

Agenda Report

June 5, 2023

TO: Honorable Mayor and City Council

FROM: Department of Finance

**SUBJECT: ADOPTION OF FISCAL YEAR 2024 OPERATING BUDGET AND
RESOLUTION DETERMINING THE AMOUNT OF ANNUAL TRANSFER
FROM THE POWER FUND**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required;
2. Close the public hearing and adopt by resolution the Fiscal Year (FY) 2024 Operating Budget as presented in the City Manager's Recommended Budget on May 8, 2023, or as subsequently amended during the budget hearing process; and
3. Adopt a resolution determining the amount to be transferred from the Light and Power Fund to the General Fund for FY 2024 is approximately 6.25 percent of gross revenues from retail sales.

EXECUTIVE SUMMARY:

The FY 2024 Operating Budget was developed with the intention of moving the City beyond pandemic recovery and normalizing into a steadier state. While remaining cautious of the economic uncertainty that suggests a potential for recession or periods of slow to no growth, the City continues to budget for priority services and initiatives, infrastructure needs, long-term liabilities, and workforce development. The Recommended FY 2024 Operating Budget also includes a wide range of proposed enhancements that invest further in the delivery of emergency medical response, services for the unhoused during inclement weather, additional capacity for recreational programming, and improving efficiency with public records requests that involve the Police Department, to name but a few. 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 8, 2023, the City Manager submitted the Recommended FY 2024 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. Throughout May, each City Council Committee conducted 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 two meetings – May 8 and June 5, 2023.

The Recommended Operating Budget represents the City's financial plan for FY 2024 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 2024–2028 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 2024 Operating Budget reflects the City's prudent and agile approach to addressing community needs through proposed enhancements, resetting departmental budgets and their work plan priorities, planning for future opportunities/challenges, and strategically utilizing reserves when able and appropriate. The table below presents the FY 2024 Recommended Budget (operating and CIP) alongside two preceding fiscal years.

Total Budgeted Appropriations
(including Affiliated Agencies and CIP)

in millions

	FY 2022 Actuals	FY 2023 Adopted	FY 2024 Recommended
General Fund	\$294.7	\$295.9	\$323.2
All Funds	\$959.6	\$955.7	\$1,243.0

Full-Time Equivalent Positions
(including Affiliated Agencies)

	FY 2022 Adopted	FY 2023 Adopted	FY 2024 Recommended
General Fund	1,011.30	1,028.10	1,058.65
All Funds	2,253.67	2,321.36	2,351.23

Proposed Adjustments

As detailed below, a few adjustments to the original Recommended Operating Budget are being proposed due to changing circumstances and/or the public discourse on department budgets during the Council Committee meetings.

- **Police Department:** Add back 2.0 Full-Time Equivalent (FTE) Park Safety Specialists and corresponding appropriations of \$190,442 in the General Fund (101) to provide high visibility in City parks and help ensure safety. The Department will re-evaluate its strategy and work closely with the Parks, Recreation and Community Services Department to develop solutions for park security through community engagement.
- **Housing Department:** Increase recommended appropriations by \$150,000 in the General Fund (101) to support weather-activated shelter services for people experiencing homelessness. This supplemental funding will bring the City's total General Fund commitment for weather-activated shelters to \$500,000 for FY 2024, which matches the amount the City spent during this past 2022-2023 winter season.
- **Fire Department:** Increase recommended revenue by \$369,564 (54.8% General Fund / 45.2% Building Services Fund) and appropriations by \$362,131 in connection with adding 3.0 FTE to the Department's personnel allocation (50% General Fund / 50% Building Services Fund) – 1.0 FTE Senior Fire Inspector and 2.0 FTE Fire Inspectors. A third-party analysis of the Fire Prevention Bureau determined these new positions will be critical to reducing construction inspection turnaround times and achieving state-mandated inspection frequencies. Moreover, the increased inspection activity generated by the additional positions, coupled with implementing appropriate fee charges will lead to sufficient cost recovery.

Altogether, the proposed adjustments will impact the General Fund by increasing revenue by \$202,474 and appropriations by \$521,508. Revenue and appropriations in other funds will increase by \$167,090 and \$181,065, respectively. The citywide FTE total will increase by 5.0 (3.5 FTE – General Fund; 1.5 FTE – other funds).

With regards to Recommendation No. 3, 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 2024, staff is recommending that the City Council adopt a resolution transferring approximately 6.25 percent of estimated gross revenues, or \$13,000,000.

Attachment A summarizes the citywide Recommended FY 2024 Operating and CIP Budget Appropriations by departments and affiliated agencies. Attachment B is the City Manager's Transmittal Letter for the Operating Budget. Attachment C provides responses to specific questions for the Parks, Recreation and Community Services Department raised during the Public Safety Committee Meeting on May 24, 2023.

A copy of the Recommended FY 2024 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 2024 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. The consideration of adopting the FY 2024 Operating Budget is a government fiscal activity that does not involve any commitment to any specific project, which may result in a potentially significant physical impact on the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The FY 2024 Recommended Budget proposes total operating appropriations of \$323,165,368 in the General Fund and \$1,243,017,529 in all Funds (includes affiliated agencies and CIP).

The FTE positions funded by the General Fund are 1,058.65 FTEs and those funded by all Funds are 2,351.23 FTEs (includes affiliated agencies).

The proposed operating budget adjustments will increase appropriations in the General Fund by \$521,508 and all funds by \$702,573 and increase the citywide FTE total by 5.0.

Respectfully submitted,



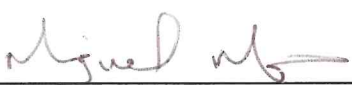
MATTHEW E. HAWKESWORTH
Director of Finance

Prepared by:



Timothy Park
Budget Administrator

Approved by:



MIGUEL MÁRQUEZ
City Manager

Attachments: (3)

- Attachment A – Summary of Appropriations and FTEs by Department
- Attachment B – City Manager's Transmittal Letter for Operating Budget
- Attachment C – Follow-up Response from May 24th Public Safety Committee Meeting