatic has been the increased cost of Workers' Compensation and medical insurance.

These two costs have been spiraling out of control in both the private and public sectors. The City continues to make every effort to reduce Workers' Compensation costs, however, the current no fault system along with enhanced benefits approved by the state greatly limit the City's ability to control costs. Nevertheless, through such efforts as the Return To Work program as well as Gain Sharing, the City is addressing the issue where it can, as well as putting pressure on Sacramento for greater reform through the City's legislative platform.

The cost of providing medical insurance to employees has jumped over 70% since fiscal year 2001. The City is exploring options for providing medical insurance, perhaps outside of the PERS umbrella. However, as widely reported, the growing cost of medical insurance is a national phenomenon and surveys have placed the anticipated increase for calendar year 2003 at roughly 15% nationwide with even steeper increases in subsequent years. Obviously, without attention this expenditure could cause severe service cuts and must be address.

Two other issues on the horizon that will impact the City's budget are a reflection of the decline in the stock market:

- **FPRS Supplemental Contribution.** As a result of a weak stock market and the investment loses incurred by the Fire and Police Retirement System, in order to maintain the funding level as called for in the Supplemental Contribution Agreement between the City and the Retirement System, additional payments will be required in the future. Under the current Plan, an anticipated \$3.5 million supplemental contribution is likely to be required in fiscal year 2004, increasing each year thereafter to a projected \$7.3 million by fiscal year 2007. The total anticipated supplemental contributions represent \$29 million over the next five years.

There are limited sources of revenue to meet this obligation. One is \$3 million in general funds the City Council reserved for this purpose, while a second source is tax increment from the Downtown Project Area not necessary for current Pension Obligation Bond debt service payments. Both funding sources should cover the anticipated supplemental contributions through fiscal year 2006. The Downtown Tax Increment dollars were originally intended to remain in a reserve until the year 2014 when they would be used to pay-off the Series B Pension Obligation Bonds. By not having these funds available in the future, the Pension Obligation Bonds most likely will not be retired in 2014 and will have to be extended at that time. The Series B Bonds were issued in an

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amount of \$50 million. Moreover, the "un-funded" liability to FPRS is expected to be \$14.6 million by fiscal year 2008, or 22% of the General Fund deficit currently projected for that year.

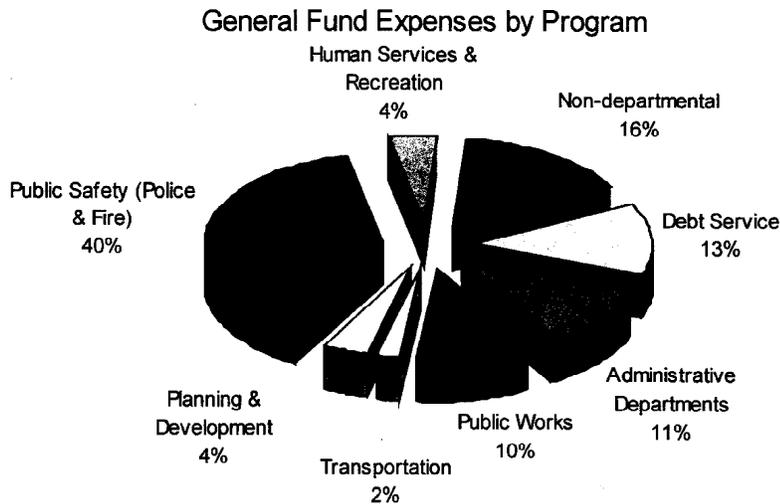
Staff is exploring numerous alternatives to minimize the fiscal impact of FPRS on the City, including allowing the remaining 27 participants in the Plan to transfer to PERS. The transfer of FPRS participants to PERS would greatly reduce the City's financial obligation to the system. For example, if approximately one-half of the current participants were to switch to PERS the aforementioned \$29 million over the next five years would be reduced to \$10.2. The City Council has approved this proposal and it has been shared with the FPRS Board. Nevertheless, because this proposal has not yet been placed into effect, the potential "savings" have not been factored into the City's five-year financial forecast.

The possibility of issuing another Pension Obligation Bond is also being considered. Issuing a second pension obligation bond as opposed to making the supplemental contributions from the General Fund may significantly reduce the financial impact.

- **PERS Rates.** Employer-portion contributions for non-safety personnel into PERS are likely to be required beginning in fiscal year 2006, as PERS adjusts its actuarial tables to reflect losses in its investment portfolio and the enhanced retirement packages of 3% at 55.

While these factors pose challenges for the City, as has been the case historically, staff has every confidence that each can be addressed in a reasonable and appropriate fashion.

