

ATTACHMENT A

STATEMENT OF APPROPRIATIONS BY DEPARTMENT

<i>(In Thousands)</i>	FY 2017 Actuals	FY 2018 Adopted	FY 2018 Revised	FY 2019 Recommended
Operating Expenses				
City Departments				
City Attorney	6,957	7,245	7,237	7,174
City Clerk	2,848	2,450	2,672	2,855
City Council	2,394	2,397	2,397	2,522
City Manager	5,069	5,003	5,004	5,332
Finance	11,491	12,190	12,190	12,735
Fire	45,342	46,551	46,996	49,670
Housing and Career Services	24,635	24,638	28,481	25,407
Human Resources	6,250	7,455	7,463	7,972
Human Services and Recreation	9,966	11,027	11,088	11,044
Information Technology	14,855	17,833	18,409	18,390
Library and Information Services	13,011	14,544	14,709	14,437
Non Departmental	159,852	58,883	88,461	56,551
Planning and Community Development	14,339	18,018	18,197	18,621
Police	77,389	78,656	80,022	84,408
Public Health	10,387	11,934	13,671	12,914
Public Works	61,732	72,512	73,067	71,533
Transportation	31,998	35,209	37,380	37,597
Water and Power	250,851	267,965	269,265	277,337
Department Total	749,367	694,509	736,709	716,501
Successor Agency to the PCDC	22,977	7,527	9,807	3,199
City Sub-Total	772,344	702,036	746,516	719,700
Inter-Departmental Transfers	(119,379)	(62,516)	(86,182)	(61,700)
City Operating Total	652,965	639,520	660,334	658,000
Affiliated Agencies				
Pasadena Center Operating Company	20,332	21,630	21,630	22,543
Pasadena Community Access Corporation	1,198	1,191	1,191	1,216
Rose Bowl Operating Company	47,061	44,301	54,961	51,076
Affiliated Agencies Sub-Total	68,591	67,122	77,782	74,835
Total Operating Appropriations	721,556	706,642	738,116	732,835
Capital Appropriations				
Information Technology	2,610	1,563	1,563	2,213
Pasadena Center Operating Company	1,600	1,225	1,225	1,150
Planning and Community Development	1,629	511	511	2,261
Public Works	14,558	17,245	17,145	13,154
Rose Bowl Operating Company	1,874	2,632	2,632	5,585
Transportation	8,920	7,457	7,457	4,640
Water and Power	34,175	45,645	45,645	53,257
Capital Improvement Program Sub-Total	65,366	76,277	76,177	82,260
Total Citywide Appropriations	786,922	782,919	814,293	815,095

CITY OF PASADENA
CITY MANAGER'S TRANSMITTAL LETTER

May 7, 2018

HONORABLE MAYOR AND CITY COUNCIL MEMBERS:

Presented for your consideration is the Fiscal Year (FY) 2019 Recommended Budget for the City of Pasadena. The Budget, both Operating and Capital, make possible the many services and facilities provided by the City which contribute to the high quality of life in Pasadena. Our residents choose to live in Pasadena because it offers a better quality of life and services than other Los Angeles County cities. The City provides a wide variety of services and programs either directly or through partnerships with local non-profits, for virtually every age and lifestyle. The budget seeks to continue maintaining the essential services that protect residents' quality of life, such as neighborhood police patrols, keeping our roads and parks in good condition, supporting local youth and senior programs, and other services that make our City a great place to live.

