



# Agenda Report

June 12, 2023

**TO:** Honorable Mayor and City Council  
**THROUGH:** Finance Committee  
**FROM:** Department of Finance  
**SUBJECT: AMENDMENTS TO FISCAL YEAR 2023 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) 2023 Adopted Operating Budget as detailed in the following report by a net expense of \$6,846,408.

## **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 2023 Operating Budget as adopted by the City Council on June 20, 2022.

## **Proposed Budget Amendments**

1. **General Fund Budget Reconciliation** – The Finance Department recommends recognizing revenue of \$6,415,000 and appropriating \$1,929,280 in the General Fund (101). The details are as follows:
  - a. The Department recommends recognizing regular Sales Tax revenue of \$2,220,000 and Measure I Sales Tax revenue of \$2,816,000 to reflect the significant growth in sales tax receipts as compared to the original forecast for FY 2023. Led by strong sales in restaurants, hotels, and autos at brick-and-mortar locations, the local economy continues to recover from the pandemic.

As part of the ongoing partnership between the City and the Pasadena Unified School District (PUSD), the Department also recommends appropriating \$929,280 for additional allocations to PUSD in conjunction with the increase in Measure I Sales Tax revenue.

- b. The Department recommends recognizing additional Transient Occupancy Tax (TOT) revenue of \$1,600,000 to reflect the improvements in hotel occupancy and average daily rates, as travel related to business meetings/conferences and tourism continues to return.

As a proportion of the increase in TOT revenue, the Department also recommends appropriating \$1,000,000 for additional TOT allocations to the Pasadena Center Operating Company (PCOC), which is consistent with the operating agreement between the City and PCOC.

- c. The Department recommends recognizing State Mandated Claims Reimbursement revenue of \$919,000 for a one-time reimbursement of claims. The State of California is required to reimburse the City for certain mandated activities; however, reimbursement payments are infrequent and inconsistent. In FY 2023, the State reimbursed the City for claims from 2002 – 2012 for costs incurred installing and maintaining trash receptacles at transit stops. Additionally, the State provided reimbursement for other ongoing programs including the Open Meetings Act, domestic violence reporting, and rape victim noticing for 2020 – 2021.
- d. The Department recommends reducing the estimated revenue from Utility Billing Late Fees by \$1,140,000 due to the continued waiver of late fees as required by the State's programs that reimbursed the Power and Water Funds for past due bills, for customers negatively affected by the COVID-19 pandemic.
- e. The Department recommends transferring personnel appropriations across select departments within the General Fund (101) without increasing the total appropriation budgeted for personnel. Overall, personnel expenses within the General Fund are trending more than \$2.0 million under budget; however, personnel costs for the Fire Department and City Attorney's Office are projected to exceed their budget. The Fire Department's budget has absorbed the cost of backfilling two firefighter positions assigned to the Pasadena Outreach Response Teams along with position coverage for the academy and staff vacancies. The City Attorney's Office has absorbed the costs of position reclassifications related to providing equal compensation schedules for the Prosecutor and Civil divisions.

- 2. **Power Fund Amendments** – The Pasadena Water and Power Department (PWP) recommends appropriating \$45,000,000 and recognizing revenue of \$37,500,000 in the Power Fund (401) for various reasons, resulting in a net use of unappropriated fund balance in the amount of \$7,500,000. The details are as follows:

- a. The Department recommends appropriating \$45,000,000 and recognizing revenue of \$10,500,000 in connection with purchased power, gas, and fuel burned for wholesale activities. The El Paso Natural Gas Pipeline (EPNG) rupture from West Texas to California and other macroeconomic factors impacted natural gas prices. While regional natural gas prices are typically near \$4/MMBtu (metric million British thermal units), during December 2022, prices climbed above \$30/MMBtu and remain volatile. The increase also impacted the regional wholesale price of electricity, as natural gas is a cost factor in the production of electric power across the region and wholesale prices in the California Independent System Operator (CAISO) area. The higher market prices, however, also resulted in increased revenues for wholesale sales activities, offsetting the higher expenses.
  - b. The Department recommends recognizing revenue of \$26,500,000, resulting from an approximately 12% increase in retail power sales beyond budgeted estimates, as well as impacts from cost recovery measures implemented during the fiscal year.
  - c. The Department recommends recognizing revenue of \$500,000 due to additional sales in Low Carbon Fuel Standard credits.
3. **CalTrans Revenue Adjustment** – The Finance Department recommends recognizing revenue in the amount of \$5,000,000 in the General Fund Projects Fund (105) for the payment from CalTrans to the City regarding the relinquishment of the State Route 710 Northern Stub. This represents a reversal of the original deposit made to the General Fund (101) which was previously authorized by the City Council on October 3, 2022. The adjustment will allow for better cost accounting of future expenses related to the project area as the funding is un-commingled from Fund 101 and more appropriately budgeted in Fund 105.
4. **California Arts Council Grant for the Pasadena Playhouse** – The Finance Department recommends re-recognizing \$1,600,000 in revenue and associated appropriation from the California Arts Council in the General Fund (101) for the HVAC improvements at the Pasadena Playhouse. The City Council previously approved this pass-through grant in FY 2022; however, the funds were neither received nor distributed until FY 2023.
5. **Outside Legal Services** – The City Attorney/City Prosecutor Department recommends appropriating \$1,000,000 from the unappropriated fund balance in the General Fund (101) for outside legal services. The Department currently has \$2.2 million budgeted for outside legal services; however, this will not be sufficient given the number and range of legal matters required to be processed, protracted discovery and law and motion in several litigation matters, and the defense of lawsuits, as well as related legal services.