The City Council established a cash reserve policy for the General Fund of 8% of the gross operating budget. Each year, the dollars set aside in the General Fund Reserve is increased to reflect an increase to the annual appropriation. Based upon the recommended budget, the fiscal year 2004 Operating Budget adds approximately \$750,000 to the reserve. This brings the balance in the Reserve to more than \$13 million. These funds have been removed from the five-year financial plan and thus are not used to balance the Recommended Budget or any future budget.



### General Fund Revenues

Despite the statewide recession, the local economy has performed well and the City's major revenues continued to grow in fiscal year 2003. Local revenue growth is expected to remain largely unchanged in fiscal year 2004, with modest growth expected in key revenue sources.

Fiscal year 2004 General Fund budgeted revenues reflect a careful review of all revenues and represents staff's best estimates for the coming fiscal year. Revenues associated with the City's General Fee Schedule have been adjusted to reflect the amendments recently approved by the City Council. Additionally, the fiscal year 2004 Recommended Operating Budget includes additional General Fund revenues that will be added to the Stabilization Reserve. These include: revenue in the amount of \$460,000 from the conversion of unclaimed cash held by the Police Department. An inter-fund transfers from the Fleet Replacement Fund and the Building Maintenance Fund in the amounts of \$1.8 million and \$600,000, respectively.

The City has been replacing its fleet vehicles at less frequent rate than anticipated by the fleet replacement schedule. Consequently, the Fleet Replacement Fund has built up a large cash reserve. For fiscal year 2004 it is the intent to rebate back to the various funds their contribution to the Replacement Fund, devise a new replacement schedule based on actual vehicle life spans and institute the new schedule beginning in fiscal year 2005. Sufficient funds will remain in the Fleet Replacement Fund to cover the cost of vehicle replacement throughout fiscal year 2004.

The Building Maintenance Fund is an internal service fund, much like the Fleet Replacement Fund. Among other things, the Fund is responsible for paying the cost of

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janitorial services for City facilities. To recover this cost a rate is charged to all other departments/funds. Recently the selection process for a new janitorial service provider was completed. As a result of extremely competitive bids, the cost of this service will be considerably less than was previously anticipated. However, the budgetary rates charged to departments/funds in the current fiscal year and that have been programmed into the Recommended Operating Budget reflect higher anticipated costs. Consequently, an inter-fund transfer has been established to return the unneeded dollars to the General Fund.

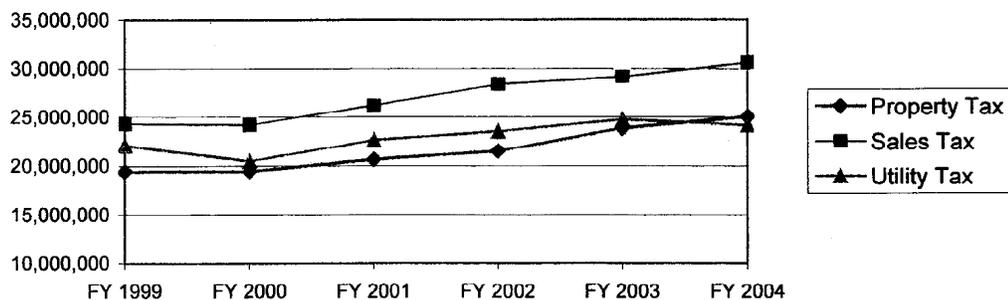
While all revenue sources have been analyzed, special attention continues to be given to the top three revenue sources; property tax, sales tax, and utility user tax. These three sources account for approximately \$79.7 million or 48% of the total General Fund revenues. Following is a brief discussion of each.

**Property Tax** - Fiscal year 2004 expects the continued growth in property tax revenues. A greater proportional growth, however, is projected within several of the City's Redevelopment Project Areas. It should be pointed out that the General Fund does not realize any of the property tax benefits from this growth. Even with this, property tax revenue is projected at \$25,013,796, an increase of \$1,159,551 or 4.9% over the previous year. No revenues have been included for development projects that have not yet begun construction.

**Sales Tax** - Despite the downturn in the economy, sales tax revenues have remained strong in Pasadena. Fiscal year 2004 sales tax revenue is projected to be \$30,585,000, an increase of \$1,151,000 over the current fiscal year. This represents a growth rate of 3.9%.

**Utility User Tax** - One of the City's most reliable revenue sources over the past couple of years has been the Utility Users Tax (UUT). For fiscal year 2004, UUT is projected to be approximately \$24,147,825. This represents a reduction from fiscal year 2003 of \$175,895 (less than 1%) and is a function of electric rate restructuring.

