

CITY OF PASADENA
CITY MANAGER'S TRANSMITTAL LETTER

May 17, 2021

HONORABLE MAYOR AND CITY COUNCIL MEMBERS:

I hereby transmit the Recommended Fiscal Year 2022 (FY 22) Budget for the City of Pasadena. The Budget, both Operating and Capital, make possible the many services and amenities provided by the City which contribute to the high standard of living in Pasadena. Our residents choose to live in Pasadena because it offers a better quality of life 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.

Total Budgeted Appropriations
(including Affiliated Agencies and CIP)

in millions

	FY 2020 Actuals	FY 2021 Adopted	FY 2022 Recommended
General Fund	\$304.3	\$269.6	\$286.7
All Funds	\$1,069.4	\$877.8	\$897.8

Full-Time Equivalent Positions
(including Affiliated Agencies)

	FY 2020 Adopted	FY 2021 Adopted	FY 2022 Recommended
General Fund	1,002.80	1,007.59	1,011.30
All Funds	2,275.95	2,268.52	2,250.67

Today, Pasadena along with the rest of our nation, is emerging from one of the most difficult periods in recent history. For more than a year, the COVID-19 pandemic has dominated our lives and impacted virtually everyone. As of this writing, well over 11,000 Pasadena residents previously contracted COVID-19 with 340 tragically succumbing to the disease. Thankfully, as a result of protocols to reduce the transmission and the advent of safe and effective vaccines, developed in record time, infection rates have slowed dramatically and life is beginning to return to normal.

In addition to a staggering toll in human life, COVID-19 brought with it a world-wide economic recession resulting in record high unemployment, business closures and a precipitous drop in

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economic activity. The City, under the leadership of the Mayor and City Council, was quick to respond in a variety of ways to support our community during a very difficult time.

Some of the more notable efforts on the part of the City included:

- Adopting an eviction moratorium for residential and commercial tenants;
- Rebating over \$11 million in Underground Utility Surtax charges to Pasadena Water and Power electric customers and providing six months of rate relief;
- Providing over \$1.7 million in funding and over 2,500 hours of direct staff support to local food banks, pantries and feeding programs;
- Coordinating the distribution of over 150,000 “grab and go” lunches to supplement PUSD feeding efforts at seven schools on weekends;
- Adopting an ordinance restricting commissions charged by third party food delivery services to protect local restaurants and consumers from gouging;
- Participating in the State's Great Plates Delivered program which provided 170,000 daily restaurant-delivered meals to 367 Pasadena seniors throughout the duration of the program;
- Providing two rounds of grants to local businesses totaling approximately \$800,000 to support payroll, lease obligations, and compliance with health protocols;
- Adopting an ordinance that provides protections to hotel workers facing unemployment fluctuations due to restrictions imposed by stay at home orders;
- Providing \$1 million in rental assistance to aid 275 households with back rent;
- Supporting outdoor dining through the use of streets, sidewalks and parking lots;
- Providing a wide range of support to local businesses including numerous webinars, newsletters and resource pages; and
- Developing and executing the “We’re Open, Keep Us Open” Shop Local campaign. The campaign garnered over 1,000,000 media impressions and over 75 businesses across the City participated in a planned social media takeover to increase awareness for the campaign.

Economic Impacts from COVID-19

The economic impact related to COVID-19 was also felt directly by the City in the form of significantly reduced revenues. Prior to that time the City's financial position was strong. Following several years of austerity wherein over \$6 million of spending was trimmed from the General Fund budget, voters in FY 19 approved Measure I, a ¼-cent local sales tax measure to preserve essential City services and support much needed capital investment. Associated with Measure I was an advisory measure, Measure J, which advised the City Council to share 1/3 of the revenue derived from Measure I with the Pasadena Unified School District.

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The combination of targeted budget reductions and new revenue enabled the City to build up a healthy fund balance in its General Fund and establish a Section 115 Pension Trust to pay for future pension liabilities.

General Fund - Fund Balance Summary

	Pre COVID	January 2021	Current
15% Emergency Reserve	\$ 41,339,700	\$ 41,339,700	\$ 41,339,700
5% Operating Reserve	\$ 13,779,900	\$ 313,103	\$ 2,133,129
Unassigned	\$ 2,829,061	\$ -	\$ -
Section 115 Trust - Pension	\$ 11,651,442	\$ 12,801,739	\$ 12,859,773
Section 115 Trust - OPEB	\$ 2,204,665	\$ 2,422,785	\$ 2,434,761

The COVID-19 pandemic and associated recession came in the final quarter of FY 20. In that short time, the City lost \$6.4 million in General Fund revenue and incurred millions in expenditures related to response efforts and protective measures to maintain essential services. Fortunately, significant underspending by City departments offset the losses for a net overall loss of \$5.5 million.

As the City prepared to enter FY 21, projected losses related to COVID-19 were estimated at \$14 million in the General Fund alone. As it would turn out, several other key funds including the Off-Street Parking Fund which accounts for activity in the City's public parking garages, would see significant reductions in revenue as well, as economic activity faltered. Moreover, the Rose Bowl Operating Company (RBOC) and the Pasadena Center Operating Company (PCOC) suffered devastating revenue reductions due to state restrictions on large-scale events.

