



DEPARTMENT OF FINANCE

June 27, 2011

TO: The Honorable Mayor and City Council

THROUGH: Michael Beck
City Manager 

FROM: Andy Green
Director of Finance 

RE: Revised Recommendation for Adoption of Fiscal Year 2012 Operating Budget and Fiscal Year 2012-2016 Capital Improvement Program

REVISED RECOMMENDATION:

Pursuant to Finance Committee action on June 6, 2011, it is recommended that the City Council:

1. Adopt by resolution the City's Fiscal Year (FY) 2012 Operating Budget and FY 2012-2016 Capital Improvement Program as summarized in the Revised Exhibit A and Exhibit B
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for FY 2012
3. Direct the City Attorney, within 60 days, to complete amendments to Article VII of Title 2 of the Pasadena Municipal Code to incorporate the organizational changes required as a result of the adopted FY 2012 budget

BACKGROUND:

On May 2, 2010, the City Manager submitted the Recommended Fiscal Year (FY) 2012 Operating Budget in compliance with the requirements of the City charter. The FY 2012-2016 Capital Improvement Program (CIP) was submitted on April 18, 2011. Since those dates, joint meetings between the Finance Committee and the City Council have been held to review and discuss the recommended budgets for each City department, as well as the three operating companies.

On June 6, 2011, the City Manager recommended adoption of the FY 2012 Recommended Budget, which included a total of 27 revisions resulting from discussions at the joint meetings. These revisions are summarized as Attachment A – Proposed Changes to the FY 2012 Recommended Budget. Additionally, Attachment A has been revised to include a new item - Item 28. Item 28 provides for the authorization to change various Fire Department line items as necessary to achieve the cost reductions set forth in the report to the Public Safety Committee dated June 27, 2011, as outlined below.

Fire Department Budget Reduction Alternatives \$	
Savings prior to establishment of temporary Fire Station 39 (6 months)	886,303
Savings following the establishment of temporary Fire Station 39 (6 months) – two person patrol	441,120
Civilianize Fire Inspection (6 months)	162,254
Conversion of one ALS ambulance to BLS - 6 months	180,000
Defund Deputy Fire Marshal (6 months)	129,737
Defund Staff II in Admin	73,586
Medical Benefit Savings	64,000
Reduction in Contract Services	63,000
Total FY 2012 Savings	\$2,000,000

Proposed Budget Summary

	Appropriations	Revenues
CIP	\$ 154.6 M	\$154.6 M
All Funds	\$ 776.7 M	\$856.2 M
General Fund	\$ 215.8 M	\$211.0 M
<u>FTEs</u>		
General Fund	968.0	
All Funds	2,140.5	

Attachments:

Attachment A: "Proposed Changes to FY 2012 Recommended Budget"

Attachment B: "Adoption of Fiscal Year 2012 Operating Budget and Fiscal Year 2012-2016 Capital Improvement Program" June 6, 2011 Agenda Report

Attachment A (Revised)

Proposed Changes to FY 2012 Recommended Budget

On June 6, 2011, the City Council's Finance Committee recommended adoption of the initially submitted Fiscal Year (FY) 2012 Operating Budget and the FY 2012-2016 Capital Improvement Program (CIP) with the following changes:

