



Agenda Report

February 11, 2019

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Department of Finance
SUBJECT: AMENDMENTS TO FISCAL YEAR 2019 ADOPTED OPERATING BUDGET

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment; and
2. Amend the Fiscal Year (FY) 2019 Adopted Operating Budget as detailed in the "Proposed Budget Amendments" section of this report by a net amount of \$4,938,982; and
3. Amend Contract No. 22,671 with Los Angeles County Metropolitan Transportation Authority for removal of bike share equipment by increasing the total amount by \$85,048.61 for a revised total contract amount not-to-exceed \$2,195,976.61.

BACKGROUND:

Throughout the fiscal year, budget amendments are necessary to account for unanticipated changes to the adopted budget. These revenue and appropriation amendments are presented to the City Council for approval. This agenda report includes proposed amendments to the FY 2019 Operating Budget based on information that was not available when the operating budget was approved by the City Council on June 18, 2018.

A discussion of each proposed budget amendment is included in the "Proposed Budget Amendments" section. As detailed in the attachment to this report, approval of the proposed budget amendments will increase FY 2019 total authorized operating appropriations across multiple funds by a net amount of \$4,938,982.

Proposed Budget Amendments

- 1. Purchased Power, Gas, and Fuel** - Pasadena Water and Power Department recommends recognizing revenue of \$8,000,000 and appropriating \$6,900,000 for purchased power, gas, and fuel burned for wholesale activities from the unappropriated fund balance in the Power Fund (401). The net result is the additional revenue recognition of \$1,100,000 in the Power Fund. The California Independent System Operator (CAISO) system and reliability issues have caused volatility in the gas and power market. Average prices of natural gas increased substantially in the calendar third quarter of 2018, particularly at the SoCal Citygate trading hub where average prices more than doubled compared to 2017. Also, unplanned pipeline maintenance, reduced electricity generation from hydroelectric power, restricted natural gas storage activity at Aliso Canyon, as well as increased natural gas demand amid high temperatures contributed to the increased prices. Fortunately, higher market prices, increased CAISO capacity, and energy demand resulted in higher wholesale sales activities and an increase in revenues to offset the higher expenses.
- 2. Outside Legal Services for City Attorney/City Prosecutor Department** - The City Attorney/City Prosecutor Department recommends appropriating \$1,680,000 in the General Fund for Outside Legal Services. The current budget is \$750,000, but given the number and range of legal matters required to be processed, expenditures are forecasted to be approximately \$2,430,000 for FY 2019.

The following items 3 through 6 pertain to Housing fund accounts. The recommended amendments are necessary to move projects forward, which were previously approved by the City Council, into construction or to complete projects in the current FY 2019.

- 3. HOME Funding for both Decker Court and Gill Court Affordable Homeownership Projects** – The Housing Department recommends appropriating \$2,782,982 in the HOME Investment Partnership (HOME) Fund for the Decker Court and Gill Court affordable homeownership projects. In December 2017, the City Council approved the allocation of \$2,782,982 of HOME funds for both the Decker Court (\$942,371) and Gill Court (\$1,840,611) projects. This budget authority was appropriated in FY 2018, but was not spent due to a longer than anticipated predevelopment period in FY 2018. This proposed action does not increase the cost of the project. Construction is anticipated to begin in March 2019.
- 4. Inclusionary Funding for Decker Court Affordable Homeownership Project** – The Housing Department recommends appropriating \$225,000 in the Inclusionary Housing Trust Fund for the Decker Court affordable homeownership project. In December 2017, the City Council approved the allocation of \$225,000 to the Inclusionary Housing Trust Fund for the Decker Court project. This budget authority was appropriated in FY 2018, but was not spent due to a longer than anticipated predevelopment period in FY 2018. This proposed action does not

increase the cost of the project. Construction is anticipated to begin in March 2019.