In order to achieve a balanced budget for FY 21, virtually all Measure I dollars (\$8.4 million) previously intended to support much needed projects in the Capital Improvement Program Budget were reprogrammed to prevent dramatic reductions in essential City services. Additionally, \$1.85 million in reductions, including the elimination of nine staff positions, were made in the General Fund. The PCOC was able to cover its annual operating costs including debt service obligations with cash on hand, however, it was necessary for the City's General Fund to cover the FY 21 debt service obligation related to the Rose Bowl Stadium, approximately \$11.5 million, thereby exhausting the General Fund 5% Contingency Reserve.

Throughout the fiscal year, the Finance Department carefully monitored revenue and expenses, reported regularly to the City Council Finance Committee and updated the City's General Fund Five-Year Financial Forecast. As the City approaches the end of FY 21 the total revenues losses associated with the COVID-19 economic recession are estimated to be as high as \$55 million across all City funds. When added to the losses in FY 20, the total estimated COVID-related economic revenue loss to the City is an estimated \$70 million. In addition to this, the City has

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expended roughly \$30 million over and above normal City operations as part of its response to COVID-19.

The Current State of Things

In March, Congress passed and the President signed into law the American Rescue Plan, a \$1.9 trillion dollar economic stimulus. The Plan provides direct funding for local governments (\$360 billion) along with programmatic funding for homeless assistance, rental assistance, public transit and utility assistance. Based upon the modified Community Development Block Grant allocation method being used to allocate funding, Pasadena is expected to receive \$52.2 million in direct support.

While many of the details have yet to be determined, the federal relief is very much welcome as it will enable the City to provide additional support to the community and hopefully offset some, but not all, of the economic losses incurred. Because crisis can occur at any time and take many forms, as the COVID-19 pandemic has painfully reminded us, rebuilding the City's financial reserves to protect essential City services against the next calamity, should be the priority for use of the federal support.

Looking Forward

The local and national economies are realizing strong recovery in some areas, while other sectors appear to be very slow to recover, furthering the belief that a "K" type recovery/recession will continue to occur. The travel and tourism industry is expected to take three to four years to recover, especially in areas that rely on international travel as COVID-19 cases continue to vary widely within the U.S. and across nations. Locally, business closures, including many restaurants, may take years to recover from. Due to these factors, revenues such as transient occupancy tax, certain sales tax categories, parking, and related revenues are expected to take as long as four years to return to pre-COVID-19 levels. Additionally, accounts receivables owed to the City for utility bills, emergency medical services and other services have grown by 1,000% with utility receivables alone exceeding \$8 million. The ability to collect these billings will have a direct impact on a number of funds including the General, Power, Water, Refuse and Sewer Funds.

Fortunately, the City has also benefited from the upside of the recovery. Some sales tax categories, such as automobile sales and online purchases, have been robust, property tax has remained stable, and development activity for new residential and commercial space continues, including the opening of a new Home Depot store in March 2021.

As discussed above, this past year has been particularly challenging for the PCOC and the RBOC. Each of these entities function in a semi-autonomous fashion from City operations, and rely on revenues generated through their respective business operations to cover operating expenses and debt service obligations associated with prior capital improvements. Historically, under the direction of well-qualified boards, each has been self-reliant. However, the enormous scope of the COVID-19 pandemic and the related inability to host large-scale events has eliminated key sources of revenue which support each operating company. In the case of PCOC, it benefits

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through a longstanding arrangement whereby the City's General Fund transfers to it roughly 2/3rd of the Transient Occupancy Tax (TOT) received by the City. However, this past year, with the sharp reduction in travel, even that typically reliable revenue source has dropped precipitously. In a typical year, TOT transferred by the City would make up over 40% of the PCOC's operating budget.

It should be recognized that both the PCOC and RBOC have worked hard to generate incremental revenues through small-scale events that conform to the state-wide health protocols and each entity played a critical role in the City's COVID response effort including: assisting with meal support for residents; the outfitting of the convention center to serve as a possible alternate care facility for COVID patients, and the Rose Bowl serving as a mass testing site along with housing FEMA trailers used to quarantine first responders with or exposed to COVID-19.