**Total Budgeted Appropriations
(including Affiliated Agencies and CIP)**

in millions

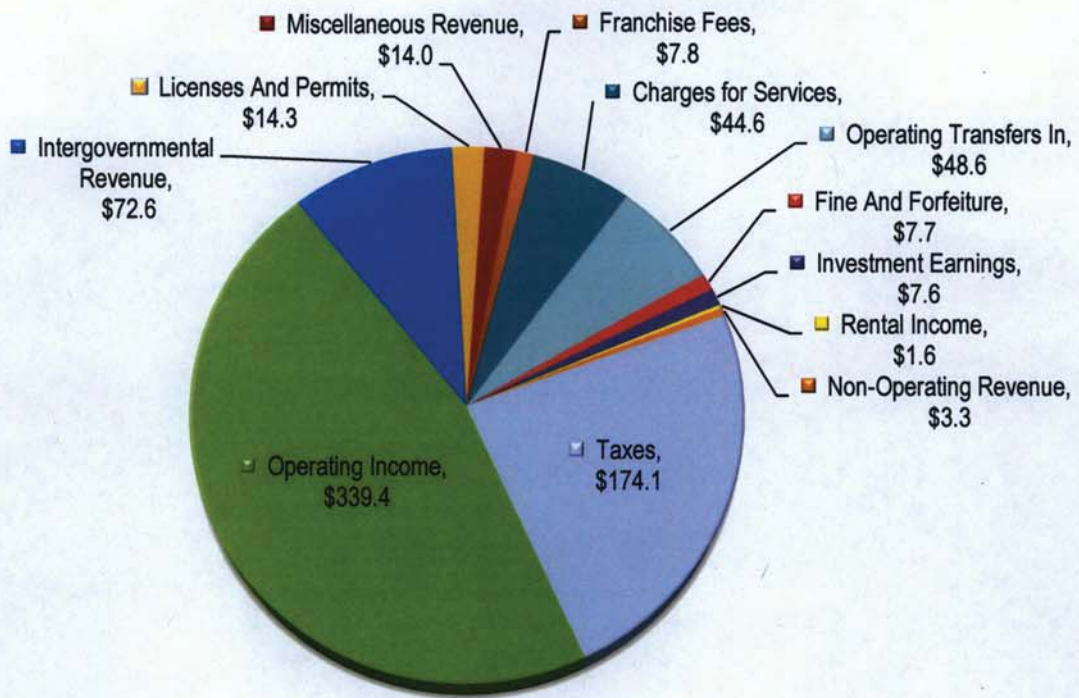
	FY 2017 Actuals	FY 2018 Adopted	FY 2019 Recommended
General Fund	\$235.1	\$236.7	\$245.6
All Funds	\$786.9	\$782.9	\$815.1

**Full-Time Equivalent Positions
(including Affiliated Agencies)**

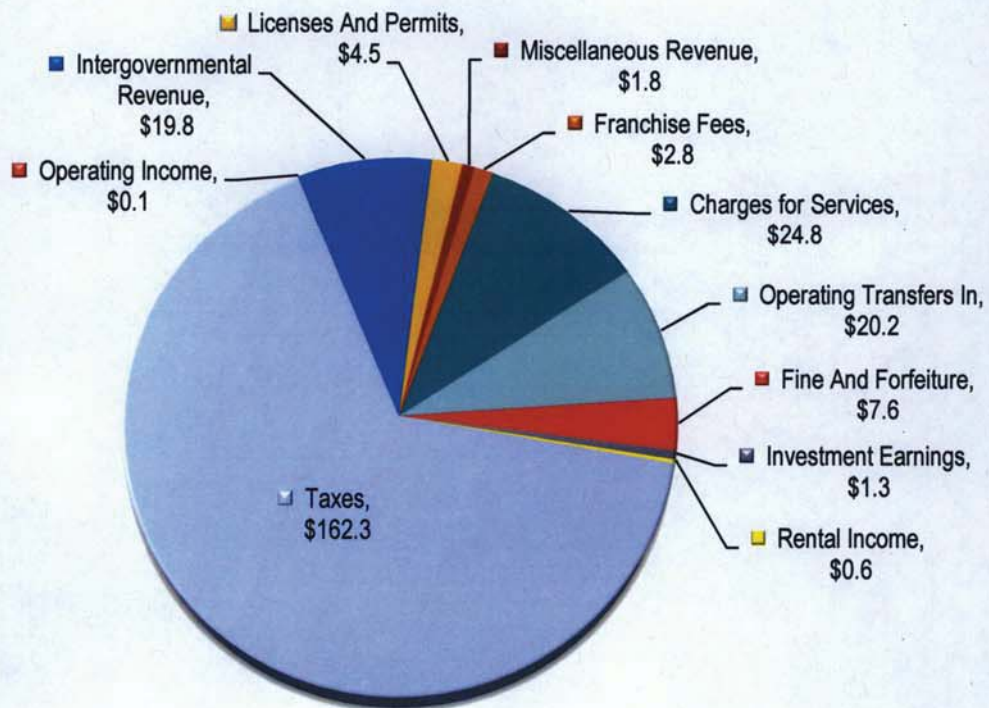
	FY 2017 Actuals	FY 2018 Adopted	FY 2019 Recommended
General Fund	1,002.55	983.75	967.91
All Funds	2,218.60	2,171.26	2,174.57