1. Multiple Departments and Funds – Increase various Internal Service account appropriations by \$20,713 to correctly budget for the new Department of Technology (DoIT) Charge-back methodology. This change will ensure that DoIT cost allocation methodology is correctly budgeted and the Computing and Communications Fund is reimbursed for services provided to City departments.
2. Multiple Departments – Reduce appropriations in the General Fund for medical insurance by \$75,000. This reduction will be applied to multiple departments and is the result of recently approved labor agreements that reduce the City's costs related to payment to employees in excess of actual medical insurance costs also referred to as the Employee Option Medical Fund (EBOF).
3. Multiple Departments – Reduce appropriations in the General Fund for Workers' Compensation by \$78,750 as a result of planned changes to the Workers' Compensation Program.
4. Public Works – Reduce Refuse Fund (Fund 406) revenues by \$235,639 to reflect revised revenue forecast.
5. Public Works – Increase Fleet Maintenance Fund (Fund 503) revenues by \$800,000. The costs related to these revenues have been appropriately budgeted however the corresponding revenues were inadvertently omitted from the FY 2012 Recommended Budget.
6. City Manager – Reduce General Fund (Fund 101) appropriations by \$26,586. This change reflects the transfer of 1.0 FTE (Graphic Artist) to Print Shop thereby reducing labor accounts in the General Fund by \$89,045 and an increase to Internal Services Print Shop charges by \$60,459 to reimburse the Print Shop for graphics work previously performed by the transferred position and to provide public affairs support.
7. City Manager – Reduce General Fund (Fund 101) labor account appropriations by \$40,090 and 0.5 FTE (Senior Operations Specialist) to reflect organizational changes.
8. City Attorney/City Prosecutor – Reduce General Fund labor account appropriations by \$60,000 to reflect organizational changes and partial year vacancies.
9. City Clerk – Increase General Fund (Fund 101) appropriations by \$133,500 for redistricting related expenditures not included in the FY 2012 Recommended Budget. This is a preliminary estimate of the anticipated costs and may need to be revised during the fiscal year when specific cost estimates become available.

Attachment A (Revised)

Proposed Changes to FY 2012 Recommended Budget

10. Non-Departmental – Increase appropriations in the Computing and Communications Fund (Fund 501) by \$151,483 and revenues by \$105,730 to correctly budget for costs related to the ICIS Program equipment leases. The interest portion of the ICIS Program equipment lease and the related transfer from the General Fund to pay interest expenses were inadvertently omitted from the FY 2012 Recommended Budget.
11. Non-Departmental – Increase appropriations in the General Fund (Fund 101) by \$105,730. As noted in item 10 above, this appropriation is for a transfer to the Computing and Communications Fund (Fund 501) to pay interest expenses related to the ICIS Program equipment leases that was inadvertently omitted from the FY 2012 Recommended Budget.
12. Fire – Decrease appropriations in the General Fund (Fund 101) by \$111,833. Two fire fighter positions were incorrectly included in the FY 2012 Recommended Budget as working 112 hours per pay period. While some Fire Fighter positions are budgeted at 112 hours per pay period, these two positions should have been budgeted at 80 hours per pay period.
13. Fire – Increase appropriations in the New Year's Day Fund (Fund 106) by \$61,245. This amount was inadvertently omitted of the FY 2012 Recommended Budget.
14. Water & Power – Increase appropriations in the New Year's Day Fund (Fund 106) by \$22,913. This amount was inadvertently omitted from the FY 2012 Recommended Budget.
15. Water & Power – Decrease appropriations in the Power Fund (Fund 401) by \$107,339. This amount was included twice in the FY 2012 Recommended Budget.
16. Planning – Reduce revenues in the Community Development Block Grant Fund (Fund 219) by \$25,294 to be consistent with updated grant revenues estimates from the United States Department of Housing & Urban Development (HUD).
17. Planning – Increase appropriations in the Cultural Arts Fund (Fund 613) by \$54,000. This will restore funding Arts Grant in Aid program to FY 2011 levels. Fund balance in this fund will be used to address this increase in appropriations.
18. Non-Departmental – Increase appropriations in the General Fund (Fund 101) and revenues in the Affordable Housing Capital Projects Fund (Fund 810) by \$532,787. As a result of lower available funding for housing administrative costs, General Fund support of \$492,787 is needed. Additionally, \$40,000 previously budgeted in Human Services & Recreation for the WIA program is being transferred to Non-Departmental and will be ultimately transferred to Housing per the recommended reorganization

Attachment A (Revised)