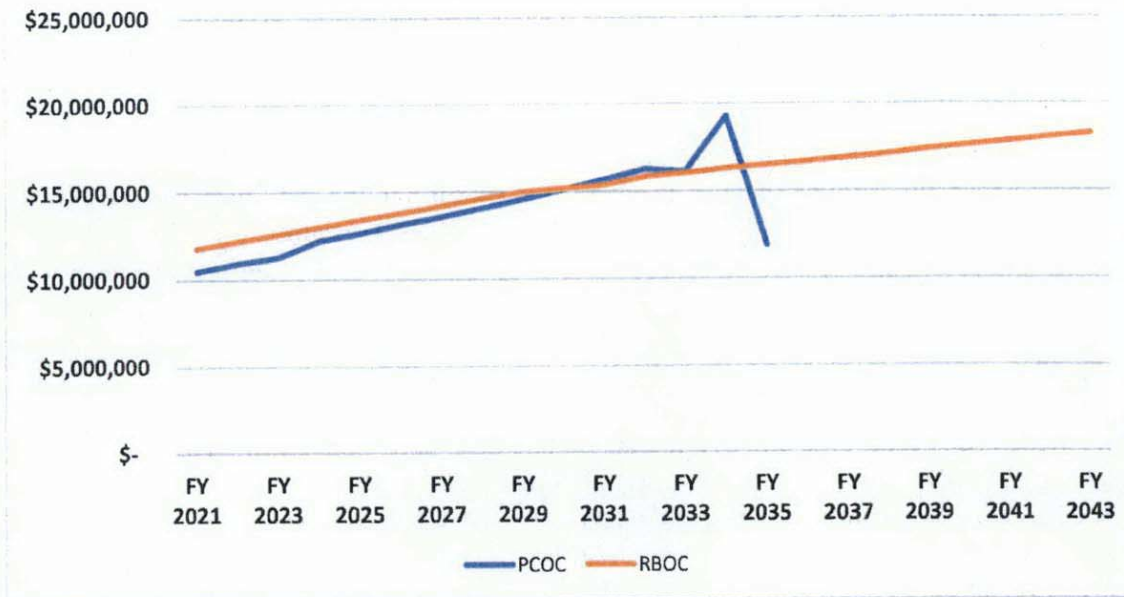
As restrictions on events ease and as it relates to the PCOC, hotel bookings increase, the outlook for the two operating companies will improve. Current projections indicate that while the PCOC will need to rely on its reserves to carry it through next fiscal year, by FY 23 it should return to positive net income. However, in regard to the RBOC, longstanding concerns about the future financial position of the Rose Bowl Stadium have been brought into stark relief by the pandemic.

It has long been understood that the Rose Bowl Stadium faces an uncertain future. Most notably, the opening, in September 2020, of SoFi stadium and entertainment complex in Inglewood, CA creates new direct competition for sports, concerts and other events. Moreover, the RBOC fiscal structure is largely dependent upon the long term success of its anchor tenants, UCLA and the Tournament of Roses. In FY 20 (the last pre-pandemic year), RBOC net income related to these anchor tenants decreased more than 30% and attendance decreased more than 60% compared to the figure five years prior (FY 15).

The FY 22 Recommended Operating Budget assumes that the City's General Fund will need to fund \$10 million of the \$12.5 million annual debt service obligation associated with the Rose Bowl, with the RBOC making up the \$2.5 million balance. In order to avoid making significant reductions to existing City services, these funds will need to come from General Fund reserves, as was the case in the current fiscal year. Most concerning, however, is the fact that in future years (FY 23 and beyond), while the RBOC anticipates revenues to return to pre-pandemic levels, it projects that they will not be sufficient to cover increasing debt service payments and other operating costs. The RBOC's current projections indicate that the gap in revenues, over the next five years, will range from between \$5.4 - \$7.7 million per year. And that shortfalls will continue into the future. Additionally, the RBOC projects that the unfunded capital improvement needs of the stadium over the next five years may exceed \$12 million per year.

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Operating Company Debt Service



To the extent the RBOC is unable to generate sufficient income to cover debt service, operating expenses and needed capital investment, the burden will fall on the City's General Fund. As mentioned above, in FY 21 and as recommended for FY 22, these funds were taken from General Fund reserves. Continuing to draw down the City's reserves on an ongoing basis to support the Rose Bowl is not a viable long-term solution, as it would deplete the City's reserves in just a few short years leaving no financial resources in the event of an emergency or significant economic downturn.

Consequently, over the term of the next fiscal year actions must be taken to address the ongoing financial obligations associated with the Rose Bowl stadium. Part of the solution might come from new initiatives undertaken by the RBOC, and in fact, analysis is currently underway to explore the viability of numerous options. The growth in General Fund revenues through additional hotels or other economic development projects could also help address the challenge while helping to guard against reductions in essential City services that would otherwise be necessary to cover the ongoing obligations related to the stadium.

While the financial future of the Rose Bowl has been the subject of discussion for a number of years, given the current reality, for the first time, the General Fund Five-Year Financial Forecast includes projected contributions to the RBOC on an ongoing basis. Of note, these projected contributions only take into account debt service requirements and do not include amounts that may be considered necessary for capital improvements, as discussed above. As shown below, these projections indicate a growing deficit position for the General Fund unless a solution to address the Rose Bowl obligations is found.

