

Agenda Report

TO: CITY COUNCIL **DATE:** MARCH 15, 2004

FROM: CITY MANAGER

SUBJECT: ADOPT A RESOLUTION INCREASING THE COMBINED TRANSFERS FROM THE LIGHT AND POWER FUND TO THE GENERAL FUND FROM 7.5% TO 8.35% OF GROSS REVENUE NOT TO EXCEED NET INCOME.

RECOMMENDATION

It is recommended that the City Council adopt a resolution increasing the combined transfers from the Light and Power Fund to the General Fund from 7.5% to 8.35% of gross revenue not to exceed net income.

BACKGROUND

On February 23rd, the City Council approved a series of recommendations aimed at reducing the projected gap between General Fund revenues and expenses. One of the recommendations was to increase the annual transfer from the Light and Power Fund to the General Fund by 0.85% in the current fiscal year and for the next three years, thereby increasing the existing 7.5% transfer to 8.35%.

The purpose for the increase is to offset the estimated cost of electrical service in the General Fund, Library Services Fund and Health Fund. The combined annual cost of which is approximately \$935,000.

As outlined in the report of the 23rd the General Fund, Library Services Fund and Health Fund have all lost revenues as a result of the state's fiscal crisis. Each of these funds has made reductions to adjust for these losses and brace for further reductions. In examining how other funds and City operations can assist the organization as a whole in dealing with the impacts in these particular funds, it was determined that one way the Light and Power Fund can assist is to, on a temporary basis, provide additional transfers to the General Fund, which in turn will be prorated to the Library Services Fund and Health Fund, in an amount sufficient to offset the cost of electricity consumption for these three funds.

Although there will be no adverse affect on utility rates as a result of this modest increase, this increase in the transfer will be reviewed on an annual basis as well as when the electric distribution system master plan is completed.

FISCAL IMPACT


The increase of 0.85% will generate approximately \$935,000 of additional revenue for the General Fund per year. Of this amount, approximately \$212,700 will be transferred to the Library Services Fund and \$78,500 to the Health Fund. The remaining balance of approximately \$643,800 will remain in the General Fund to offset the cost of electricity in that fund.

Each year pursuant to City Charter Section 1407 and 1408 the City may transfer an amount up to 16% of the gross income of the electric works received during the immediately preceding fiscal year, provided it does not exceed net income and would not be detrimental to the proper functioning and administration of the power utility.

Respectfully submitted,


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City Manager

Approved by:


Jay M. Goldstone
Director of Finance

Prepared by:


Steve Mermell
Budget Administrator

Concur:


Phyllis Currie
General Manager
Pasadena Water & Power