



Agenda Report

July 16, 2018

TO: Honorable Mayor and City Council
FROM: City Manager
**SUBJECT: FISCAL YEAR 2019 GENERAL FUND BUDGET REDUCTION
OPTIONS**

RECOMMENDATIONS:

It is recommended that the City Council amend the Fiscal Year 2019 Operating Budget to implement additional General Fund expenditure reductions as outlined in the Background Section of this report.

BACKGROUND:

On May 7, 2018, the City Manager submitted to the City Council the Recommended Operating Budget for Fiscal Year (FY) 2019. The Recommended Operating Budget included proposed reductions of \$2,349,000 and 14.8 Full-Time Equivalents (FTEs) in the General Fund. On June 18th the City Council unanimously adopted the Operating Budget with all the proposed reductions except for the elimination of 1.0 Battalion Chief and 1.0 Assistant City Attorney. Additionally the 5.0 Police Officer positions recommended for elimination were instead de-funded with the FTEs retained in the Police Department's budget.

To maintain a balanced budget, the City Council directed the City Manager to return prior to August 31st with budget reduction options to offset the impact of retaining the Battalion Chief and Assistant City Attorney positions. The combined budgetary value of these two positions is approximately \$420,000. However, in order to maintain a balanced budget that does not draw upon reserves, reductions totaling this amount are not necessary. This is because the recommended operating budget anticipated a slight positive net income of \$145,604. Therefore, to effectively balance the budget, based on current projections, Council need only identify reductions totaling approximately \$274,396. Nevertheless, to provide some small cushion, staff is recommending that the Council make at least \$400,000 in reductions from the proposed list of options below.

Staff's recommendation would be to accept priorities 1-5 for total reductions equaling \$405,000; however, the Council is free to take whatever action it deems appropriate.

Priority	Proposed Reductions – all position reductions are currently vacant	Total	Cumulative Total
1	Earnings on debt service reserve fund beyond minimum requirements	\$200,000	\$200,000
2	Replacement of \$35,000 of General Fund with Measure H funds in Housing Department Budget	\$35,000	\$235,000
3	PCAC to draw down reserve thereby reducing General Fund contributions	\$50,000	\$285,000
4	Reduction in Fleet Maintenance Costs in Fire Department	\$80,000	\$365,000
5	Shift of expenses from General Fund to Prideshare fund for transit passes	\$40,000	\$405,000
6	Eliminate funding for Collaborate PASadena	\$75,000	\$480,000
7	Public Works - eliminate 1.0 Management Analyst II (.67 FTE General Fund)	\$69,751	\$549,751
8	Eliminate 1.0 Program Coordinator III in the Fire Department	\$152,981	\$702,732
9	Eliminate 1.0 Management Analyst III in the Fire Department	\$119,725	\$822,457

Additional detail regarding proposed reductions

Priority 1 – Earnings on debt service reserve fund beyond minimum requirements. The City has several current bond issues for which it must maintain debt service reserve funds to meet the requirements of the bond indentures. Cumulatively, the value of these reserves are approximately \$19 million. Based on the interest earnings within the reserve funds, it is possible to transfer \$200,000 to the General Fund and still maintain the required reserve levels. This action would have no impact on City service levels.

Priority 2 – Replacement of \$35,000 of General Fund with Measure H funds in the Housing Department's budget. The Department was recently awarded additional Measure H funding for FY 2019 which can be used to offset General Fund dollars which had previously been appropriated. This funding allocation is a one-time transfer as ongoing funding is not guaranteed.

Priority 3– Pasadena Community Access Corporation (PCAC) draw down of reserves. The PCAC currently has an operating budget reserve of \$100,000. The Executive Director/CEO has indicated that these funds are not designated for any particular purpose and could be used, in part, to offset this year's General Fund contribution to the PCAC. As it would be prudent to retain half of this amount for any unforeseen expenditures, staff recommends utilizing half the amount, \$50,000, to reduce total General Fund contributions. This one-time action would have no impact on City or PCAC service levels.

Priority 4 – Reduction in Fleet Maintenance Costs in the Fire Department. Through the implementation of greater cost controls and vehicle tracking as well

as a reduction in vehicles and the potential shift to electric vehicles, the Fire Department believes that it can reduce its Fleet Maintenance Costs by \$80,000 in Fiscal Year 2019. This action would have no impact on City service levels.