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	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	Final	Budget	Projected	Forecast	Forecast	Forecast	Forecast
Beginning Amount Available for Appropriations	19,136,361	462,393	462,393	0	(9,769,000)	(13,292,072)	(19,597,860)
Revenues							
Tax Revenues	205,569,296	204,566,168	199,716,405	216,790,289	224,023,806	230,320,087	238,097,126
Other Revenues	45,079,685	45,835,945	38,535,945	39,993,028	43,571,804	44,650,894	45,757,731
Contributions/Svs. From Other Funds	19,656,583	19,640,438	21,526,165	20,140,438	20,490,438	20,490,438	20,490,438
Total Revenues*	270,305,564	270,042,551	259,778,515	276,923,755	288,086,048	295,461,419	304,345,295
Expenses							
Personnel	164,407,976	174,809,813	168,809,813	177,870,497	184,437,591	191,112,769	193,645,793
Debt Service**	10,038,511	10,475,309	10,475,309	21,361,974	16,988,198	17,988,529	19,922,553
Contributions To Other Funds	31,501,978	13,301,473	12,801,473	14,330,434	15,117,043	15,419,384	15,727,771
Other Expenses	69,899,471	70,992,529	65,860,311	73,129,850	75,066,287	77,246,525	79,303,960
Total Expenses	275,847,936	269,579,124	257,946,906	286,692,756	291,609,119	301,767,207	308,600,078
Operating Income/(Loss)	(5,542,372)	463,428	1,831,610	(9,769,000)	(3,523,071)	(6,305,787)	(4,254,782)
Ending Amount Available for Appropriations	13,593,988	925,821	2,294,003	(9,769,000)	(13,292,071)	(19,597,859)	(23,852,642)
Reserve for Capital & EOC	(10,235,495)	-	-	-	-	-	-
Contribution to Policy Reserve	(2,896,100)	-	(2,294,003)	-	-	-	-
Net Income/(Loss) with Reserve Contribution	(18,673,967)	463,428	(462,393)	(9,769,000)	(3,523,071)	(6,305,787)	(4,254,782)

*FY 2020 Concord transaction removed to normalize data.

** FY 2022 Forecast includes \$10.0m contribution to RBOC to cover Debt Service and Amerifest. FY 2023 and beyond includes up to \$7.7m in RBOC Debt Service.

The financial challenge associated with the Rose Bowl is as significant as anything the City has faced in decades, and until the matter is resolved, fiscal prudence is required more than ever. Nevertheless, the City exists to provide services responsive to the needs of its residents and business community. Accordingly, the Recommended Operating Budget does include two proposed enhancements to address quality of life issues as well as the proposed addition of two new staff positions to better address workload and risk management efforts.

Enhancing response to homelessness through the addition of a Second Pasadena Outreach Response Team (PORT)

Pasadena has consistently taken a progressive approach towards assisting those members of our community experiencing homelessness. The City's multipronged strategy includes a variety of elements including but not limited to:

Homelessness Prevention programs that provide short-term assistance for participants who are at imminent-risk of homelessness to resolve a crisis so that they can maintain their housing or find a suitable housing alternative to avoid becoming homeless.

Permanent Supportive Housing (PSH) which is an effective intervention for formerly chronic homeless individuals and families who are highly vulnerable, living with a disabling condition, and need long-term support to live stably in their communities. The City allocates approximately \$3 million annually to fund housing and supportive services for individuals,

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families and youth in Pasadena. There are currently three PSH apartment buildings in Pasadena providing permanent housing with intensive services for over 250 men, women and children.

Rapid Re-Housing (RRH), a strategy that quickly re-houses people experiencing homelessness, though not chronically homeless, through time-limited financial assistance and targeted supportive services. Pasadena funds Union Station Homeless Services and Foothill Unity Center to lead this housing intervention for single adults and families, and Hathaway-Sycamores Child and Family Services administers a youth-specific intervention for individuals between the ages of 18-24.

The Pasadena Public Health Department's Social and Mental Health Division administers a program that aims to improve HIV health outcomes among people experiencing homelessness through the coordination of supportive employment and housing services. The Department also has a stationed care navigator at the Pasadena Central Library to provide intense case management and linkages to care for all populations experiencing homelessness with chronic health conditions and/or mental health and substance use disorders.

Homeless Outreach Psychiatric Evaluation (HOPE) Teams – The Pasadena Police Department and the L.A. County Department of Mental Health collaborate to provide three HOPE Teams consisting of one specially trained police officer and a mental health care specialist. The teams provide crisis intervention to address the immediate mental health needs of people experiencing homelessness.

Pasadena Outreach Response Team (PORT) – Created in 2017, the Pasadena Outreach Response Team is a grant-funded program managed primarily by the Public Health Department. The team provides field-based support and advocacy for people who are experiencing homelessness, living with chronic health conditions, diagnosed with mental health and/or substance use disorders. The team is made up of a paramedic, a social worker / case manager and an outreach worker. PORT strives to improve the health of persons experiencing homelessness while coordinating stable housing.

Recently, the Police Department has begun experimenting with redirecting calls for service related to homeless persons that do not appear to need a police response, to the Pasadena Outreach Response Team. This effort, while still in its early stages, needs to be built out in a careful and methodical manner to ensure its success, as there is no simple “bolt-on” solution to achieve the desired outcome. Ultimately, it is believed that thousands of calls for service annually might be redirected away from the Police Department to PORT or some successor model. To further this important effort, staff is proposing to fund an additional Team through the re-allocation of funds from the Police Department and the assignment of a Fire Fighter.