CITY OF PASADENA
CITY MANAGER'S TRANSMITTAL LETTER

FY 2019 OPERATING REVENUES BY CATEGORY FOR ALL FUNDS (Millions)

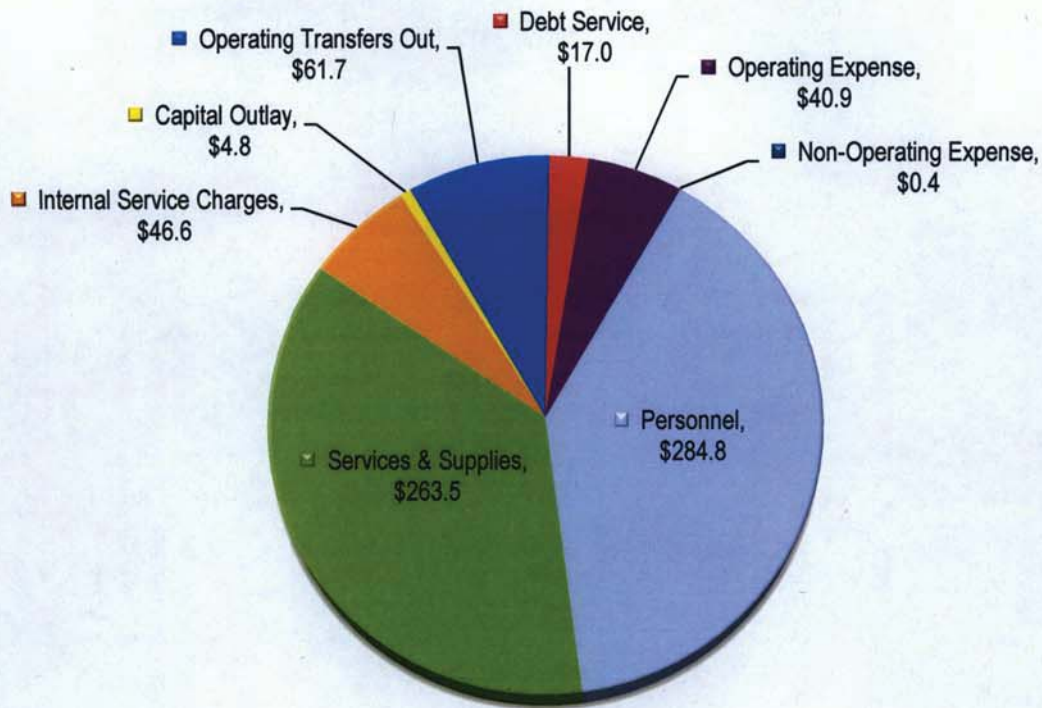


FY 2019 OPERATING REVENUES BY CATEGORY FOR THE GENERAL FUND (Millions)

