DEPARTMENT OF FINANCE

CITY OF PASADENA
NOTICE OF A SPECIAL JOINT MEETING
OF THE FINANCE COMMITTEE AND/OR THE CITY COUNCIL

NOTICE IS HEREBY GIVEN that the special joint meeting of the Finance Committee and City Council will be held Monday, April 18, 2011 at 3 p.m. at the City of Pasadena City Hall, 100 N. Garfield Ave., Pasadena, in Council Chamber Room S249.

A. CALL TO ORDER
B. PUBLIC COMMENT (Three minutes limited to items on the agenda)
C. NEW BUSINESS
   1. Recommended Fiscal Year 2012-2016 Capital Improvement Program Budget
D. ADJOURN

BILL BOGAARD
Mayor

CHRIS HOLDEN
Chair, Finance Committee

HEREBY CERTIFY that this notice, in its entirety, was posted on the City of Pasadena City Hall bulletin boards in Council Chambers area and north entrance at 100 N. Garfield Ave., Pasadena. and a copy was distributed to the Central Library for posting this 14th day of April, 2011 by 5:30 p.m. and that copies were faxed or delivered, to each local newspaper of general circulation requesting notice in writing, all of which media recipients are identified on the distribution list below.

Lori Eubanks
Recording Secretary

Distribution:
City Council
Star-News
City Clerk
Pasadena Journal
Los Angeles Times
City Attorney
La Opinion
Council Chambers Bulletin Board
City Manager
the Pasadena Weekly
Main Library
City Hall Front Kiosk

100 North Garfield Avenue · Pasadena, CA 91109-7215
(626) 744-4355 · Fax (626) 744-7093

DEPARTMENT OF FINANCE

April 18, 2011

TO: Honorable Mayor and City Council

FROM: Andy Green
Director of Finance

SUBJECT: Fiscal Year 2012 Budget Development Update

By request of the City Council, staff presents this general overview of the strategies and assumptions used to develop the FY 2012 budget recommendations. Budget documents relating to the operating budget hearings will be delivered to the City Council no later than May 2nd. A more detailed presentation will be provided at the May 9th joint Finance Committee and City Council budget kickoff meeting.

Although the recession of the last few years has technically ended, the City continues to face an ongoing structural deficit in the General Fund. The decline in City revenues appears to have abated, however, many revenue sources, including the three largest to the General Fund (property, sales, and utility user taxes), are not forecast to rebound significantly during FY 2012. Stagnate revenues coupled with cost increases such as PERS pension rates, employee health insurance, and other non-salary driven expenditures are contributing to the challenge of developing an operating budget consistent with the City's goal to eliminate the General Fund structural deficit by FY 2014.

100 North Garfield Avenue · Pasadena, CA 91109-7215
(626) 744-4355 · Fax (626) 744-7093

Below is comparative financial information for the General Fund. One of the strategies used in developing the FY 2012 budget was to limit expense budgets to the adopted FY 2011 levels.

General Fund Financial Tread
2009 - 2011

DESCRIPTION	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ADOPTED	FY2011 [1] FORECAST
Taxes	$126,580,018	$118,346,236	$123,967,000	$122,351,084
Other Revenues	$89,376,311	$94,968,190	$87,769,757	$84,740,931
Total Revenues	$215,956,329	$213,314,426	$211,736,757	$207,092,015
Personnel	$135,160,294	$132,052,367	$127,917,934	$125,362,073
Other Expenses	$89,943,651	$91,368,360	$89,361,753	$87,533,014
	$225,103,945	$223,420,727	$217,279,687	$212,895,087
Excess/(Deficiency) of Revenues Over Expenses	($9,147,616)	($10,106,301)	($5,542,930)	($5,803,072)

[1] Based on actual data through February 2011 and will likely change before the end of the fiscal year.

In October 2010, four community budget workshops were conducted to solicit input from City residents, business owners, and other community stakeholders regarding their priorities for public services. The workshops began with an overview of the City's budget and identified the fiscal challenges facing the City in continuing to provide high-quality public services. Participants were invited to ask questions and share comments and suggestions about reductions in City services. As a whole, police and fire services were most valued to the community with libraries trailing close behind. Residents were hard-pressed to identify what services to reduce or eliminate. The general consensus was to have reductions across the board rather than complete elimination of major services. A detailed, final Citizen Budget Workshop executive summary is attached and is posted on the City's website.