Addressing Health Equity

The COVID-19 pandemic has highlighted stark inequities in our community regarding health and health care. The health status and life expectancy of Pasadena residents should not depend on the color of their skin, where they live, nation of origin, gender expression, who they love, or

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how much money they make. Yet data reveals these factors, and other social determinants of health, are associated with poorer health outcomes. Data from the University of Wisconsin County Health Rankings Model illustrates that health care access, social, economic, and environmental factors account for 70% of the influence on the health of residents and how long they live.

Since every member of our community has a right to achieve optimal health and well-being throughout their lives, staff is proposing to establish a Health Equity Program that will support and expand existing efforts by seeking to:

- Develop and maintain relationships with community partners working to advance a health equity practice;
- Collect, monitor, and report data with a health equity lens;
- Build organizational health equity practices and opportunities;
- Identify, adopt, and disseminate best practices to enhance health equity; and
- Increase collective capacity and commitment to create an inclusive, just and respectful community.

The value of Pasadena having its own Public Health Department was clearly evidenced throughout the COVID-19 pandemic. With its own department, the City is well positioned to take the lead in furthering this critical effort. As a health strategy catalyst, the Public Health Department recognizes the need for a collective approach to address this complex societal challenge. The Department can serve as a backbone for community efforts to improve health equity including, but not limited to: convening partners, providing consultation to others, making recommendations, and tracking progress. Through this effort we can build a healthier community for all. Accordingly, the Recommended Operating Budget includes an appropriation of \$250,000 in the General Fund and two limited-term staff positions for the Public Health Department (Program Coordinator I and Management Analyst I).

Addition of a Deputy City Prosecutor

The City Prosecutor's Office has experienced a significant increase in caseload. This increase is being driven by the continued impact of Proposition 47 and other state initiatives, as well as recent directives from the Los Angeles County District Attorney's Office. At the state-level there has been a realignment of the criminal justice system away from a felony-centric model to one more centered on misdemeanor prosecution and restorative justice.

Recently, the election of a new District Attorney for Los Angeles County has resulted in significant changes in criminal filing decisions by that office, as it shifts away from felony prosecution to misdemeanor for numerous offenses. The result of this policy shift is a dramatic increase in the number of referrals and filings to the City Prosecutor's Office. The District Attorney's Office has stated that more changes in this direction are coming, which would continue to increase the workload of the City Prosecutor's Office. For these reasons, staff is

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requesting the addition of one Deputy City Prosecutor. The additional staff position will enable that office to better manage caseloads and to continue its efforts in community outreach, nuisance abatement, homeless work, and other community prosecution efforts.

Re-establishment of a Risk Manager

In 2019, an organizational risk management assessment concluded that a centralized risk management function would improve the City's ability to have an organized, integrated, and strategic approach to managing risk. In October of that year the City Council approved the establishment of a Risk Manager position. Unfortunately, due to the recent economic downturn, the position, along with several others, was eliminated from the budget to generate cost-savings. Nevertheless, the underlying need for such a position along with the consolidation of various risk-management functions remains as vital as ever. Now that the economic situation has stabilized, staff believes it is an appropriate time to re-establish this position in the City.

Conclusion

Under the leadership of the Mayor and City Council and with prudent financial management, the City of Pasadena has successfully addressed the unique challenges it has faced over the past 15 months with no reduction in the quality of services provided to the community. The FY 22 Recommended Operating Budget furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with our history, culture and unique character.