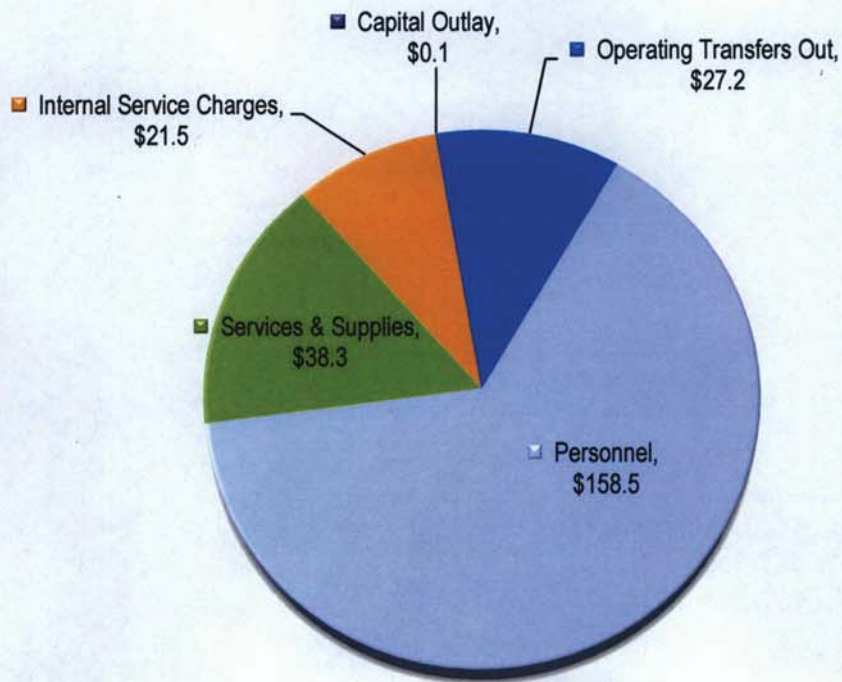


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CITY MANAGER'S TRANSMITTAL LETTER

FY 2019 OPERATING APPROPRIATIONS BY CATEGORY FOR ALL FUNDS (Millions) *Excluding Affiliated Agencies and CIP