- 5. Funding for the Villa Los Robles Rehabilitation Project** - The Housing Department recommends appropriating \$393,750 in the HOME Fund and \$656,250 in the Low and Moderate Income Housing Asset (LMIHAF) Fund for the Villa Los Robles rehabilitation project. In April 2018, the City Council approved the original allocation of \$399,197 of HOME funds and the original allocation of \$650,803 of LMIHAF funds for this project in the FY 2018 budget. In order to comply with HOME subsidy requirements, \$5,447 is being reduced in HOME funding and LMIHAF funding is increasing by the same amount. The total \$1,050,000 of City approved funding for the project remains unchanged. The project allocation was not spent in FY 2018, however it is expected to be spent in FY 2019 as the project is expected to be completed by May 2019.
- 6. Transfer Funding for the Centennial Place Rehabilitation Project** - The Housing Department recommends that \$314,000 in HOME funds be substituted with Inclusionary funds for the second phase of the Centennial Place rehabilitation project to comply with HOME "separate project" criteria which does not allow multi-phase funding of single-site projects. The HOME funds were not expended. The proposed swap will decrease the HOME funds by \$314,000 and increase the Inclusionary funds by \$314,000 in FY 2019 total authorization. The second phase rehabilitation is expected to commence in April 2019.
- 7. Outside Legal Services for Housing Department** - The Housing Department recommends appropriating \$50,000 to the Low and Moderate Income Housing Asset Fund for outside legal services. The City Council, as Successor Agency to Pasadena Community Development Commission (PCDC), took action on April 30, 2018 to transfer Housing assets to the City Housing Successor. Additional funds are required for the provision of outside legal services related to the administration of these assets.
- 8. Personal Fire Protective Equipment** - The Pasadena Fire Department recommends appropriating \$165,000 in the General Fund for personal protection equipment (PPE) for 15 new firefighter recruits who began training on February 4, 2019. Proper PPE for training exercises in hazardous environments is required. The Department's current PPE program is budgeted for existing personnel and has already absorbed PPE costs for a recruit academy that was completed in the second quarter of FY 2019. The Department does not have sufficient funding to properly outfit the large number of new employees for this upcoming class.
- 9. Rotating Public Art Exhibition Program Phase IV** - The Planning and Community Development Department recommends appropriating \$86,000 from the unappropriated fund balance of the Cultural Trust Fund. These funds will be used to install new concrete pads and lighting and to release the artist request for proposal for Phase IV of the Rotating Public Art Exhibition Program.

- 10. New Van for the Police Department PAL Program** – The Pasadena Police Department recommends recognizing revenue and appropriating \$33,625 to purchase a new van for the Police Activity League (PAL) program. Recently the PAL program, which is now part of the Police Foundation and a non-profit that promotes and funds programs that further the goals of the Police Department and supports youth programs developed by the Police Department, donated money to the Community Services Section to buy a new van to be used with the PAL program. The PAL program was started to encourage Pasadena area youth to be good citizens through a partnership with the Pasadena Police Department. The Department mentors these youth. Youth Advisors who work at the PAL center are City employees. These City employees transport youth from school to the PAL center as well as to outings. The current vehicle is 20 years old and is beyond its useful life.
- 11. California Department of Public Safety HIV Prevention Grant - Pasadena Public Health Department (PPHD)** recommends recognizing revenue and appropriating \$25,000 in state of California grant funds. The California Department of Public Health, Center for Infectious Diseases, Office of AIDS awarded PPHD one-time funding to support HIV prevention activities including costs of attendance for up to six staff at a Center Disease Control conference in Atlanta and purchasing medical supplies such as Hepatitis C testing kits. The funding will support the HIV Counseling and Testing Program through June 30, 2019.

Proposed Contract Amendment

- 12. Request to Increase Contract Amount with Los Angeles County Metropolitan Transportation Authority** – The Transportation Department requests to increase the Los Angeles County Metropolitan Transportation Authority (LACMTA) Contract No. 22,671 by \$85,048.61 for a revised total contract amount not-to-exceed \$2,195,976.61 for costs associated with removing the bike share equipment. In October 2016, the City entered into a two-year contract with LACMTA for the Pilot Countywide Bike Share Program. In summer 2018, the City decided to terminate the contract early due to low ridership resulting in monthly revenues unable to support monthly operations and maintenance costs of approximately \$100,000. As indicated in Contract No. 22,671, in the event the City terminates the contract prior to the expiration date, the City will be responsible for early equipment removal costs. The total cost to remove the bike share equipment was \$122,362. Contract No. 22,671 currently has a balance of \$37,313.39, resulting in the need for an additional \$85,048.61. Funding for this contract amendment will be addressed by using existing FY 2019 budget appropriation from the Measure R Fund.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the FY 2019 Adopted Operating Budget and by implementing necessary budget amendments.

FISCAL IMPACT:

As detailed in the attached "Summary of Proposed FY 2019 Budget Amendments," approval of the proposed budget amendments will increase FY 2019 total authorized operating appropriations across multiple funds by a net amount of \$4,938,982.

The General Fund's unappropriated fund balance will decrease by \$1,845,000.

The budget amendments included in this agenda report are not anticipated to impact existing FY 2019 budgeted indirect and support costs such as maintenance and DoIT support.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:



Michele Logan
Principal Administrative Analyst
Department of Finance

Approved by:



STEVE MERMELL
City Manager

Attachments: (1)

1) Attachment: Summary of Proposed FY 2019 Budget Amendments by Fund