

Agenda Report

June 20, 2022

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
FROM: Department of Finance
SUBJECT: **AMENDMENTS TO FISCAL YEAR 2022 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) 2022 Adopted Operating Budget as detailed in the following report by a net revenue of \$7,965,997.

BACKGROUND:

Throughout the fiscal year, budgetary adjustments are necessary to account for unanticipated changes to the adopted budget. These revenue and appropriation amendments are presented to the City Council for consideration. This agenda report includes proposed amendments to the FY 2022 Operating Budget as adopted by the City Council on June 21, 2021.

Proposed Budget Amendments

1. **Tax Revenue Adjustments and Related Appropriations** – The Finance Department recommends recognizing tax revenue of \$8,163,361 and appropriating \$1,195,120 in the General Fund (101). The details are as follows:
 - a. The Department recommends recognizing regular Sales Tax revenue of \$3,774,000 and Measure I Sales Tax revenue of \$2,234,961 to reflect the significant growth in sales tax receipts as compared to the original forecast for FY 2022. Led by strong sales in general consumer goods (i.e electronics,

family apparel) at brick and mortar locations, autos-transportation, online purchases, and restaurants-hotels, the local economy continues to recover from the pandemic impacts of a year ago.

As part of the ongoing partnership between the City and the Pasadena Unified School District (PUSD), the Department also recommends appropriating \$656,527 for additional allocations to PUSD in conjunction with the increase in Measure I Sales Tax revenue.

- b. The Department recommends recognizing Utility Users Tax (UUT) revenue of \$2,154,400 for a one-time increase in Video UUT revenue. The City's tax revenue consultant audited Spectrum and other cellular providers to ensure accurate tax collection, which resulted in a recovery of prior UUT revenue that rightfully belonged to the City.

Based on a 25% rate for recoveries received by the City, the Department recommends appropriating \$538,593 to compensate the tax consultant for its audit services.

2. **Purchased Power, Gas and Fuel** – The Pasadena Water and Power Department (PWP) recommends recognizing revenue of \$6,600,000 and appropriating \$4,400,000 in the Power Fund (401) in connection with purchased power, gas, and fuel burned for wholesale activities. The result is net additional revenue of \$2,200,000. The worldwide coal shortage has disrupted coal supplies, causing an unexpected shortage of power in Pasadena's portfolio due to curtailed deliveries of power from the Intermountain Power Project to meet its electric load. In addition, geopolitical disruptions and challenges to local storage have created upward pressure on gas and power prices. The disruptions in fuel supply have forced unplanned energy procurement from the market to cover power shortages. However, cap and trade market prices were higher than anticipated, resulting in an increase of revenues from Pasadena's activities in those markets to offset the higher expenses.
3. **General Fund Transfers** – The Finance Department recommends authorizing two transfers from the General Fund totaling \$3,650,000 for the purposes detailed below. Both one-time transfers are possible in part due to the aforementioned growth in sales tax revenue and projected savings in the General Fund.
 - a. The Department recommends transferring \$3,500,000 from the General Fund (101) to the General Liability Fund (507) so that enough cash is on hand to make self-insured retention payments (SIR) as needed. The City's SIR is currently \$5.0 million. Although the City makes an annual appropriation to Fund 507 based on an actuarial estimate of projected claim and expense payments, it does not account for SIR. As claim settlements have increased dramatically in recent years, the practice of planning ahead and systematically saving for SIR is prudent management and ensures sufficient resources are available when necessary.

- b. The Department also recommends transferring \$150,000 from the General Fund (101) to the Building Maintenance Fund (502) to support one-time emergency repair work at various City buildings.
4. **Outside Legal Services** – The City Attorney/City Prosecutor Department recommends appropriating \$900,000 from the unappropriated fund balance in the General Fund (101) for outside legal services. The Department currently has \$2.0 million budgeted for outside legal services; however, this will not be sufficient given the number and range of legal matters required to be processed, the resumption of civil jury trials in the state and federal courts (and attendant preparation for such trials), and one current vacant in-house attorney position. These additional costs are partly offset by the receipt of approximately \$400,000 in an attorney's fee award in litigation during FY 2022.
5. **Re-appropriate for The Salvation Army Hope Center Project** – The Housing Department recommends appropriating \$600,000 from the unappropriated fund balance in the Housing Successor Low Income Housing Asset Fund (237) for The Salvation Army Hope Center project. On November 25, 2019, City Council approved and appropriated \$1,000,000 for the project in the form of an affordable housing loan agreement to pay for predevelopment and construction costs. Due to pandemic related delays, only \$400,000 had been disbursed prior to FY 2022. The remaining balance of \$600,000 was disbursed on October 21, 2021, resulting in the need to re-appropriate said amount in FY 2022.
6. **Cross Connection Program** – PWP recommends transferring \$250,000 from the unappropriated fund balance in the Water Fund (402) to the Public Health Fund (203). This one-time transfer will fund the Pasadena Public Health Department's (PPHD) portion of the Cross Connection Control Program, which is a joint effort between PWP and PPHD to help protect the provision of safe and reliable water. PWP is responsible for system protection, while PPHD is responsible for internal protection.