Proposed Changes to FY 2012 Recommended Budget

19. Housing – Adjust revenues and appropriations in the following Housing Program funds consistent with updated grant revenues estimates from the United States Department of Housing & Urban Development (HUD) by a net decrease to revenues of (\$354,630) and appropriations of (\$338,288) and 5.92 FTEs:
 - Community Development Block Grant Fund (Fund 219): decrease revenues by (\$153,229) and appropriations by (\$215,555) and 2.74 FTEs;
 - Rental Assistance Programs Fund (Fund 220): decrease revenues by (\$170,905) and appropriations by (\$202,189) and 2.80 FTEs;
 - Home Investment Partnership Fund (Fund 221): decrease revenues by (\$32,470) and appropriations by (\$29,223);
 - Emergency Shelter Grant – ESG Fund (Fund 224): increase revenues and appropriations by \$1,974;
 - Workforce Investment Act Fund (Fund 681): increase appropriations by \$111,467;
 - General Fund Projects Fund (Fund 105 - MASH): decrease appropriations by (\$4,762) and .18 FTEs.
20. Human Services & Recreation – Decrease appropriations in various General Fund (Fund 101) labor accounts by \$68,453 and eliminate 0.5 FTE to reflect the elimination of 1.0 FTE (Staff Assistant III) and the transfer-in of 0.5 FTE (Senior Operations Specialist) as noted in Item 19 above.
21. Human Services & Recreation and Human Resources - Transfer 0.8 FTE (Management Analyst IV) and \$115,288 in appropriations in the General Fund (Fund 101) from Human Resources to HS&R to reorganize support for the Accessibility/Disability Commission.
22. Non-Departmental – Increase various revenues in the General Fund by \$100,000 due to updated forecast estimates.
23. Non-Departmental – Reduce General Fund (Fund 101) appropriations by \$76,249 to adjust budget revised budget estimate. This will be transferred to the Housing Fund to support MASH funding.
24. Pasadena Center Operating Company (PCOC) – Increase FY 2012 appropriations by \$1,195,000. The FY 2012 Recommended Budget did not include appropriations related to the use of PCOC reserves.
25. Renovation and/or Replacement of Fire Station #32 – Decrease FY 2012 Recommended CIP appropriations by \$800,000. Due to the urgency in addressing the seismic and safety concerns at both Fire Stations 32 and 39, new projects and funding were created and approved by the City Council on May 9, 2011. This will allow these critical projects to move forward sooner. Due to the accelerated schedule, the \$800,000 recommended in FY 2012 is redundant.

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Proposed Changes to FY 2012 Recommended Budget

26. Tree Replacement/Planting - Citywide – Increase appropriations by \$100,000 in grant funds from the California Department of Forestry and Fire Protection. Since submission of the FY 2012 Recommended CIP budget to Council, staff has been advised that the City’s application for the California Department of Forestry and Fire Protection “Green Trees for the Golden State” grant program has been successful. This grant will help plant 1,000 trees over a two-year period.
27. Virtual Desktop Infrastructure – Appropriate \$300,000 of designated CIP funding from the General Fund to the Virtual Desktop Infrastructure project. This funding will support the deployment of 1,000 virtual desktops in FY 2012.
28. Fire Department – Approve changes to various line-item accounts as necessary to achieve the cost reductions set forth in the report to the Public Safety Committee dated June 27, 2011.

Agenda Report



June 6, 2011

TO: Honorable Mayor and City Council
THROUGH: Finance Committee (June 6, 2011)
FROM: City Manager
SUBJECT: **ADOPTION OF FISCAL YEAR 2012 OPERATING BUDGET AND FISCAL YEAR 2012-2016 CAPITAL IMPROVEMENT PROGRAM**

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt by resolution the City's Fiscal Year (FY) 2012 Operating Budget and FY 2012-2016 Capital Improvement Program as summarized in the attached Exhibits A, B, and, C and any changes passed by a motion of the City Council at the June 6, 2011 meeting;
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for FY 2012.
3. Direct the City Attorney, within 30 days, to complete amendments to Article VII of Title 2 of the Pasadena Municipal Code to incorporate the organizational changes required as a result of the adopted FY 2012 budget.

