



# Agenda Report

June 16, 2025

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: ADOPTION OF FISCAL YEAR 2026 OPERATING BUDGET AND ADOPTION OF RESOLUTION DETERMINING THE AMOUNT OF ANNUAL TRANSFER FROM THE POWER FUND FOR FISCAL YEAR 2026 AND AMENDING THE AMOUNT OF ANNUAL TRANSFER FOR FISCAL YEAR 2025**

## **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) 2026 Operating Budget as presented in the City Manager's Recommended Budget on May 5, 2025, 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 2026 is 12 percent of gross income from retail sales and amending the annual amount of transfer for FY 2025.

## **EXECUTIVE SUMMARY:**

Thanks to past strategic and fiscal planning, the City's FY 2026 Operating Budget is relatively stable compared to other jurisdictions throughout California. However, there are financial challenges and uncertainties with respect to the state's budget and the notable volatility in the federal government. The development of the FY 2026 budget has been challenged by slowing discretionary revenue growth, rising operational costs, and economic uncertainties surrounding the federal and state budgets. Nevertheless, the proposed budget is balanced and continues to advance Council priorities by investing in a wide range of recommended enhancements that include increased span of control for fire response, replacement of critical outdated parks maintenance equipment, essential vehicle for pothole repairs, planning consultants related to fire recovery/rebuilding efforts, additional code compliance staff, and much more. Adoption of the FY 2026 Operating Budget provides a stable position from which

departments will start conducting a comprehensive assessment of programs and services, identify fiscal inefficiencies/risks, and start compiling strategies for budget savings and plans for continued fiscal stability. Staff is recommending the adoption of the annual operating budget and will continue to monitor developments at the federal and state levels, analyze impacts to the City's budget, and recommend budgetary adjustments as necessary.

## **BACKGROUND:**

On May 5, 2025, the City Manager submitted the Recommended FY 2026 Operating Budget in compliance with the requirements set forth in Section 904 of the City Charter. Throughout May and early June, 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 5, June 9, and June 16, 2025.

The Recommended Operating Budget represents the City's financial plan for FY 2026 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 2026–2030 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 2026 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 2026 Recommended Budget (operating and CIP) alongside two preceding fiscal years.

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

in millions

	<b>FY 2024 Actuals</b>	<b>FY 2025 Adopted</b>	<b>FY 2026 Recommended</b>
General Fund	\$357.3	\$341.8	\$361.5
All Funds	\$1,251.9	\$1,156.5	\$1,499.4

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

	<b>FY 2024 Adopted</b>	<b>FY 2025 Adopted</b>	<b>FY 2026 Recommended</b>
General Fund	1,062.15	1,084.03	1,082.41
All Funds	2,356.23	2,406.88	2,408.76



Attachment A summarizes the citywide Recommended FY 2026 Operating and CIP Budget Appropriations by departments and affiliated agencies. Attachment B is the City Manager's Transmittal Letter for the Operating Budget.

As outlined in Attachment C, the proposed enhancements will impact the General Fund by adding \$3,419,172 in appropriations (\$1,218,706 ongoing and \$2,200,466 one-time) and an additional 3.63 FTE. Whereas the proposed enhancements summarized in Attachment D will increase appropriations across a variety of other funds by \$10,864,052 and 21.99 additional FTE.

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 2026, staff is recommending that the City Council adopt a resolution transferring 12 percent of estimated annual gross income, or \$28,500,000. Additionally, said resolution also amends the amount to be transferred from the Light and Power Fund to the General Fund for FY 2025, from \$18,000,000 to \$28,131,867 (12 percent of annual gross income), based on the financial performance reported by the independent certified public accountant.

A copy of the Recommended FY 2026 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 2026 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 2026 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 2026 Recommended Budget proposes total operating appropriations of \$361,457,253 in the General Fund and \$1,499,417,075 in all Funds (includes affiliated agencies and CIP).

The FTE positions funded by the General Fund are 1,082.41 FTEs and those funded by all Funds are 2,408.76 FTEs (includes affiliated agencies).

The proposed operating budget enhancements will increase appropriations in the General Fund by \$3,419,172 and all funds by \$14,283,224 and increase the citywide FTE total by 25.62.

Respectfully submitted,

  
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Director of Finance

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Approved by:

  
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City Manager

Attachments: (4)

- Attachment A: Summary of Appropriations and FTEs by Department
- Attachment B: City Manager's Transmittal Letter for Operating Budget
- Attachment C: Proposed Enhancements – General Fund
- Attachment D: Proposed Enhancements – Other Funds