Priority 5 – Pursuant to Rule 2202 of the South Coast Air Quality Management District (SCAQMD), the City of Pasadena operates a rideshare program for its employees. As part of the City's program known as Prideshare, employees who use mass transit are eligible City-paid transit passes. The cost of these passes is offset by amounts charged to employees who drive solo (\$35 per month). There is currently sufficient dollars in the Prideshare fund to reduce appropriations in the General Fund portion of the Human Resources Department's budget to pay for transit passes in Fiscal Year 2019.

Priority 6 – Eliminate Funding for Collaborate PASadena. The City, along with PUSD, were founders of Collaborate PASadena. The City has remained an active participant in the effort. Based on a Collective Impact model, Collaborate PASadena is a supportive framework made up of individuals, organizations, and businesses dedicated to improving the lives of children and families. The vision is for the children of Pasadena, Altadena, and Sierra Madre to all grow up in a safe, stable, and supportive environment that prepares them for success in school and life.

The effort has had success bringing together various partners to collaborate for the benefit of children in the greater Pasadena area, however, due to its own budget challenges the PUSD has indicated it will no longer be funding this effort. Moreover, there appears to be some overlap with Office of the Young Child which is resident in the Library and Information Services Department. Nevertheless, recently Pacific Oaks College announced that it was stepping in to house Collaborate Pasadena and further its mission. Consequently, it might make sense to leave the City's financial support in the budget for now to see how well the transition goes and determine whether the effort can remain sustainable. Elimination of this funding would have no direct impact on City services, however, it would eliminate support for this wider community effort.

Priority 7 - Eliminate 1.0 Management Analyst II (.67 FTE General Fund) in Public Works. This position is split 1/3 to capital project (fund 301) and 2/3 to the General Fund. It has been vacant for more than 300 days. The Department is undertaking a review of the management structure of its Finance and Management Services Division and hoped to utilize this position in restructuring of that division.

Priority 8 - Eliminate 1.0 Program Coordinator III in the Fire Department. This position services as both the Public Information Officer for the Fire Department as well as the Emergency Management Coordinator. Elimination of this position would result in PIO duties being consolidated in the City Manager's Office, under the Citywide PIO and emergency management functions transferred to sworn staff including Deputy Chiefs and Battalion Chiefs.

Priority 9 - Eliminate 1.0 Management Analyst III in the Fire Department. This position, which has been vacant for over 400 days, is responsible for a variety of analytical work including support for the Department's Accreditation and ISO rating; compiling and analyzing data to support operations, and various other efforts. Loss of this position would negatively impact the department's capabilities in these areas.

Other reductions considered but not recommended at this time

In addition to the items listed above, the following additional items were considered but not included as they could not be put into immediate effect.

1. Shift cost of utilities for the Gamble House from the City to USC – currently the City pays all the utilities for the Gamble House. Staff is in the process of renegotiating the lease with USC and will seek to transfer this responsibility. Total annual savings would be \$40,000 in General Funds.
2. Shift cost of utilities to the Rose Bowl Aquatic Center – Currently the City provides the RBAC \$14,000 a month to cover the cost of utilities. Any monies left over are to be deposited in a capital improvement fund. The RBAC has been successful and in recent years has been considering expansion. As these terms are included in the lease agreement between the City and RBAC, an amendment to the lease would need to be agreed upon to affect this change. Total annual savings would be \$168,000 in General Funds.
3. Consider reductions in the community service broadcasting programs offered by PCAC. Approximately 58% of PCAC's operating budget is dedicated to community activities including maintenance of and content creation for the public channels known as Arroyo, media training and event coverage. While these programs have proved valuable for those who participate in them, it is unclear what overall benefit is derived or whether there is a more cost-effective means of doing so, e.g. through live streaming or other technology. Staff is not recommending any reductions to the PCAC budget other than that discussed above, however, the City Council or a Council sub-committee, may wish to undertake a more in-depth review of the PCAC's operations to determine whether the current level of City funding is appropriate given other priorities.

Future Financial Outlook

The reductions presented in this report are intended to provide the City Council options for ensuring that the Fiscal Year 2019 Operating Budget is balanced without the need to draw upon the City's emergency reserves. However, as indicated on the attached General Fund Five Year Financial Forecast, in future years the City's ability to maintain essential services such as fire and police response including emergency medical services, repairing critical infrastructure

and providing afterschool programs will become more challenging unless additional revenues are identified.


COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through approving reductions to balance the FY 2019 Operating Budget.

FISCAL IMPACT:

The approval of the proposed reductions would maintain a balanced operating budget for Fiscal Year 2019 without the need to draw upon uncommitted fund balance.

Respectfully submitted,



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Director of Finance
Department of Finance

Approved by:



STEVE MERMELL
City Manager