

Ordinance Fact Sheet

TO: CITY COUNCIL
ATTN: FINANCE COMMITTEE

DATE: June 1, 1998

FROM: ACTING CITY MANAGER

TITLE OF PROPOSED ORDINANCE: AN ORDINANCE OF THE CITY OF PASADENA AMENDING PASADENA MUNICIPAL CODE SECTION 4.100.020 REGARDING ALLOWED REDUCTIONS IN THE POWER DIVISION GENERAL FUND TRANSFER

PURPOSE OF ORDINANCE: The purpose of the proposed ordinance is to amend Section 4.100.020 of the Pasadena Municipal Code ("PMC"), in a manner consistent with the City Charter, to allow for transfers from the Light and Power Fund to the General Fund to be less than 8% of the annual gross electric retail income. Section 1407 of the City Charter sets the annual Light and Power Fund General Fund transfer at 8% of gross retail income. The Charter also allows the City Council to transfer an amount less than 8% by resolution if it would not be detrimental to the proper functioning and administration of the utility during the budget year under consideration.

PMC Section 4.100.020 currently provides that the amount of the transfer is either the 8% amount or the accrual year's actual net income, whichever is less. Usually, the 8% amount is the lower amount, thus, the amount required to be transferred under the current PMC provisions. For fiscal year 1998, the 8% contribution number is \$8,344,449; compared to the net income number of \$15,917,789. Accordingly, the 8% number is lower and would be required to be transferred under the current PMC provisions. However, the Charter allows transfer of a lesser amount by resolution if the Council determines that it would not be detrimental to the utility during the budget year under consideration. In approving the 1998 budget, it was determined that a transfer of 6.33% (\$6,602,545) would be appropriate, thus, it would not be detrimental to the utility during the 1998 fiscal year. To provide for consistency between the Charter provisions and the PMC, and to give the Council the ability to authorize transfers other than 8% when appropriate, PMC Section 4.100.020 should be amended. It would also be necessary to adopt a resolution

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MEETING OF 6/8/98

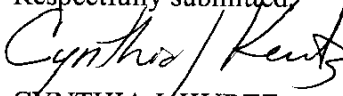
AGENDA ITEM NO. 5.C.1.a.

declaring that such a reduction in the transfer amount would not be detrimental to the utility during the budget year under consideration.

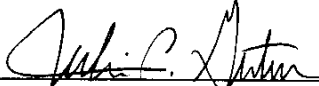
REASONS WHY LEGISLATION IS NEEDED: An ordinance is necessary to amend PMC Section 4.100.020 to provide for a transfer of an amount less than 8% of the annual gross electric retail income from the Light and Power Fund to the General Fund. A transfer of 6.33% from the Light and Power Fund to the General Fund is needed to implement the 1998 operating budget adopted by the City Council. The proposed ordinance would allow for a decrease in the contribution from the Light and Power Fund to the General Fund for the 1998 fiscal year by approximately \$1.7 million, from \$8.3 million calculated at 8% to approximately \$6.6 million at the new proposed rate of 6.33%. This proposed rate is consistent with the adopted fiscal year 1998 operating budget for both the General Fund in terms of revenue and the Light and Power Fund in terms of operating expenses. The anticipated \$1.7 million in savings to the Light and Power Fund will be transferred into the Reserve for Stranded Investments.

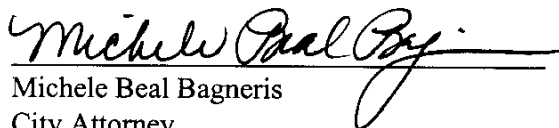
PROGRAMS, DEPARTMENTS OR GROUPS AFFECTED: A lower amount of funding will be provided to the General Fund, while providing the Light and Power Fund with the much needed additional leverage to remain competitive in today's energy market.

FISCAL IMPLICATIONS: The proposed reduction in the transfer rate from 8% to 6.33% will reduce the Light and Power Fund expenses by approximately \$1.7 million and will reduce the General Fund revenue by a like amount. The adopted fiscal year 1998 operating budget for both Funds have incorporated this recommended reduction.

Respectfully submitted,

CYNTHIA J. KURTZ
Acting City Manager

Approved by:


Jay M. Goldstone
Director of Finance


Michele Beal Bagneris
City Attorney