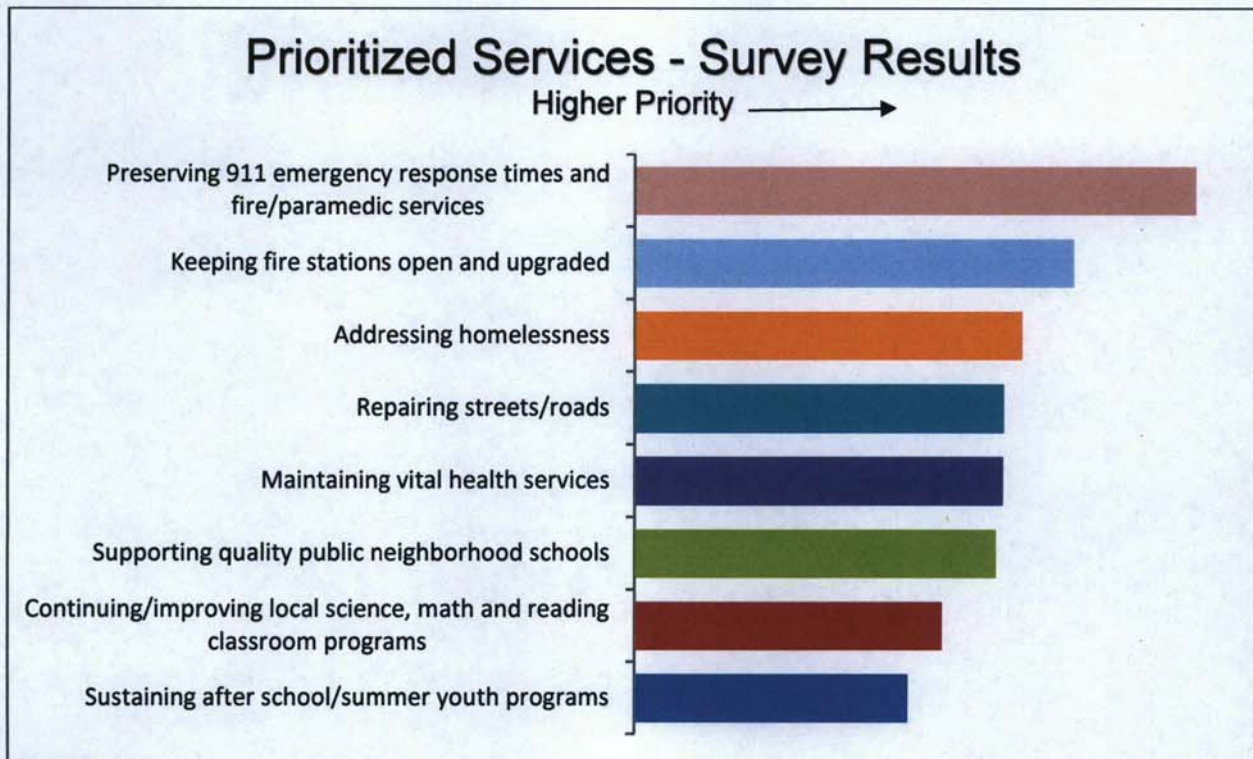


FY 2019 OPERATING APPROPRIATIONS BY CATEGORY FOR THE GENERAL FUND (Millions)



CITY OF PASADENA
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Pasadena is a community where active citizen engagement is welcomed and encouraged. Therefore, it is only fitting that as part of this year's budget process, City staff initiated a robust public engagement process to solicit input on the community's key service priorities, entitled "Join the Conversation". This effort has included dozens of presentations to various community and business groups supported by an on-line survey that has been widely promoted through social media and other communication outlets. To date, hundreds of responses have been received indicating support for the following priorities as follows:



These priorities are reflected in a variety of services funded by the Operating Budget as well as, projects contained within the Capital Improvement Program budget. However, current financial trends and the ever-growing list of unfunded capital needs are challenging the City's ability to maintain essential City services and reinvest in critical infrastructure.

The City's General Fund Five-Year Financial Forecast is the mechanism by which the long-term financial health of the City's most important fund is monitored. By tracking and trending current and anticipated revenues and expenses, the forecast provides a tool for the City's policymakers. At the time the City Council adopted the Fiscal Year 2017 operating budget, in June 2016, the Five-Year Forecast indicated

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that while the budget was balanced for that year, thanks mainly to one-time revenues, a gap would arise between anticipated revenues and expenses beginning in Fiscal Year 2018 and would grow more pronounced over time. To begin addressing the issue, in October 2016, the City Council approved budget reductions totaling \$2.1 million that included the elimination of 7.0 vacant Full-Time Equivalent positions, other non-personnel reductions and the shifting of costs from the General Fund to non-General Funds. As part of the adopted Fiscal Year 2018 Operating Budget, in order to maintain a balanced budget and not draw upon reserves, an additional \$2.0 million in reductions were approved involving the elimination of a further 7.0 positions. Nevertheless, despite these actions, estimates at the outset of the Fiscal Year 2019 budget development process revealed an approximate \$3.5 million budget gap for the upcoming fiscal year, and a growing mismatch between revenues and expenditures that will total in excess of \$32 million over the following five fiscal years.

General Fund Five-Year Forecast

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Budget	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
Beginning Amount Available for Appropriations	4,392,200	5,261,578	5,407,744	1,829,920	(1,926,414)	(7,382,760)	(15,377,454)
Revenues							
Tax Revenues	178,357,609	182,736,100	188,330,783	193,482,738	198,791,345	204,260,740	209,294,298
Other Revenues	39,997,735	42,841,399	43,882,711	44,950,833	46,046,471	47,170,353	48,323,224
Contributions/Svs. From Other Funds	19,261,216	20,208,522	20,657,239	21,466,226	22,034,237	22,585,180	22,585,180
Total Revenues	237,616,560	245,786,021	252,870,733	259,899,797	266,872,053	274,016,273	280,202,702
Expenses							
Personnel	150,612,486	158,532,924	166,174,151	172,821,117	179,733,961	186,923,320	194,400,253
Debt Service	14,492,861	13,598,271	11,746,265	11,740,819	11,474,167	11,724,283	11,723,798
Contributions To Other Funds	14,549,254	13,986,653	13,866,386	14,143,714	14,426,588	14,715,120	15,009,422
Other Expenses	57,092,581	59,922,008	61,551,511	63,230,845	64,961,699	66,745,819	68,585,017
Total Expenses	236,747,182	246,039,856	253,338,312	261,936,495	270,596,415	280,108,542	289,718,490
Fund Balance Allocations							
Contribution to Policy Reserve	-	(400,000)	3,110,245	1,719,636	1,731,984	1,902,425	1,921,990
Net Income/(Loss)	869,378	146,165	(3,577,824)	(3,756,334)	(5,456,346)	(7,994,694)	(11,437,777)
Ending Amount Available for Appropriations	5,261,578	5,407,744	1,829,920	(1,926,414)	(7,382,760)	(15,377,454)	(26,815,231)