BACKGROUND:

On May 2, 2010 the City Manager submitted the Recommended FY 2012 Operating Budget in compliance with the requirements of the city charter. The FY 2012-2016 Capital Improvement Program (CIP) was submitted on April 18, 2011. Since that date, joint meetings between the Finance Committee and the City Council have been held to review and discuss the recommended budgets for each City department, as well as the three operating companies.

Proposed Changes to FY 2012 Recommended Budget

The following items are related to recommendation #1 above and summarize the changes between the FY 2012 Recommended Operating Budget submitted by the City Manager on May 2, 2011 and the revised FY 2012 Recommended Operating Budget

being presented for adoption. Additional details on the proposed changes to the FY 2012 Recommended Budget are included in Exhibit C:

1. Multiple Departments and Funds – Increase various Internal Service account appropriations by \$20,713 to correctly budget for the new Department of Technology (DoIT) Charge-back methodology. This change will ensure that DoIT cost allocation methodology is correctly budgeted and the Computing and Communications Fund is reimbursed for services provided to City departments.
2. Multiple Departments – Reduce appropriations in the General Fund for medical insurance by \$75,000. This reduction will be applied to multiple departments and is the result of recently approved labor agreements that reduce the City's costs related to payment to employees in excess of actual medical insurance costs also referred to as the Employee Option Medical Fund (EBOF).
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10. Non-Departmental – Increase appropriations in the Computing and Communications Fund (Fund 501) by \$151,483 and revenues by \$105,730 to correctly budget for costs related to the ICIS Program equipment leases. The interest portion of the ICIS Program equipment lease and the related transfer from the General Fund to pay interest expenses were inadvertently omitted from the FY 2012 Recommended Budget.
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revenues estimates from the United States Department of Housing & Urban Development (HUD).

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25. Pasadena Center Operating Company (PCOC) – Increase FY 2012 appropriations by \$1,195,000. The FY 2012 Recommended Budget did not include appropriations related to the use of PCOC reserves.

The following items are related to recommendation #1 and summarize the changes between the FY 2012-2016 CIP portion of the recommended budget submitted by the City Manager on April 18, 2011 and are being recommended for inclusion in the FY 2012 Adopted CIP Budget:

26. Renovation and/or Replacement of Fire Station #32 – Decrease FY 2012 Recommended CIP appropriations by \$800,000. Due to the urgency in addressing the seismic and safety concerns at both Fire Stations 32 and 39, new projects and funding were created and approved by the City Council on May 9, 2011. This will allow these critical projects to move forward sooner. Due to the accelerated schedule, the \$800,000 recommended in FY 2012 is redundant.
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28. Virtual Desktop Infrastructure – Appropriate \$300,000 of designated CIP funding from the General Fund to the Virtual Desktop Infrastructure project. This funding will support the deployment of 1,000 virtual desktops in FY 2012.

Description of Exhibits

Exhibit A (attached) - summarizes the detailed FY 2012 Operating Budget and FY 2012 – 2016 CIP documents presented at the start of the budget hearings on May 9, 2011 and April 18, 2011, respectively. Exhibit A also includes the recommended adjustments, previously discussed in this report, to the originally submitted Operating Budget and CIP documents and the final recommended appropriations and revenues.

Exhibit B (attached) - provides the final recommended CIP appropriations for FY 2012.

Exhibit C (attached) - provides additional detail of the recommended changes included in Exhibit A by fund and department. This exhibit also provides a cross reference to the changes discussed previously in this report.

Power Fund Transfer

Regarding recommendation #2, pursuant to Pasadena Municipal Code Section 4.100.020 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 eight 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 eight percent (to maximum of 16 percent) 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. Net income in the Light and Power Fund after this transfer is estimated to be approximately \$6.3 million.