Five Year Budgeted Revenue Trend



**CITY COUNCIL GOALS**

Even without the fiscal ability to add significant programs, the Recommended Budget reflects City Council priorities:

- Assure a Safe and Secure Community
- Foster Economic Prosperity
- Create Neighborhood Vitality and Livability
- Focus on Planning, Programming and Reinvesting in Our Parks and Parklands
- Make Water and Power Utilities Market Competitive
- Create a More Effective, Cost Efficient Government
- Improve Our Public Schools

The following provides an overview of how the Recommended Operating Budget furthers these goals:

**Assure a Safe and Secure Community**

No service provided by the City is more important than those that contribute to the safety and security of the community. Pasadena defines public safety to include elements far beyond police and fire service. Our model is Prevention, Intervention & Enforcement. The children of Pasadena need to have a community that is safe, nurturing and enriching. The City spends \$10 million annually on programs that directly that support youth.

The Recommended Operating Budget for fiscal year 2004 preserves funding for these various programs. Specifically, the Neighborhood Action Team, originally implemented in fiscal year 2001, has proven instrumental in solving neighborhood problems by focusing on particular areas for periods of 30 to 60 days. The HOPE team was formed in February 2002 and consists of a police officer and a clinician from the Los Angeles County Department of Mental Health. The team's objective is to provide intervention, referral and/or placement services to protect the community from those, who as a result of a mental disorder, are a danger to themselves or others. The City Attorney/City Prosecutor's Budget continues to fund the CRASH, Truancy and Nuisance Abatement programs. And the Police Department's Counter Terrorism Section has established critical information links with Federal, State and Local law enforcement agencies to ensure that the Department has access to all available information concerning the safety and security of the community. The Recommended Budget also includes the addition of one police officer to mitigate the demand on resources needed to respond to the high volume of burglar alarm calls. Sufficient revenues to pay for the additional position are dependant on the proposal to bill false fire alarm calls on the second false alarm, as opposed to the current fourth false alarm.

**Create Neighborhood Vitality and Livability**

The Recommended Operating Budget funds a number of activities and programs that further neighborhood vitality and livability. The Human Services and Recreation Department supports neighborhood associations through the Neighborhood Connections mailer and the development of a directory of neighborhood associations. Additionally, technical assistance is provided in response to requests related to public nuisance

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properties through Safe Streets Now. The Transportation Department's emphasis is to implement projects and programs to reduce the impact of traffic on neighborhoods. And the bulky item pick-up and shopping cart retrieval programs have done much to remove sources of blight in neighborhoods.

### **Foster Economic Prosperity**

The City continues to support managed growth that creates sustainable living wages and jobs for Pasadena residents. Finding the right balance between jobs and housing for the City is critical to successful economic prosperity. In fiscal year 2002, the City Council adopted an Inclusionary Housing Ordinance. The ordinance requires that all residential and mixed-use projects of 10 units or more include a share of units that is affordable to low and moderate income households or pay a fee to the City's Housing Trust Fund. This ordinance complements other programs that assist and encourage affordable housing in Pasadena. The City also actively promotes State Tax Credits and local incentives in the Enterprise Zone to support economic growth.

The fiscal year 2003 adopted budget included funding for a number of economic development projects that will continue into fiscal year 2004. These projects and programs include:

- The South Lake and Old Pasadena Retail Recruitment and Survey Program.
- The Playhouse District Retail Recruitment and Survey Program.
- Financial support and marketing funds for the Playhouse District.
- The Lake/Washington Retail Recruitment and Storefront Improvement Programs.
- Financial assistance for proposed projects in the Villa Parke Project Area.

Particularly exciting for fiscal year 2004 is the opening of the Pasadena Gold Line light rail line. In addition to enhancing area transportation, the Gold Line is expected to contribute to the City's economic prosperity by providing residents and visitors access to the City's commercial centers.

In order to better accommodate the volume of requests for plan review associated with economic development, the Recommended Budget includes the addition of a Senior Plans Examiner to perform Fire Plan Check.

### **Focus on Planning, Programming and Reinvesting in Our Parks and Parklands**

The recent certification by the City Council of the Master Environmental Impact Report for the Arroyo Seco is the first step in a process that will ultimately lead to expenditure of \$8 million in grants for specifically for Arroyo projects.

Beginning in fiscal year 2002, the City undertook a multi-phased program devoted to improving the maintenance of parks and athletic sports fields throughout the City. The purpose of the program was to bring parks up to the standard they enjoyed prior to the budget reductions of the mid-1990s. While the Recommended Operating Budget

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includes funding for the continuation of the park renovation and turf maintenance programs, this funding is potentially at risk as a result of the state's budget crisis.

