



# Agenda Report

June 20, 2022

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: ADOPTION OF FISCAL YEAR 2023 OPERATING BUDGET AND  
RESOLUTION DETERMINING THE AMOUNT OF ANNUAL TRANSFER  
FROM THE POWER FUND**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Close the public hearing and adopt by resolution the Fiscal Year (FY) 2023 Operating Budget as presented in the City Manager's Recommended Budget on May 2, 2022, or as subsequently amended during the budget hearing process; and
2. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for FY 2023 is approximately 10 percent of gross revenues from retail sales.

## **EXECUTIVE SUMMARY:**

The FY 2023 Operating Budget was prepared with a cautiously optimistic outlook for the City's extended fiscal recovery. As the City continues to recover and transition from the impacts of the pandemic, the FY 2023 Operating Budget is a resetting of sorts as there are new challenges to date (i.e. supply chain disruptions, inflationary factors, significant employee vacancies). Given that the operating budgets for both FY 2021 and FY 2022 were held relatively flat, it is important to plan for a new baseline in FY 2023 by resetting both revenue and expenditure forecasts with today's realities. The Recommended FY 2023 Operating Budget includes proposed enhancements that reflect community service priorities, mandated programs, and administrative needs. Staff is recommending the adoption of the annual operating budget and as the new fiscal year begins, staff will monitor and recommend additional budgetary adjustments as necessary.

## **BACKGROUND:**

On May 2, 2022, the Interim City Manager submitted the Recommended FY 2023 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. Throughout May, each City Council Committee conducted two meetings for budget workshops in order to review and discuss, in greater detail, the recommended operating budgets of their assigned City departments and affiliated agencies. The full City Council oversaw the public hearing for the Recommended Operating Budget at three meetings – May 2, June 13, and June 20, 2022. Ninety-eight letters were received from the public on a variety of topics as shown in Attachment E.

The Recommended Operating Budget represents the City's financial plan for FY 2023 and furthers the City's mission to deliver exemplary municipal services responsive to our entire community and consistent with the City's history, culture and unique character. In addition to the City's anticipated operating revenues and expenses, the Recommended Budget includes the appropriations for the FY 2023–2027 Capital Improvement Program (CIP) and the City's affiliated agencies (Rose Bowl Operating Company, Pasadena Center Operating Company, and Pasadena Community Access Corporation).

The Recommended FY 2023 Operating Budget reflects the City's continued agile approach with addressing community needs through proposed enhancements, supporting economic recovery, and resetting departmental budgets and their work plan priorities. It is important to note that a combination of the Rose Bowl Operating Company not requiring an annual contribution from the City in FY 2023, the continual reprogramming of Measure I dollars intended for CIP, and one-time American Rescue Plan Act (ARPA) funding was integral in balancing the budget. The table below presents the FY 2023 Recommended Budget (operating and CIP) alongside two preceding fiscal years.

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

in millions

	<b>FY 2021 Actuals</b>	<b>FY 2022 Adopted</b>	<b>FY 2023 Recommended</b>
General Fund	\$276.3	\$286.7	\$295.5
All Funds	\$886.4	\$898.5	\$955.3

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

	<b>FY 2021 Adopted</b>	<b>FY 2022 Adopted</b>	<b>FY 2023 Recommended</b>
General Fund	1,007.59	1,011.30	1,028.10
All Funds	2,268.52	2,253.67	2,322.36



### Proposed Adjustments

During the budget meetings with the respective Council Committees, several additions to the original Recommended Operating Budget were proposed based on public comments and changes in circumstances as detailed below:

- **City Attorney/City Prosecutor's Department:** Increase recommended appropriations by \$321,000 in the General Fund (101) to establish an ongoing, annual budget for services and supplies for the Community Police Oversight Commission. As presented to the Legislative Policy Committee on May 24, 2022, this enhancement will support various costs that include an Independent Police Auditor, outside legal counsel, trainings/education, and administrative overhead.
- **Public Works Department:** Increase recommended appropriations by \$100,000 in the General Fund (101) for a public tree watering study that will provide a comprehensive review of the City's tree inventory within the public right-of-way and their watering needs especially during times of severe drought.
- **Finance Department:** Eliminate a vacant Customer Service Representative 1.0 Full-Time Equivalent (FTE) and corresponding appropriations of \$84,237 in the Building Services Fund (204). The position helped staff the Permit Center in the Hale Building, but is no longer required due to the technological and operational improvements facilitated by the Energov permit system and a broader range of payment options.

These changes have been included in the recommended budget before the City Council this evening.

Per accounting guidance provided by the City's auditor, in order to standardize budget entries for ARPA funding, increase recommended appropriations by \$3.75 million in the ARPA Fund (244) to transfer said amount for three approved enhancement requests (\$3.0 million for affordable housing, \$500,000 for citywide Historic Resources survey, and \$250,000 for road safety program to increase awareness and education).

Altogether, the proposed adjustments will increase appropriations in the General Fund by \$421,000 and other funds by \$3,665,763, and reduce the citywide FTE total by 1.0.

With regards to Recommendation No. 2, pursuant to Pasadena Charter Section 1408, the maximum aggregate amount available for the Light and Power Fund transfer is calculated by multiplying the annual gross electric income from the sale of electric energy at rates and charges fixed by ordinance by 12 percent and comparing the amount so calculated to the accrual year's actual net income. The City Council shall by resolution transfer that amount; however, the City Council may transfer an amount other than that figure if the Council determines that it would not be detrimental to the functioning and administration of the power utility during the budget year under consideration.

For FY 2023, staff is recommending that the City Council adopt a resolution transferring approximately 10 percent of estimated gross revenues, or \$18,000,000.

Attachment A summarizes the citywide Recommended FY 2023 Operating and CIP Budget Appropriations by departments and affiliated agencies. Attachment B is the City Manager's Transmittal Letter for the Operating Budget. The enhancement requests recommended by the Interim City Manager are outlined in Attachment C, while Attachment D is a separate list of enhancements recommended for ARPA funding. Attachment E is a summary of public correspondence received in connection with the Operating Budget. And lastly, Attachment F outlines a variety of departmental programs that support the City's violence prevention initiative.

A copy of the Recommended FY 2023 Operating Budget can be found on the City's website at <https://www.cityofpasadena.net/finance/operating-budgets/>.

### **COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the adoption of the FY 2023 Recommended Operating Budget.

### **ENVIRONMENTAL ANALYSIS:**

This action proposed herein is not a project subject to the California Environmental Quality Act (CEQA) in accordance with Section 21065 of CEQA and State CEQA Guidelines Section 15060 (c)(2), 15060 (c)(3), and 15378. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The FY 2023 Recommended Budget proposes total operating appropriations of \$295,518,806 in the General Fund and \$955,339,973 in all Funds (includes affiliated agencies and CIP).

The FTE positions funded by the General Fund are 1,028.10 FTEs and those funded by all Funds are 2,322.36 FTEs (includes affiliated agencies).

The proposed operating budget adjustments will increase appropriations in the General Fund by \$421,000 and all funds by \$4,086,763, and reduce the citywide FTE total by 1.0.

Respectfully submitted,

  
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Approved by:

  
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Attachments: (6)

- Attachment A – Summary of Appropriations and FTEs by Department
- Attachment B – City Manager's Transmittal Letter for Operating Budget
- Attachment C – Recommended Enhancement Requests
- Attachment D – Enhancement Requests Recommended for ARPA Funding
- Attachment E – Summary of Public Correspondence
- Attachment F – Matrix of Violence Prevention Programs