City departments began addressing the FY 2012 budget challenges in November 2010 when the City Manager directed all departments to propose reductions totaling five percent of the FY 2011 budget. These proposed reductions were to be made across all departments and all funds and were reviewed by the City Manager to determine which reductions would be accepted. On March 14, 2011, the City Council approved a mid-year budget revision that eliminated 34.9 FTEs resulting in an annual savings of $3.9 million. These reductions and the related cost savings are reflected in the FY 2012 Recommended Budget. To ensure that the FY 2012 Recommended Budget stayed within the parameters of the FY 2014 financial plan, departments were instructed to make additional reductions. As a result, the FY 2012 Recommended Budget includes additional personnel reductions, departmental reorganizations for improved efficiencies, and additional reductions to non-essential spending.

Revenue Assumptions

Though significant reductions to City revenues are not forecast to continue, FY 2012 revenues will remain below pre-recession levels. Tax revenues are forecast to experience modest increases in FY 2012 from the FY 2011 Adopted Budget. These increases, however, will be offset by projected decreases to non-tax revenues including investment income, building licenses and permits, and charges for services.

An additional concern for the FY 2012 budget is the potential impact from reductions in revenues from state and federal governments. While specific details are not finalized, the state and federal governments are expected to propose cost reductions that could negatively impact City revenues and corresponding services, especially in Economic Development, Housing, and Public Health. Already the City has been notified of a 16.2 percent reduction in CDBG and a 20-30 percent reduction in administrative funding for the Section 8 housing program.

Expense Assumptions

City departments were instructed to submit an FY 2012 operating budget request that did not exceed their FY 2011 Adopted Budget. To accomplish this objective, departments made additional cost reductions to absorb increases in operating costs, including a significant increase to PERS pension rates and medical insurance. The PERS rate for Miscellaneous Employees in FY 2012 increased nearly 35 percent from the FY 2011 rate. Safety Employees' rate had an increase of 6 percent. The cost of employer provided medical insurance increased between 18 percent and 31 percent from FY 2011 to FY 2012 depending on the labor group and medical plan.

To offset additional labor-related cost increases that are beyond the City's control, departments included additional position reductions that will result in layoffs. These layoffs will impact labor groups, including, but not limited to, AFSCME, PMA, and Non-Represented. The City is working closely with representatives of each labor group to examine potential changes to labor agreements that would help mitigate impacts on the City's workforce and result in long-term savings. Where possible, departments have also been instructed to eliminate vacancies and modify the budget accordingly where positions have been filled with lower classifications. Exploring opportunities to decrease or eliminate the City's portion of the employee PERS contribution as well as non-labor savings are also being explored.

Risks and Unknowns

There are risks that could have significant impacts on the FY 2012 Recommended Budget. Some economists are concerned about the potential for a double dip recession. The City will also be impacted by cost reductions at the state and federal level. There is uncertainty

regarding redevelopment agencies and the allocation of tax increment revenues. Additionally, the City continues to struggle to identify sufficient resources for ongoing capital needs. As replacement cycles increase and capital improvements are deferred, there will be an impact on operating costs to maintain assets beyond their useful life. The City has absorbed significant employee benefit increases and it is likely that these costs will continue to grow, particularly those costs relating to unfunded liabilities for pension and retiree medical costs.

While some of these potential risks are a concern for the FY 2012 budget, there are long-term implications that will require close monitoring and frequent updates to financial forecast models.

Budget Adoption Schedule

A series of joint Finance Committee/City Council meetings are being scheduled to review the FY 2012 consolidated operating and capital budget in more detail. These meetings will be conducted in two phases; the first phase will focus on the Capital Improvement Plan (CIP); the second phase will focus on the operating budget. The approval of the combined operating and CIP budget will be recommended to City Council for adoption on June 6, 2011. The budget hearing schedule is attached.