### **Make Water and Power Utilities Market Competitive**

During fiscal year 2003, the City Council provided leadership on many actions aimed at strengthening the long-term viability of the City's electric utility. In August 2002 the City issued bonds to fund the local generation repowering plant, which is a key element in the Power System Strategic Resource Plan that was approved by the City Council in November 2001. The Plan called for replacing outdated steam generators with new gas turbine generators that will provide higher efficiency and superior operational flexibility, thereby helping to maintain the City's low electric rates and reduce air quality emissions.

In February 2003, the City Council approved the City's increased participation in the Magnolia Generating Project, a 235 Megawatt (MW) project located in the City of Burbank. Pasadena's share will be increased from approximately 10 MW or 4.25% to approximately 14.8 MW or 6.13% of total output. This new resource will help lower Pasadena's average cost for base-load energy.

The fiscal year 2004 budget for the Department of Water and Power is \$177,010,615. Of this amount, \$145,456,114 represents the Light and Power Fund, while \$31,554,501 is the Water Fund. With a more stable energy market anticipated during fiscal year 2004, purchase power costs are projected to remain at levels prior to fiscal year 2001. Although average market energy prices have returned to reasonable levels during fiscal year 2003, it is anticipated that energy market volatility will remain high over the next few years. Fiscal year 2004 may be particularly challenging due to relatively high spot market fuel and power costs combined with increased reliance on market supplies until the new gas turbine units are operational.

Through withdrawals from the Stranded Investment Surcharge fund, the costs associated with long-term power purchase contracts will be reduced to match current market costs for energy, saving utility customers approximately \$12 million annually, based on market conditions. The Reserve for Stranded Investment is sufficiently funded to ensure that the Water and Power Department can continue providing energy at or below wholesale market prices, enabling the Department to offer competitive retail rates for the duration of the City's long-term contracts.

The proposed Water Fund budget is \$31,554,501, which represents an increase of \$1,621,952 as compared to the revised fiscal year 2003 budget. The City Council adopted a Water System Master Plan in November 2002. The plan recommended and prioritized capital improvements needed to the City's water system for the next 18 years. A cost of service study was completed and a new rate ordinance was approved to fund revenue bonds totaling \$85 million to support the necessary capital improvements over the next ten years.

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### **Create a More Effective, Cost Efficient Government**

As an organization, the City continually seeks to improve the way in which it delivers service in order to reduce costs, increase effectiveness and enhance efficiency. A number of initiatives in this area focus on the application of technology to improve operations. In fiscal year 2003 a computer-based system for park and facility usage permits was implemented. The system has streamlined the process for reserving city facilities and improved revenue collection. Staff has made increasing use of the Internet as a cost-effective business tool. The Department of Finance implemented an Internet-based vendor solicitation system as well as a virtual shopping mall on the City's intranet.

### **Improve Our Public Schools**

The City continues to support the Public Schools through a variety of efforts. After the loss of grant funds prior to fiscal year 2003 a concerted effort between the City and District was initiated to identify sustainable funding for after school programs. In absence of additional sources the City provided one-time funding in the amount of \$354,000 to support the District's after school enrichment program, Pasadena LEARNs, while the search for sustainable funding continued.

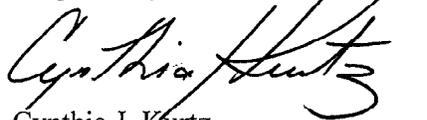
In April the District, unable to identify other funding sources, made a request to the City for \$675,000 to support the Pasadena LEARNs program. Funding to fulfill this request has not been included in the Recommended Budget. In the event Council chose to fund some or all of the Pasadena LEARNs request, it would require reductions in other programs.

### **CONCLUSION**

The fiscal year 2004 Recommended Operating Budget represents a carefully crafted approach to furthering City Council goals and maintaining quality service to the community in the face of potentially significant state budget impacts.

The energy invested by City staff in bringing together the information and working through the budget decision process demonstrates the high level of competence and commitment of city employees. The fiscal year 2004 budget is a testament to our continuous effort to improve the way city government does business and to assure that we continue to keep Pasadena a World Class City.

Respectfully Submitted



Cynthia J. Kurtz  
City Manager

A COMPLETE COPY OF THE  
FY 2004 RECOMMENDED OPERATING BUDGET  
IS AVAILABLE FOR PUBLIC VIEWING  
AT THE FRONT COUNTER OF THE  
CITY CLERK'S OFFICE (CITY HALL, ROOM 236)  
AND AT THE MAIN AND ALL BRANCH LIBRARIES

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