6. **Fleet Repair and Maintenance** – The Public Works Department recommends appropriating \$1,504,000 and recognizing revenue of \$1,970,000 in the Fleet Repair and Maintenance Fund (511) due to higher costs of fleet-related activities throughout the fiscal year, such as supplies, repair services, unleaded and renewable diesel, and natural gas utilities. As an internal service operation serving departments throughout the City, these increased costs have been charged back to departments resulting in additional revenue to the fund.
7. **Fire Apparatus Maintenance** – The Fire Department recommends appropriating \$740,000 from the unappropriated fund balance in the General Fund (101) for additional maintenance and purchase of replacement parts. The additional expenses are due to delays in delivery of replacement apparatus including two fire engines, one Command Vehicle, three rescue ambulances, and one ladder truck. All apparatus and vehicles were ordered in FY 2021 and FY 2022 and the purchases have been carried into FY 2023. Apparatus and vehicles have been delayed due to manufacturing and supply chain issues, common across the current automobile industry. Due to postponements in receiving replacement apparatus and vehicles, existing fire apparatus have been in service for longer than the recommended useful life. Consequently, maintenance needs and purchase of replacement parts have been higher than average, compared to prior years. The ordered replacement apparatus are expected to be delivered in late FY 2024 or early FY 2025.
8. **Holly Street Parking Garage Payment** – The Transportation Department recommends appropriating \$1,092,000 from the unappropriated fund balance in the Off-Street Parking Facilities Fund (407) for ending parking operations at the Holly Street Parking Garage effective March 1, 2023. A payment of \$1.2 million to First Baptist Church, which was approved by the City Council (January 23, 2023 Closed Session) as part of a termination agreement, was not included in the Department's FY 2023 base budget.
9. **Paseo Garage Bond Payments** – The Transportation Department recommends appropriating \$520,000 from the unappropriated fund balance in the Off-Street Parking Facilities Fund (407) to pay higher interest expenses on the outstanding variable interest rate bonds for the Paseo Parking Garage. Throughout FY 2023, as the Federal Reserve continued to raise interest rates, the variable interest payment on the bonds increased beyond budgeted estimates.
10. **Transportation Department Amendments** – The Transportation Department recommends appropriating additional funds due to a variety of forecasted funding needs by fiscal year-end, as follows:
  - a. The Department recommends appropriating \$325,000 from the unappropriated fund balance in the Proposition C Local Transit Fund (209) and \$200,000 from the unappropriated fund balance in the Transportation Sales Tax Fund (208) for contract increases with First Transit, as approved by the City Council on January 9, 2023.

- b. The Department recommends appropriating \$300,000 from the unappropriated fund balance in the Proposition C Local Transit Fund (209) for increases related to compressed natural gas use for the City's fixed route fleet.
- c. The Department recommends appropriating \$90,000 from the unappropriated fund balance in the Old Pasadena Parking Meter Fund (213) for increases in credit card processing fees for parking meters in Old Pasadena.
- d. The Department recommends appropriating \$5,000 from the unappropriated fund balance in the Parking Operations Fund (102) for additional as-needed City personnel expenses, related to maintenance requests at the parking lot (Block 5) at Washington and Lake.

**11. Evacuation Planning Services** – The Fire Department recommends appropriating \$106,128 from the unappropriated fund balance in the General Fund (101) for evacuation planning services. A contract was approved by the City Council with Constant and Associates, Inc. for these services in May 2022, with the intent of using the FY 2022 budget; however, due to delayed project delivery and other administrative delays, the appropriations were not spent and ultimately not carried forward. Consequently, a budget amendment is now recommended to address these costs in FY 2023.

**12. Grant Funding for Online Solar Permits** – The Planning and Community Development Department recommends recognizing \$80,000 in the Building Services Fund (204) for a grant from the California Energy Commission. On March 14, 2023, the City was awarded this grant for the development of an automated online system for solar photovoltaic permits in compliance with SB379. The grant will support personnel costs in developing the software/program through reimbursements.

#### **COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by monitoring the FY 2023 Adopted Operating Budget and by implementing necessary budget amendments.

#### **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 amending the FY 2023 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:**

As detailed in the attached "Summary of Proposed 4<sup>th</sup> Quarter FY 2023 Budget Amendments," approval of the proposed budget amendments will increase FY 2023 total authorized operating appropriations across multiple funds by \$54,411,408. These additional costs will be offset through increased revenue of \$47,565,000.

The General Fund's unappropriated fund balance will decrease by \$2,360,408.

The budget amendments included in this agenda report are not anticipated to impact existing FY 2023 budgeted indirect and support costs such, such as maintenance and Department of Information Technology support.

Respectfully submitted,

  
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MATTHEW E. HAWKESWORTH  
Director of Finance

Prepared by:

  
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Jonathan Paul  
Principal Administrative Analyst

Approved by:

  
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MIGUEL MARQUEZ  
City Manager

Attachment: (1)

A) Summary of Proposed 4<sup>th</sup> Quarter FY 2023 Budget Amendments