This one-time funding will be used exclusively by PPHD to identify 400 to 700 new backflow prevention devices located and installed inside of Pasadena commercial properties to protect the quality of water within a customer's plumbing system. PPHD will also complete a cost of service study to develop fees that will fully and sustainably support its share of the Cross Connection Program going forward.

PWP will continue to manage the external (outside of commercial buildings) assembly of backflow prevention devices that prevents any on-site contamination from getting back into the water distribution system.
7. **Grant Funding for Homeless Services** – The Housing Department recommends recognizing and appropriating \$162,242 in the Other Housing Fund (238) for a grant from the California Homeless Coordinating & Finance Council (HCFC). As the administrative entity for the Pasadena Continuum of Care, and on behalf of the City, the Department executed a "Standard Agreement" with the

state on March 8, 2022 to receive the initial disbursement of Homeless Housing, Assistance and Prevention Program-Round 3 funding (HHAP-3) from HCFC. Of this funding, \$150,885 will support homeless services programming and \$11,357 will cover administrative activities related to the grant. Any unspent balance will carry forward to FY 2023. The Department anticipates receiving the remaining disbursement of HHAP-3 funds in the amount \$648,966 during FY 2023, at which time the Department's operating budget will be amended appropriately.

8. **Parking Enforcement** – The Transportation Department recommends appropriating \$130,000 from the unappropriated fund balance in the General Fund (101) to support additional contract costs related to parking enforcement. During the FY 2022 budget cycle, the Parking Division reduced its budget for contractual parking enforcement services to more closely align with the lower volume of parking activity stemming from the pandemic. As the demand for parking has gradually increased across the City there is a demonstrated need to partially restore the budget for contract parking enforcement officers and the increased use of parking permit/citation software – both of which will help earn back lost revenue. These costs will be offset by increased enforcement revenue that has been forecasted to continue into FY 2023.
9. **Consultant Services for Transitional Roadway Projects** – The Transportation Department recommends appropriating \$120,000 from the unappropriated fund balance in the General Fund (101) for design plans related to transitional roadway projects near the SR-710 stub. In order to have a list of projects for City Council consideration by July 2022 and in time to meet Metro's deadline for submitting a list of potential transitional projects for funding consideration, the Department needed prompt consultant services to develop conceptual design plans for transitional projects for the roadway network adjacent to the SR-710 stub.
10. **Cannabis Equity Grant** – The Planning and Community Development Department recommends recognizing grant revenue of \$75,000 in the General Fund (101) to conduct a cannabis social equity assessment and program development. On February 7, 2022, the City was announced as one of five recipient jurisdictions to be awarded a \$75,000 grant via the Governor's Office of Business and Economic Development (GO-Biz). On March 14, 2022, City Council authorized the Director of the Department to execute, on behalf of the City, an agreement with GO-Biz for the grant award. The current request will amend the Department's revenue budget by \$75,000; meanwhile, there are sufficient appropriations within the Department's existing budget to cover expenses associated with the assessment and staff time in developing the program.
11. **Risk Management Information System** – The City Attorney/City Prosecutor Department recommends appropriating \$40,444 from the unappropriated fund balance in the General Liability Fund (507) to cover the remaining costs related to system implementation. On November 16, 2020, City Council approved a multi-year contract with Origami Risk LLC for a new Risk Management

Information System (RMIS). At the time the FY 2021 Operating Budget was amended by appropriating \$132,442 for base implementation costs. The implementation was not completed in FY 2021, but continued into FY 2022 – the new RMIS went live in March 2022. In order to pay for the remaining implementation costs that carried over into the current fiscal year, the Department is requesting \$40,444, which is the amount that was not expended in FY 2021.

12. California State Library Act (LSTA) Grants – The Libraries and Information Services Department recommends recognizing revenue of \$13,200 in the Library Services Fund (212) for two grants:

- a. The Department was awarded the LSTA's "Lunch at the Library" grant of \$7,200 to support giveaway books and craft kits for children and youth in the community.
- b. The Department was also awarded the LSTA's "Book to Action" grant of \$6,000 for giveaway books and programs in support of Asian American and Pacific Islanders Heritage month.

There are sufficient appropriations within the Department's existing budget to cover the grant expenses that will be completed by FY 2022.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the FY 2022 Adopted Operating Budget and by implementing necessary budget amendments.

FISCAL IMPACT:

As detailed in the attached "Summary of Proposed 4th Quarter FY 2022 Budget Amendments," approval of the proposed budget amendments will increase FY 2022 total authorized operating appropriations across multiple funds by \$10,947,806. These additional costs will be offset through increased revenue of \$18,913,803.

The General Fund's unappropriated fund balance will increase by \$2,743,241.

The budget amendments included in this agenda report are not anticipated to impact existing FY 2022 budgeted indirect and support costs such as maintenance and DoIT support.

Respectfully submitted,



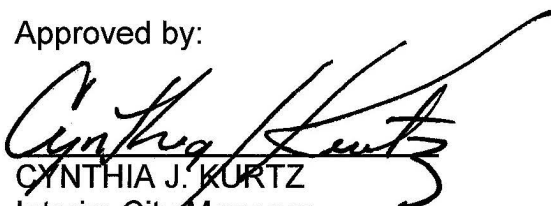
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Attachment:

A) Summary of Proposed 4th Quarter FY 2022 Budget Amendments