



# Agenda Report

June 10, 2024

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: ADOPTION OF FISCAL YEAR 2025 OPERATING BUDGET AND ADOPTION OF RESOLUTION DETERMINING THE AMOUNT OF ANNUAL TRANSFER FROM THE POWER FUND FOR FISCAL YEAR 2025 AND AMENDING THE AMOUNT OF ANNUAL TRANSFER FOR FISCAL YEAR 2024**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the action proposed herein is not a “project” subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b);
2. Close the public hearing and adopt by resolution the Fiscal Year (FY) 2025 Operating Budget as presented in the City Manager’s Recommended Budget on May 6, 2024, 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 2025 is approximately 7.53 percent of gross income from retail sales and amending the annual amount of transfer for FY 2024.

## **EXECUTIVE SUMMARY:**

The FY 2025 Operating Budget was developed with cautious optimism and a recognition that inflation and other economic factors are impacting the pace of revenue and expense growth differently. Using a measured approach, the proposed budget is balanced and remains focused on planning for essential services and initiatives, infrastructure needs, long-term liabilities, necessary rate adjustments, and workforce development/retention. The Recommended FY 2025 Operating Budget continues to advance City Council priorities by investing in a wide range of proposed enhancements that include enterprise risk management to help mitigate the City’s risk exposure, supplemental funding for Pasadena Outreach Response Teams (PORT), General Fund support for the Public Health Department’s overhead costs in order to maximize grant funds for programming, additional tree planting and care to enhance the City’s urban forest, and much more. 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 6, 2024, the City Manager submitted the Recommended FY 2025 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 three meetings – May 6, June 3, and June 10, 2024.

The Recommended Operating Budget represents the City’s financial plan for FY 2025 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 2025–2029 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 2025 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 2025 Recommended Budget (operating and CIP) alongside two preceding fiscal years.

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

in millions

	<b>FY 2023 Actuals</b>	<b>FY 2024 Adopted</b>	<b>FY 2025 Recommended</b>
General Fund	\$304.7	\$323.7	\$340.7
All Funds	\$1,000.9	\$1,240.5	\$1,147.5

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

	<b>FY 2023 Adopted</b>	<b>FY 2024 Adopted</b>	<b>FY 2025 Recommended</b>
General Fund	1,028.10	1,062.15	1,083.03 *
All Funds	2,321.36	2,356.23	2,403.38

\*2.76 FTE were inadvertently excluded from the General Fund total of 1,080.27 that was presented originally.

## 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.

- **Public Health Department:** Increase recommended revenue and appropriations by \$66,000 in the Public Health Fund (203) for the remaining contract balance with End Homelessness California, Inc. to provide mobile shower and laundry unit operation services for unhoused individuals. The expenses are eligible for reimbursement through a Substance Abuse and Mental Health Services Administration grant that ends in October 2024.

Increase recommended revenue and appropriations by \$457,362 in the Public Health Fund (203) as well as repurpose 2.5 FTE (originally slated for elimination) to help expand the Home Instruction for Parents of Preschool Youngsters (HIPPI) Program through FY 2026. The additional funding, which was awarded by a State General Fund Expansion grant, will support four part-time Community Service Representative II positions (limited term), supplies, equipment, and training.

Increase General Fund support by an additional \$250,000 to cover office space needs for Black Infant Health programming and Social and Mental Health services, the increased cost of the firefighter participating in PORT, and to help offset overhead costs exceeding grant reimbursement limits.

- **Housing Department:** Transfer \$120,000 of General Fund appropriations to the Public Health Department to provide emergency motel voucher services for people experiencing homelessness.
- **City Attorney/City Prosecutor Department:** Increase recommended appropriations in the General Fund (101) by \$300,000 for supplemental outside legal services and \$210,000 for an additional 1.0 FTE Deputy City Attorney to help with handling more matters in-house as the volume of legal services needed by departments/operating companies continues to grow.
- **Transportation Department:** Increase recommended revenue and appropriations by \$253,000 in the General Fund (101) for the Safe Streets and Roads for All Action Plan Grant that was recently awarded to develop a comprehensive action plan for safe and accessible walking, biking, and rolling in the City; \$253,000 represents the first year of a three-year grant award.

Increase recommended appropriations by \$2,796,576 across various parking funds to replace outdated single-space meters with new pay-by-plate parking pay stations throughout the City. The budget estimate was finalized following City Council's approval of the expanded Pasadena Playhouse parking meter zone on May 20, 2024.

- **Public Works Department:** Increase recommended revenue by \$3.9 million in the Sewer Fund (205) as it relates to the new sewer use fees approved by the City Council on May 6, 2024, and by \$5.9 million in the Refuse Fund (406) associated with the new refuse collection fees approved on May 13, 2024.
- **Rose Bowl Operating Company:** Decrease recommended revenue by \$1.6 million and appropriations by \$1.5 million until community engagement and the appropriate approval process for Family Golf have been completed.

Altogether, the proposed adjustments will impact the General Fund by increasing revenue by \$253,000 and appropriations by \$893,000. Revenue and appropriations in other funds will increase by \$8,723,362 and \$1,819,938, respectively. The citywide FTE total will increase by 3.5 (1.0 FTE – General Fund; 2.5 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. 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 2025, staff is recommending that the City Council adopt a resolution transferring approximately 7.53 percent of estimated annual gross income, or \$18,000,000. Additionally, said resolution also amends the amount to be transferred from the Light and Power Fund to the General Fund for FY 2024, from \$13,000,000 to \$18,000,000 (8.7 percent of annual gross income), based on the financial performance reported by the independent certified public accountant.

Attachment A summarizes the citywide Recommended FY 2025 Operating and CIP Budget Appropriations by departments and affiliated agencies. Attachment B is the City Manager's Transmittal Letter for the Operating Budget.

A copy of the Recommended FY 2025 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 2025 Recommended Operating Budget.

### **ENVIRONMENTAL ANALYSIS:**

CEQA excludes, from environmental review, actions that are not "projects" as defined by CEQA Guidelines Section 21065 and within the meaning of Sections 15060(c) and 15378(b). Section 15378 excludes from the definition of "project" the creation of government funding

mechanisms and fiscal activities which do not yet commit the lead agency to any specific project, and also excludes organizational or administrative governmental activities that do not result in physical changes to the environment. The action proposed herein, consideration of adopting the FY 2025 Operating Budget, is budgetary and part of the City's normal administrative process as it takes early steps to prepare for the possibility of undertaking a project, and therefore is not yet a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

**FISCAL IMPACT:**

The FY 2025 Recommended Budget proposes total operating appropriations of \$340,746,216 in the General Fund and \$1,147,518,420 in all Funds (includes affiliated agencies and CIP).

The FTE positions funded by the General Fund are 1,083.03 FTEs and those funded by all Funds are 2,403.38 FTEs (includes affiliated agencies).

The proposed operating budget adjustments will increase appropriations in the General Fund by \$893,000 and all funds by \$2,712,938 and increase the citywide FTE total by 3.5.

Respectfully submitted,

  
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Approved by:

  
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MIGUEL MÁRQUEZ  
City Manager

Attachments: (2)

- Attachment A – Summary of Appropriations and FTEs by Department
- Attachment B – City Manager's Transmittal Letter for Operating Budget