Respectfully submitted,

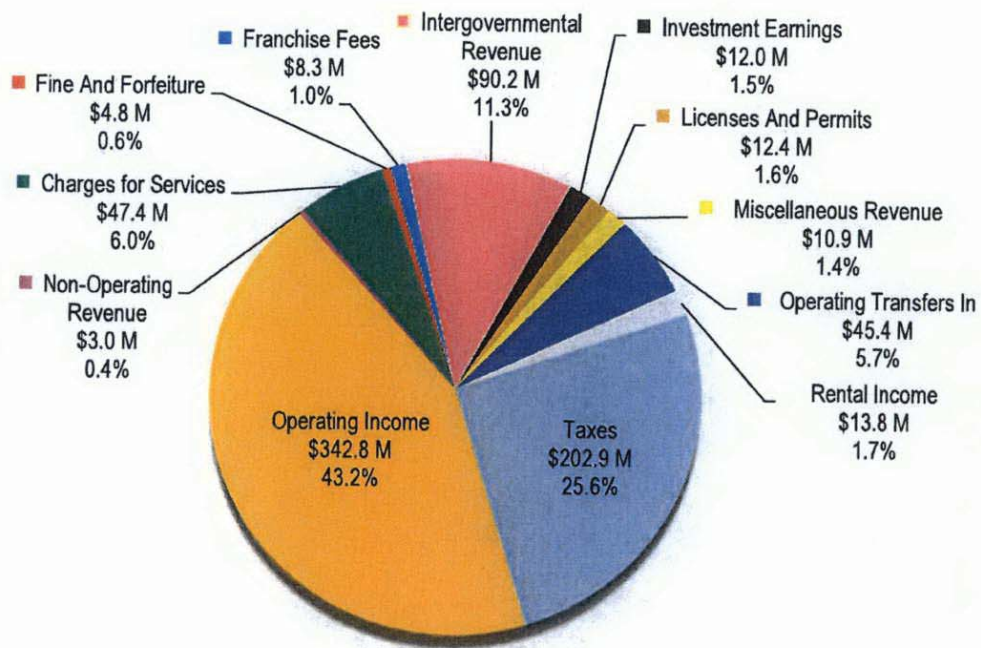


Steve Mermell
City Manager

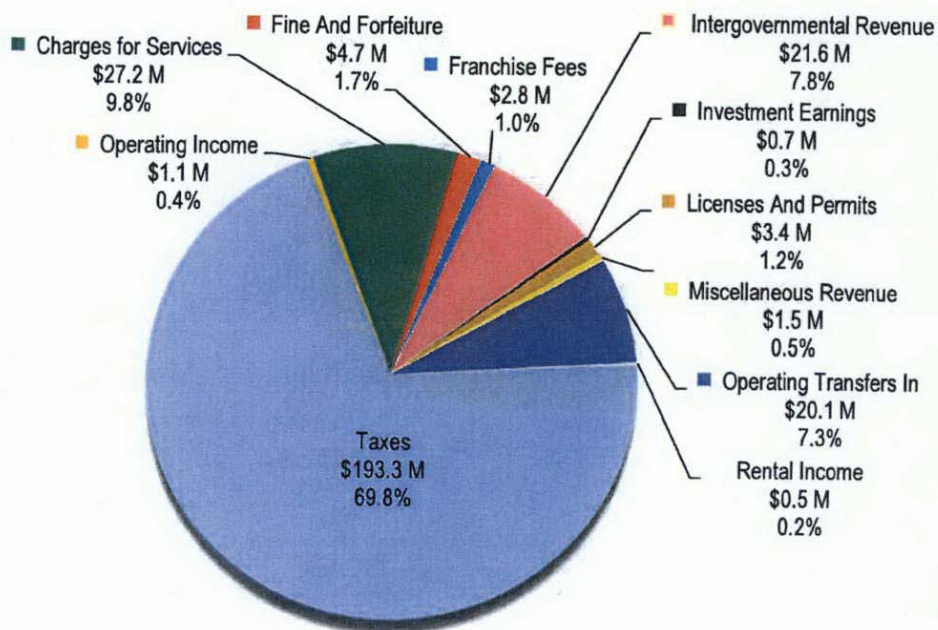
Attachment: PUSD 2020-21 Measure J Expenditure Report

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FY 2022 OPERATING REVENUES BY CATEGORY FOR ALL FUNDS (Millions)

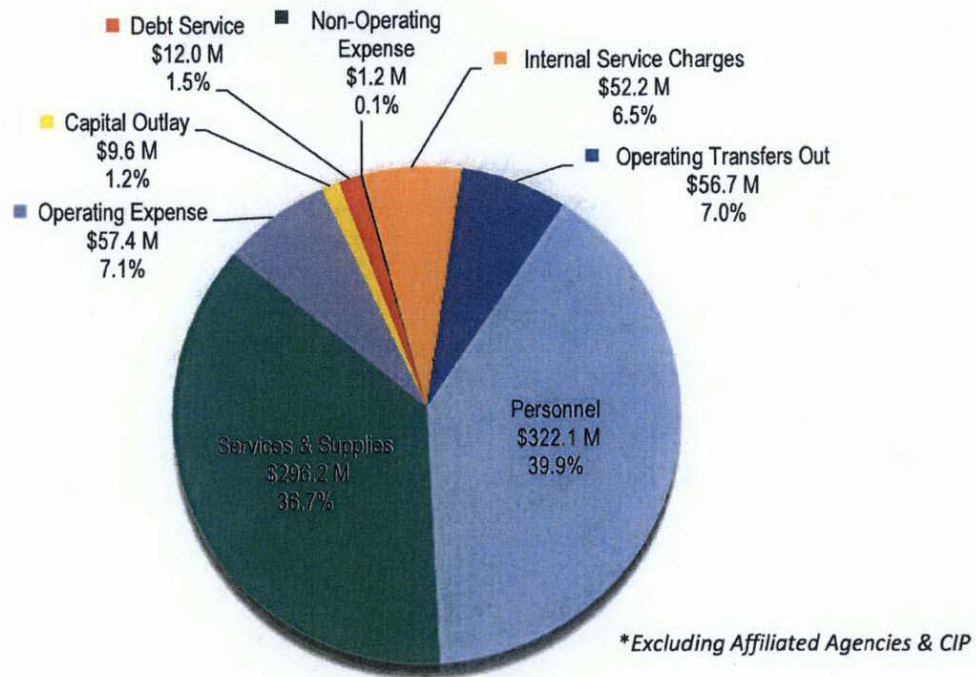


FY 2022 OPERATING REVENUES BY CATEGORY FOR THE GENERAL FUND (Millions)