Unless additional revenues are identified to help close the budget gap over the next several years, reductions in City service levels will be necessary to balance the budget without drawing down the City's prudent emergency reserves. Moreover, given that over the past ten years the City has made \$19 million in ongoing reductions including the elimination of 123 Full-Time Equivalent staff positions

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including 23 sworn police officer positions, identifying further reductions each year for the foreseeable future would be exceptionally difficult and would jeopardize those City services identified as essential by the community.

To balance the General Fund Operating Budget for the upcoming fiscal year, staff has identified \$500,000 in projected new Transient Occupancy Tax (TOT) revenues associated with the approval of land-use regulations for short-term rentals. Not included is any revenue from the pending excise tax on marijuana, which voters will consider in June. It is anticipated that, if approved by voters, the revenues will be largely offset by additional expenses incurred by the City to manage the regulatory regime which voters are also being asked to consider, provide enforcement against illegal operators and support health education efforts. Beyond this, another \$732,000 represents a reduction in debt service payments related to paying off a prior financing and the shifting of costs from the General Fund to other funds where the expenses are more appropriate.

The balance of recommendations to close the General Fund budget gap are departmental budget reductions totaling \$2,349,000 that include the elimination of another 14.8 Full-Time Equivalent positions in various City departments, all of which are currently vacant.

Non-Departmental	
Projected increase in TOT revenues	\$500,000
Reduction in debt service payments	\$731,979

Shifting of costs from General Fund to non-General Fund	
Costs of 2.0 FTEs in Planning Department to Building Fund	\$247,837

Departmental Reductions – all position reductions are currently vacant	
City Attorney – eliminate 1.0 Deputy City Attorney	\$174,192
City Manager – eliminate 1.0 Management Analyst IV (partial funding)	\$77,488
City Manager – reduce business support resources for economic development	\$100,000
Fire – eliminate 1.0 Battalion Chief	\$246,396
Fire – eliminate 1.0 Office Assistant	\$56,374
Human Resources – reduce printing budget	\$30,000
Human Services & Recreation – eliminate 1.0 Community Service Representative III	\$70,705
Human Services & Recreation – eliminate 0.80 Adaptive Recreation Specialist	\$68,749
Human Services & Recreation – reduce support for community events	\$31,500

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Police – eliminate 5.0 Police Officers	\$694,927
Police – eliminate 3.0 Parks Security Rangers	\$246,339
Public Works – eliminate 1.0 HVAC Technician	\$106,341
Public Works – reduce contract services and materials and supply budget	\$198,260
Total	\$3,581,087

In identifying proposed reductions, care has been taken to avoid the elimination of services in the coming fiscal year. For example, the Fire Department put forward the possibility of placing a Fire Engine and Advanced Life Support Ambulance out of service for 12 hours a day (“Brown out”) and the Public Works Department suggested reducing by half the City’s Graffiti Abatement team. Neither of these proposals are being recommended to the City Council at this time, however, given that the budgetary challenge is structural, i.e., projected to get worse over time, elimination of services is inevitable as early as Fiscal Year 2020 (July 1, 2019). Other service reductions that will likely need to be considered as part of the next budget cycle include:

