

Agenda Report

June 22, 2015

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: FISCAL YEAR 2016 OPERATING BUDGET ADOPTION

RECOMMENDATIONS:

It is recommended that the City Council:

1. Close the public hearing and adopt by resolution the City's FY 2016 Operating Budget as presented in the May 18, 2015 City Manager's Recommended Budget or as subsequently amended during the budget hearing process; and
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund is 10 percent for FY 2016.

BACKGROUND:

On May 18, 2015, the City Manager submitted the Recommended Fiscal Year (FY) 2016 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. This budget represents the City's financial plan for FY 2016 and furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with the City's history, culture, and unique character. In addition to the City's anticipated operating revenues and expenses, the FY 2016 Recommended Budget includes the 2016 appropriations of the FY 2016-2020 Capital Improvement Program (adopted by the City Council on April 27, 2015) and the City's operating companies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

The Recommended FY2016 Operating Budget was developed to meet the City Council's strategic goals, maintain a balanced General Fund budget, and address issues such as increasing personnel costs, aging infrastructure, unfunded liabilities, and reserves. Fortunately as a result of increased projected property tax revenues, there is funding available for Other Post-Employment Benefits (OPEB) Unfunded Liability as well of some General Fund program enhancements.

Since May 18, 2015, the Finance Committee and the City Council conducted three hearings to consider the recommended budget. The budgets for each department as well as the three operating company were reviewed and discussed. Many questions and requests for additional information were raised during the hearings and written responses were presented. A summary of those questions and answers are attached (Attachment 4).

With projected modest revenue increases, the City will be able to implement some structural enhancements to programs funded from the General Fund. As part of the operating budget process, General Funded departments were asked to submit decision packages. What was received from the various departments far outpaced the projected increased revenues. After updating the General Fund Five-Year Forecast, staff estimated that \$1 million was available for ongoing, structural enhancement requests. Attachment 3 provides the 2016 General Fund Decision Packages to the operating budget. The requests on the matrix total \$3.2 million of which the City Manager is recommending approximately \$970,000.

The decision packages were provided to the City Council on June 15th. However due to time constraints, the City Council did not have adequate time to review and discuss the enhancements and therefore no conclusions on the decision packages were made.

Another issue affecting the recommended budget is the successor Memorandum of Understanding between the City of Pasadena and the Pasadena Police Officers Association for the term of April 22, 2013 – June 18, 2018 that was approved on June 1, 2015 by the City Council. The financial impact of this MOU adds \$603,385 to the FY 2016 Recommended Budget. The budget being recommended tonight includes this new cost as part of the base budget.

Section 904 of the City Charter requires the City Council to adopt a budget of the amounts estimated to be required to pay the expenses of conducting the public business of the city for the fiscal year on or before the 30th day of June. Since the City Council has not had an opportunity to consider the enhancement requests prior to the completion of this agenda report, it is recommended that the FY 2016 Recommended Budget be adopted as submitted with the inclusion of \$603,385 for the successor MOU.

It is anticipated that during the Joint Finance Committee/City Council meeting, a thoughtful discussion of the decision package will occur. Should decisions be made regarding any or all of the City Manager's recommendation, an amendment to the budget can verbally be made and approved. However, if no conclusion is reached, over the next several weeks, the City Council will have opportunities to consider the proposed decision packages and make recommendations to modify the 2016 budget as appropriate. None of the

recommended decision packages have an effective date of July 1st so additional time is available to have further discussion.

Attachment 1 is a summary of city-wide Recommended FY 2016 Operating Budget Appropriations and Full-Time Equivalents (FTEs) by department and affiliated agency and estimated revenues by category. Also attached is a copy of the General Fund Five-Year Financial Forecast with a summary of assumptions, which continues to be the basis for determining the long-term impact of financial decisions and planning (Attachment 2).

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through adoption of the FY 2016 Recommended Budget.

FISCAL IMPACT:

Recommended Budget Summary

	Appropriations	Revenues
Operating Budget		
General Fund	\$218.7 Million	\$224.0 Million
All Other Funds	<u>\$321.2 Million</u>	<u>\$530.6 Million</u>
Citywide	\$539.9 Million	\$754.6 Million
Capital Improvement Program	\$85.5 Million	\$85.5 Million
Operating Companies	<u>\$58.5 Million</u>	<u>\$58.5 Million</u>
Total:	<u>\$683.9 Million</u>	<u>\$898.6 Million</u>

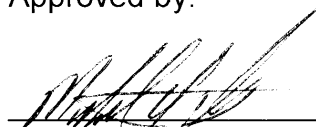
FTEs

General Fund 956
All Funds 2,162

Respectfully submitted,


JULIE A. GUTIERREZ
Interim Director of Finance
Department of Finance

Approved by:


MICHAEL J. BECK
City Manager

Attachments:

- Attachment 1: FY 2016 Operating Budget Revenues, Appropriations, and FTEs
- Attachment 2: General Fund Five-Year Financial Forecast and Summary of Assumptions
- Attachment 3: FY 2016 General Fund Decision Packages
- Attachment 4: Summary of Follow-up Items