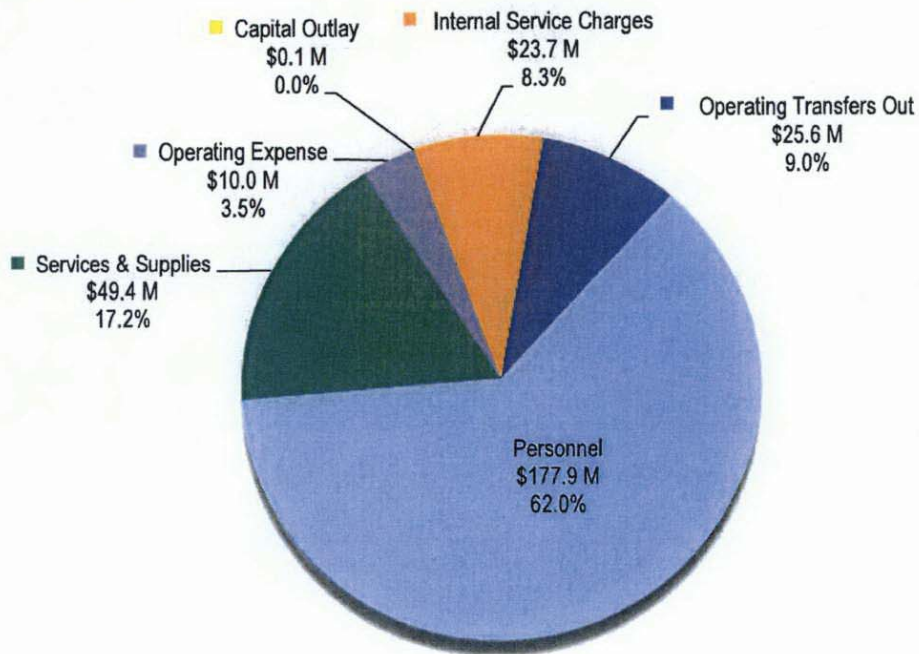


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FY 2022 OPERATING APPROPRIATIONS BY CATEGORY FOR ALL FUNDS (Millions)



FY 2022 OPERATING APPROPRIATIONS BY CATEGORY FOR THE GENERAL FUND (Millions)





Pasadena Unified School District

BUSINESS SERVICES DIVISION

To: Dr. Brian McDonald, Superintendent, Members of the Board of Education, and Steve Mermell, City Manager

From: Dr. Leslie Barnes, Chief Finance and Operations Officer

Subject: 2020-21 Measure J Expenditure Report

Date: April 22, 2021

In compliance with the memorandum of understanding dated March 25, 2019, between the City of Pasadena and the Pasadena Unified School District with regard to Measure I Revenues, the district is submitting its first annual expenditure report of the use of Measure J funds.

Background

On November 6, 2018, Pasadena voters approved Measure I, establishing a $\frac{3}{4}$ cent transaction and use tax, with a 68.74 percent approval. At the same time, voters also approved Measure J, an advisory vote asking whether one-third of the revenue from Measure I should be used to support Pasadena public schools, which garnered a 72.05 percent yes vote.

Upon approval of the transaction and use tax, a joint committee of city and school district officials was established. This committee recommended three priority areas for the use of Measure J funds, which were approved as part of the MOU between the City and PUSD.

- **Priority One:** Maintain an adequate level of reserves, as required by State law.
- **Priority Two:** Restore and maintain existing educational programming that would otherwise face reduction/elimination, including, but not limited to, the following programmatic areas; International Baccalaureate, Dual-language Immersion, Science/Technology/Engineering/Arts/Math (STEM/STEAM), Visual & Performing Arts, and International Academy
- **Priority Three:** Other projects and programs that benefit public school students



Pasadena Unified School District

BUSINESS SERVICES DIVISION

2020-21 Measure J Revenues

- Measure J revenues represent approximately 4 percent of the District's total unrestricted general fund revenues and approximately 62 percent of the District's local revenues. The local revenue percentage is up from 57 percent last year. This is mainly due to fewer revenues associated with use of district facilities by outside user groups because of COVID-19 restrictions.
- Measure J revenues were projected in the District's 2020-21 Adopted Budget and two subsequent Interim Reports to be \$7 million. It appears that the District is on target to exceed this amount.

Month	Amount
July	\$ 719,121.30
August	\$ 585,395.96
September	\$ 744,986.38
October	\$ 763,280.47
November	\$ 523,372.62
December	\$ 685,022.70
January	\$ 717,878.15
February	\$ 606,154.93
March	\$ 644,234.38
April	\$
May	\$
June	\$
*Total	\$ 6,588,543.12

*District records Measure J revenues on a cash basis

Priority One

- In the 2020-21 Fiscal Year, 94% of the Measure J funds were used in this priority area.
- The District is required to maintain a 3% Reserve for Economic Uncertainty in the budget year and two subsequent years.
- The first priority for use of Measure J funds is to provide greater fiscal stability by increasing the District's reserve levels.
- The chart below shows that Measure J funds, as well as savings associated with remote learning, large amounts of one-time COVID Relief funding, and emergency hold harmless provisions for declining enrollment, have substantially increased the District's reserve levels.