For FY 2012 staff is recommending the City Council adopt a resolution transferring an amount equal to 8.0% of estimated gross revenues, or \$12,636,064. The table below illustrates the use of these funds:

	<u>Amount</u>
Annual gross electric retail income (est. FY 2011)	\$157,950,803
Total Transfer for FY12	\$12,636,064
Transfer as a Percent of Gross Income	8.0%
 <u>Uses of Transfer</u>	
Transfer 67% of the total to the GF for payment of Interest, principal or both on bonds of the City of Pasadena	\$8,466,163
Transfer 33% of the total to the General Fund for any municipal use	\$4,169,901

COUNCIL POLICY CONSIDERATION:

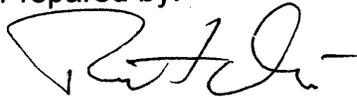
The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the review, adoption and on-going monitoring of the FY 2012 Operating Budget and FY 2012-2016 CIP.

FISCAL IMPACT:

Approval of the City Manager's Recommended Budget and the proposed budget revisions detailed in this report will establish the FY 2012 Operating Budget and 2012-2016 Capital Improvement Program as illustrated in the following table:

	City Manager's Recommended Budget	Proposed Budget Revisions	Budget Recommended for Adoption
Operating Budget			
All Funds	\$775.8 million	\$760,000	\$776.6 million
General Fund	\$215.6 million	\$100,000	\$215,7 million
Capital Improvement Program	\$155.0 million	(\$400,000)	\$154.6 million
Total Full-Time Equivalent Positions			
General Fund	968.0	(1.0)	967.0
Other City Funds	1,033.9	(5.9)	1,028.0
Operating Companies	144.5	0.0	144.5
Total FTEs	2,146.3	(6.9)	2,139.5

Prepared by:



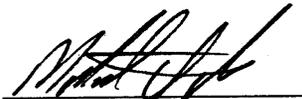
Richard Davis, Budget Administrator

Respectfully submitted,



Andrew Green
 Director of Finance
 Finance Department

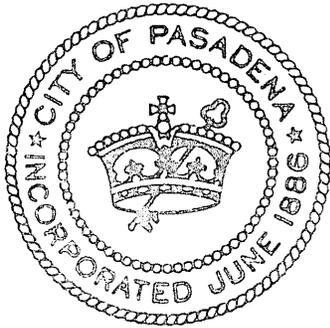
Approved by:



MICHAEL J. BECK
 City Manager

Attachments:

- Exhibit A: Proposed FY 2012 Operating Budget
- Exhibit B: Proposed 2012-2016 Capital Improvement Program
- Exhibit C: Recommended Appropriations - All Funds



Agenda Report

June 6, 2011

TO: Honorable Mayor and City Council

THROUGH: Finance Committee (June 6, 2011)

FROM: City Manager

**SUBJECT: ADOPTION OF FISCAL YEAR 2012 OPERATING BUDGET AND
FISCAL YEAR 2012-2016 CAPITAL IMPROVEMENT PROGRAM**

RECOMMENDATION:

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24. Non-Departmental – Reduce General Fund (Fund 101) appropriations by \$76,249 to adjust budget revised budget estimate. This will be transferred to the Housing Fund to support MASH funding.
25. Pasadena Center Operating Company (PCOC) – Increase FY 2012 appropriations by \$1,195,000. The FY 2012 Recommended Budget did not include appropriations related to the use of PCOC reserves.