- Closing some neighborhood libraries
- Restructuring Emergency Medical Services away from Advanced Life-support Ambulances staffed by Fire-Fighter Paramedics to Basic Life-support Ambulances staffed by civilian Emergency Medical Technicians
- Reducing after-school programs for youth
- Eliminating parks security staff
- Further reductions in Police Officer staffing
- Reducing maintenance of parks and the urban forest

The fiscal health of many of the City’s special revenue and enterprise funds is also being challenged, and the proposed budget includes reductions in programs supported by these funds as well. The Library and Information Services Department, which is primarily supported by a mandatory General Fund contribution in order to continue collecting the Library Special Tax, is recommending \$493,000 in reductions including the elimination of a vacant Library Technician position, the reduction of contract services and a reduced print materials collection and subscriptions budget. While these reductions should have a minimal effect on operations in the coming fiscal year, the Library Fund’s five-year forecast shows that future and substantive additional reductions will be required.

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In addition to the Operating Budget challenges outlined above, the City's many capital infrastructure needs continue to grow. As was highlighted in the Transmittal of the 2019 – 2023 Capital Improvement Program Budget, the City has \$745 million of identified but unfunded capital needs including:

- Repair of 670,000 square feet of damaged sidewalk at a cost of \$12 million
- Replacing obsolete 911 emergency response communications at a cost of \$8 million
- Upgrading Fire Stations to current operational and safety standards, estimated cost \$100 million
- Bringing over 4,000 curb ramps in compliance with the Americans with Disabilities Act standards at a cost of \$20 million
- Replacement of 17,000 street lights on an old, failing hi-voltage circuits to safer, more reliable low-voltage, estimated cost \$21 million
- Rehabilitating aging libraries and community centers

Taken as a whole, the need to balance the Operating Budget and identify sufficient funding to maintain the City's capital infrastructure is the most critical issue facing the City. In the coming fiscal year, the City of Pasadena, guided by the leadership of the City Council, will need to make important decisions regarding the future level of City services and the quality of its critical infrastructure.

Respectfully submitted,



Steve Mermell
City Manager

**Schedule for FY 2019
Operating Budget
Special Joint Meetings with Finance Committee and City Council**

May 7

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
FY 2019 Operating Budget**

- FY 2019 Schedule of Taxes, Fees, and Charges
- FY 2019 General Fee Schedule

Regular City Council Meeting- 6:30 pm**FY 2019 Operating Budget**

- FY 2019 Recommended Operating Budget Review
- FY 2019 General Fee Schedule
- Public Hearing for FY 2019 Schedule of Taxes, Fees, and Charges

May 14

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 6:30 pm Regular City Council Meeting)**

- City Council
- City Clerk
- City Manager
- Successor Agency to the PCDC
- City Attorney
- Human Resources
- Finance
- Information Technology
- FY 2019 General Fee Schedule Adoption at Regular Council Meeting (If Necessary)
- FY 2019 Schedule of Taxes, Fees, and Charges Adoption at Regular Council Meeting

May 21

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 7:00 pm Public Hearing)**

- Police
- Fire
- Human Services and Recreation
- Library
- Public Health

Public Hearing- 7:00 pm**FY 2019 Operating Budget Hearing**

- Public Hearing for FY 2019 Recommended Operating Budget

May 28

Holiday- Memorial Day

June 4

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 7:00 pm Public Hearing)**

- PCOC
- PCAC
- RBOC
- Public Works
- Transportation

June 11

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 7:00 pm Public Hearing)**

- Water and Power
- Housing
- Planning
- Proposed Fiscal Strategy to Address Current and Future Financial Liabilities
- Options for Revenue Enhancements to Fund Operating or Capital Programs

June 18

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 7:00 pm Public Hearing)**

- Responses to Outstanding Questions
- FY 2019 Gann Appropriations Limit Adoption
- Fiscal Year 2018 4th Quarter Clean Up
- FY 2019 Operating Budget Adoption

June 25 (If Necessary)

**Operating Budget Joint Meeting- 3:00 to 5:30 pm
(Continued at 7:00 pm Public Hearing)**