Pasadena Unified School District

BUSINESS SERVICES DIVISION

Priority One

- However, these reserve levels will not be able to be sustained as we return to more costly in-person instruction, one-time funds are exhausted, and the hold harmless for declining enrollment expires.

PUSD Second Interim Report	Budget Year	2nd Year	3rd Year
March 2018	4.55%	4.16%	-.67%
March 2019	7.13%	5.34%	3.04%
March 2020	8.99%	7.18%	4.69%
March 2021	17.45%	17.64%	12.52%

Factors Impacting District Reserve Levels in a "Normal" Year

- Declining enrollment reduces revenues faster than its ability to offset these losses. This is exacerbated when the decline is anticipated to continue into the foreseeable future. Thereby, creating a structural budget deficit.
- The state and federal mandates such as Special Education substantially increase costs annually without additional revenue. Therefore, increasing the structural deficit and eroding budget reduction efforts.
- In a Cost-of-Living-Adjustment (COLA) only environment with regard to revenue increases and continual declining enrollment, the district will never be able to close enough schools or reduce staff sufficient to offset the structural deficit and still meet State and Federal mandates while keeping essential programs intact.
- In 2020-21 the District did not receive a Cost-of-Living-Adjustment (COLA) from the state. Therefore, any year over year increases, such as step and column movement on the salary schedule, employee benefit costs, utilities or other vendor increases, were offset by savings associated with remote learning or the use of one-time COVID Relief funds.

Actions to Mitigate Revenue and Enrollment Declines

- The state has implemented a hold harmless for decline in student attendance. The District's revenues are frozen at their 2019-20 average daily attendance (ADA) figures until 2022-23. However, PUSD will see the impact of three year's enrollment decline in the 2022-23 fiscal year. Therefore, we are planning now for how to offset this decrease in funding.
- There have been substantial COVID Relief funds allocated to school districts. These funds are one-time in nature and most are allowed to be spent through June of 2022.



Pasadena Unified School District

BUSINESS SERVICES DIVISION

- The District is planning to implement a fully on-line school in order to maintain or increase enrollment from those students who wish to remain in an on-line educational setting past the COVID-19 pandemic.
- The District is conducting an advertising campaign to increase enrollment, which includes direct mailers, digital and print advertising in Pasadena Now and Outlook, social media, as well as advertisements on city bus shelters and in city busses.

Priority Two

Importance of Programmatic Offerings

- The District must provide attractive programs to compete with private and charter schools in the area. The cost of these program offerings also contributes to the structural deficit since they require additional staff and materials that are not specifically funded by the state. However, without spending additional funds on such programs, the District runs the risk of further enrollment decline.
- The residents of Pasadena, Altadena and Sierra Madre value arts and music education and consider visual and performing arts essential to the PUSD educational offerings. Additional funds are not provided for such programs by the state and most public-school districts have eliminated or reduced the programs the District currently maintains.
- *Because the District used Measure J funds to maintain and build its reserve levels, it was able to maintain each of the following signature programs:*
 - International Baccalaureate (\$674,536)
 - Dual-language Immersion (\$679,787)
 - Science/Technology/ Engineering/Arts/Math [STEM/STEAM] (\$277,404)
 - Visual & Performing Arts (882,271)
 - International Academy (\$326,084)
 - Math Academy (\$136,444)
 - College and Career Pathways (\$1,024,369)
- The District was also able to restore and maintain essential positions that were reduced prior to the passage of Measure J
 - Three Special Education Coordinator Positions (\$449,900)
 - This expenditure represents 6% of the 2020-21 Measure J funds
- Had the District not used Measure J revenues to maintain and build reserves, reductions or elimination of its signature programs as well as other programs such as athletics would have been necessary. Also, reductions in essential positions such as nurses, counselors, librarians, assistant principals, security officers, as well as additional district office staff would have been necessary



Pasadena Unified School District

BUSINESS SERVICES DIVISION

Priority Three

- The District was not able set aside Measure J funds for this particular area due to the need to use the funds in Priority One and Two.
- PUSD is in the planning stages of implementation of a fully on-line school
- PUSD is exploring the option of extending the Armenian Dual Language Immersion program to the elementary grades in the future.
- The District regularly provides projects and programs that benefit students through our various funding sources.

Summary 2020-21 Expenditures:

- Measure J funds are estimated to be \$7 million
- 94% of the funds were spent in Priority One to strengthen fiscal stability by increasing PUSD's required reserves.
- 6% of the funds were spent in Priority Two to maintain three special education coordinator positions at the high school level, which were originally restored using Measure J funds in 2019-20.
- The District was able to maintain all of the programmatic offerings listed in Priority Two because it was able to increase its reserves
- Excluding the one-time COVID Relief Funds; had the District not substantially used Measure J funds to increase reserves, it may have had to reduce or eliminate the programs listed in Priority Two or would have had to reduce or eliminate other program offerings and essential positions in order to meet its reserve requirements.

2021-22 Estimated Expenditures

- It is anticipated that the district will continue to maintain a strong fund balance throughout the 2021-22 fiscal year through the use of Measure J funds.
- It is also anticipated that the district will maintain its restored positions and signature programs through the use of Measure J funds through the 2021-22 fiscal year.