

# Agenda Report

**TO:** CITY COUNCIL  
**THROUGH:** FINANCE COMMITTEE

**DATE:** AUGUST 11, 2008

**FROM:** CITY MANAGER

**SUBJECT:** KEY PROJECTS AND INITIATIVES – FUNDING SOURCES

**RECOMMENDATION:**

It is recommended that the City Council:

1. Accept the Key Projects and Initiatives priorities as listed in Attachment A;
2. Approve the creation of a reserve for Key Projects and Initiatives in the General Fund and in the Charter Capital Fund; and
3. Appropriate to these reserves as follows, to the General Fund Key Projects and Initiatives reserve: \$437,000 from 1999 Equipment Leasing unanticipated investment earnings, \$119,000 related to the 2004 Certificates of Participation and \$2.037 million from the General Fund Unappropriated fund balance related to investment earnings from the 2003 City Hall bonds, and to the Charter Capital Key Projects and Initiatives reserve \$2.607 million from the Charter Capital Fund, for a combined total of \$5.2 million.

**BACKGROUND:**

On July 14, staff presented to the Finance Committee the attached report on Key Projects and Initiatives. In addition to those items identified in the report, Committee members identified several others they felt were also appropriate for incorporation into the list of key projects and initiatives. These included:

- Traffic signal synchronization citywide
- Civic Center/Mid-Town Public Improvements
- Funding for the third multipurpose field at Hahamonga
- Acquisition/rental and rehabilitation of the YWCA building

The Committee also discussed the relative priority of the various projects and initiatives. There appeared to be consensus that the first two priorities as proposed by staff, construction of the Pasadena ice skating facility and the establishment of an urgent care

center, reflected the same priority as the Committee members. There was less consensus as to what priority should be given to the preservation of Annandale Canyon Estates as open space, which staff had recommended be the third priority. It was suggested by at least one Committee member that this initiative should have a lower priority relative to other items on the list while another indicated support for the initiative but at a lower dollar threshold.

Key in determining how many projects/initiatives to include and how far down the list to prioritize is consideration of what funding may be available. The following is a discussion of available funding sources. It should be noted that several of the key projects and initiatives have non-city funding associated with them or in the case of the ice skating center, a projected revenue stream that would be available to pay debt service. The focus here is what sources could be used to fill projected or potential funding gaps. Moreover, the approach to funding any particular project or initiative will have to be tailored to that particular effort. Necessarily, what follows is a general discussion of sources.

### ***General Fund***

The fiscal year 2009 operating budget transmittal letter highlighted the growing gap between revenues and expenses in the General Fund. Consequently, undesignated fund balance is currently projected to be reduced by the end of the current fiscal year to cover the gap between revenues and expenses. While there is every reason to expect that the City will address this challenge effectively, in order to avoid significant and drastic impacts on service and staffing levels these efforts may take time and require some use of fund balance until equilibrium is achieved. Over the long-term, once revenues and expenses are brought into balance and the General Fund fund balances begin to rise, the Council may want to consider taking a portion (e.g. half) of any growth and designating it for future one-time capital projects thus creating a mechanism to fund key projects and initiatives.

Given the City's current economic outlook and uncertainties related to the broader economy and impacts from the state budget, staff recommends that until such time as fund balance begins to grow, that funding for Key Projects and Initiatives be limited to the use of "one-time" dollars.

In fiscal year 2008 investment earnings of \$5.337 million from the 2003 City Hall and Park Improvement bonds was recognized and a portion (\$2.5 million) appropriated to Phase 1 of the Robinson Park Master Plan as well as \$800,000 to the Interagency Communications Interoperability System (ICIS) project. It is recommended that the undesignated balance of \$2.037 million be reserved for Key Projects and Initiatives.

### ***The Charter Capital Projects Fund***

Section 913 of the City Charter sets forth the creation of a Capital Project Fund; this fund is commonly referred to as the Charter Capital Fund so as to differentiate it from the Capital Project – Project Management Fund. Initially, this fund was established with

the proceeds from the sale of various city properties, most significant being four lots in the City of Alhambra which generated in excess of \$13 million.

Expenditures from the Fund are to be made only for the acquisition, construction, replacement or repair of municipal improvements, as defined in California Government Code 43601 or for payments of principal and interest on funds borrowed for such purposes. Expenditures and transfers from the fund, other than for specific municipal improvements projects as defined, shall be authorized only upon a majority vote of the people.

The California Government Code defines "municipal improvements" to include bridges, waterworks, water rights, sewers, light and power works or plants, buildings for municipal uses, wharves, breakwaters, jetties, seawalls, schoolhouses, fire apparatus, street work, and other works, property, or structures necessary or convenient to carry out the objects, purposes, and powers of the city. "Municipal improvement" also includes the acquisition of real property for a civic center site or for any public use or uses, whether or not the improvement of said real property is part of the purposes for which the bonds are to be issued and whether or not funds for the improvement of said real property are presently available from other sources.

The majority if not all, of the key projects and initiatives likely meet the definition of municipal improvements. Nonetheless, to be consistent with the provisions of the City Charter, as specific projects are approved for funding using Charter Capital Funds, the appropriate facts and findings should be set forth in the staff report and related Council action.

The Charter Capital Fund has been used previously to provide funding for such projects as the seismic retrofit of the Glenarm Power Plant, energy efficiency upgrades to City facilities and the purchase of the 29 acres of land in the upper Arroyo Seco north of Hahamongna Watershed Park. Additionally, investment earnings from this fund have traditionally been transferred to the General Fund to pay debt service. The General Fund receives approximately \$400,000 from this source each year.

As of the end of fiscal year 2008 the fund had an unreserved fund balance of \$5.485 million. It is recommended that \$2.607 million or about half of the fund balance be appropriated to the newly created reserve for Key Projects and Initiatives.

#### ***Other Sources***

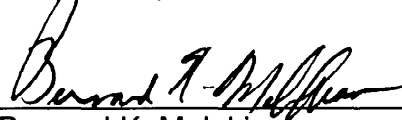
Periodically, funds become available as a result of unanticipated investment earnings on prior financings, as in the case of the \$5.337 million referenced above from the City Hall bonds. Currently, funds related to two prior financings have been identified as available for appropriation. The first is \$937,000 related to a 1999 Equipment Leasing. Of this amount \$500,000 has been earmarked, but not yet appropriated to the establishment of an Urgent Care Facility. By way of separate action this evening staff will be requesting approval from the City Council to establish a capital project and appropriate these funds. The second source relates to the 2004 certificates of participation (COPs) and totals \$119,000. These funds may be used for one-time

projects. It is recommended that the remaining balance of \$437,000 from the 1999 Equipment Leasing and the \$119,000 from the 2004 COPs be appropriated to the new reserve.

**FISCAL IMPACT:**


The establishment of a Key Projects and Initiatives reserve in the General Fund and in the Charter Capital Fund will provide in combination a total of \$5.2 million in funding for Key Projects and Initiatives. This action will reduce undesignated fund balance in the General Fund by \$2.037 million and in the Charter Capital Fund by \$2.607 million. Additionally, the reduction in the Charter Capital Fund will reduce the amount investment earnings transferred to the General Fund from the Charter Capital Fund by approximately \$100,000 per year.

Respectfully submitted,



Bernard K. Melekian  
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