The following items are related to recommendation #1 and summarize the changes between the FY 2012-2016 CIP portion of the recommended budget submitted by the City Manager on April 18, 2011 and are being recommended for inclusion in the FY 2012 Adopted CIP Budget:

26. Renovation and/or Replacement of Fire Station #32 – Decrease FY 2012 Recommended CIP appropriations by \$800,000. Due to the urgency in addressing the seismic and safety concerns at both Fire Stations 32 and 39, new projects and funding were created and approved by the City Council on May 9, 2011. This will allow these critical projects to move forward sooner. Due to the accelerated schedule, the \$800,000 recommended in FY 2012 is redundant.
27. Tree Replacement/Planting - Citywide – Increase appropriations by \$100,000 in grant funds from the California Department of Forestry and Fire Protection. Since submission of the FY 2012 Recommended CIP budget to Council, staff has been advised that the City's application for the California Department of Forestry and Fire Protection "Green Trees for the Golden State" grant program has been successful. This grant will help plant 1,000 trees over a two-year period.
28. Virtual Desktop Infrastructure – Appropriate \$300,000 of designated CIP funding from the General Fund to the Virtual Desktop Infrastructure project. This funding will support the deployment of 1,000 virtual desktops in FY 2012.

Description of Exhibits

Exhibit A (attached) - summarizes the detailed FY 2012 Operating Budget and FY 2012 – 2016 CIP documents presented at the start of the budget hearings on May 9, 2011 and April 18, 2011, respectively. Exhibit A also includes the recommended adjustments, previously discussed in this report, to the originally submitted Operating Budget and CIP documents and the final recommended appropriations and revenues.

Exhibit B (attached) - provides the final recommended CIP appropriations for FY 2012.

Exhibit C (attached) - provides additional detail of the recommended changes included in Exhibit A by fund and department. This exhibit also provides a cross reference to the changes discussed previously in this report.

Power Fund Transfer

Regarding recommendation #2, pursuant to Pasadena Municipal Code Section 4.100.020 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 eight 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 eight percent (to maximum of 16 percent) 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. Net income in the Light and Power Fund after this transfer is estimated to be approximately \$6.3 million.

For FY 2012 staff is recommending the City Council adopt a resolution transferring an amount equal to 8.0% of estimated gross revenues, or \$12,636,064. The table below illustrates the use of these funds:

	<u>Amount</u>
Annual gross electric retail income (est. FY 2011)	\$157,950,803
Total Transfer for FY12	\$12,636,064
Transfer as a Percent of Gross Income	8.0%
Uses of Transfer	
Transfer 67% of the total to the GF for payment of Interest, principal or both on bonds of the City of Pasadena	\$8,466,163
Transfer 33% of the total to the General Fund for any municipal use	\$4,169,901

COUNCIL POLICY CONSIDERATION:

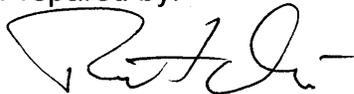
The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the review, adoption and on-going monitoring of the FY 2012 Operating Budget and FY 2012-2016 CIP.

FISCAL IMPACT:

Approval of the City Manager's Recommended Budget and the proposed budget revisions detailed in this report will establish the FY 2012 Operating Budget and 2012-2016 Capital Improvement Program as illustrated in the following table:

	City Manager's Recommended Budget	Proposed Budget Revisions	Budget Recommended for Adoption
Operating Budget			
All Funds	\$775.8 million	\$760,000	\$776.6 million
General Fund	\$215.6 million	\$100,000	\$215,7 million
Capital Improvement Program	\$155.0 million	(\$400,000)	\$154.6 million
Total Full-Time Equivalent Positions			
General Fund	968.0	(1.0)	967.0
Other City Funds	1,033.9	(5.9)	1,028.0
Operating Companies	144.5	0.0	144.5
Total FTEs	2,146.3	(6.9)	2,139.5

Prepared by:



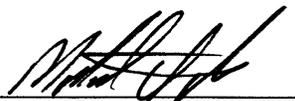
Richard Davis, Budget Administrator

Respectfully submitted,



Andrew Green
 Director of Finance
 Finance Department

Approved by:



MICHAEL J. BECK
 City Manager

Attachments:

- Exhibit A: Proposed FY 2012 Operating Budget
- Exhibit B: Proposed 2012-2016 Capital Improvement Program
- Exhibit C: Recommended Appropriations - All Funds