Challenges for FY 2012

Balancing community needs and economic reality will continue to be the challenge in FY 2012. Although revenues appear to be stabilizing, costs beyond the City's control continue to add pressure to how future resources will be allocated. The FY 2014 General Fund financial plan initiated in FY 2009 began the operational changes needed to eliminate the structural deficit by FY 2014. The recommended FY 2012 budget will allow the City to strengthen core infrastructure such as technology, financial systems and processes, and human resources, and realize greater efficiencies and higher service levels despite a reduced workforce. The FY 2012 budget, as recommended, positions the City both organizationally and financially, to take advantage of future opportunities for FY 2015 and beyond. With the City Council's continued support and staff's diligence in identifying ways to streamline and innovate, and with the cooperation of the City's labor groups, we will be better poised to invest in Pasadena's future.

Attachments:

Attachment 1: Fiscal Year 2012 Recommended Operating Budget Review and 2012-2015 Capital Improvement Program Schedule

Attachment 2: Executive Summary – Citizen Budget Workshops

Fiscal Year 2012 Recommended Operating Budget Review and 2012-2016 Capital Improvement Program Schedule

Joint City Council and Finance Committee Meetings
Unless indicated otherwise, all meetings will begin at 3:00 p.m., and held in the Council Chambers
(Pasadena City Hall, 100 N Garfield Avenue, Pasadena, CA)

April 18, 2011 – Capital Improvement Program Budget

City Manager Overview
Parks and Landscaping
Arroyo Projects
Streets and Streetscapes
Transportation and Parking Facilities

April 25, 2011 Capital Improvement Program

Municipal Buildings and Facilities
Sewers and Storm Drains
Street Lighting
Street Lighting and Electric System Undergrounding
Technology
Pasadena Center Operating Company

May 9, 2011 – Capital Improvement Program & Operating Budgets

Rose Bowl Operating Company
Water System
Electric System
CIP Wrap-Up
Operating Budget Statement & Overview
City Attorney/City Prosecutor
City Clerk
City Council
City Manager (Economic Development, Enterprise Zone, Filming and Public Events, Northwest Programs)

May 16, 2011 – Operating Budget

Department of Information Technology
Public Works
Transportation
Water & Power
Pasadena Community Access Corporation
Rose Bowl Operating Company
Pasadena Center Operating Company

May 23, 2011 – Operating Budget

Police Department
Fire Department
Human Resources
Planning
Housing
Public Health
Department of Libraries and Information Services

Attachment 1

June 6, 2011 – Capital Improvement Program & Operating Budget
Finance
Human Services & Recreations
Budget Wrap Up
Adopt FY 2012-2016 Capital Improvement Program & 2012 Operating Budget (City Council Meeting)
Budget Wrap-up

June 20, 2011 – Operating Budget
Budget Wrap-up
Budget Alternative

Attachment 2

CITY OF PASADENA
CITIZEN BUDGET WORKSHOPS
FISCAL YEAR 2010-11
Executive Summary

Introduction:

The economic challenges facing Pasadena have been embraced by the elected officials and executive staff as an opportunity to examine the municipal organization from top to bottom, including surveying customers and the residents of Pasadena to determine how to best tailor services to meet today's needs and to ensure such programs are provided in an efficient and cost-effective manner. In September 2010, the City's residents, business owners and community stakeholders were invited to attend a series of community budget workshops to assist the City in prioritizing key direct-service programs as a result of a decline in General Fund appropriations for FY 2011. As a part of the City Council's strategic plan to move the City forward in a difficult economic time, these budget workshops have reinforced the City's belief that through regular community outreach efforts, the City will prevail and emerge as a unique community; a place with charming neighborhoods, historic architecture, and attractive urban amenities.

The following report serves as an Executive Summary of the Citizen Budget Workshops held during the month of October 2010. All four workshops were facilitated by Dr. Wayne McAfee, with the Organization Network, a Division of the Counseling Team International.

Counseling Team's Workshop Process Overview:

- The four Citizen Budget Workshops provided Pasadena residents with an opportunity to engage with City leaders on the overall budget climate and specific budget details from seven departments. The "Adopted Operating Budget Pamphlet" available at each meeting gave residents a simple yet comprehensive look at the City Budget. This is an excellent resource.

- As expected, each district had its own unique personality. Rather than combine the districts, each district should have had their own individual meeting. This would have added three additional meetings, deleted some of the overlap with people attending outside their district. With fewer attendees, it would have allowed for more interaction and discussion of specific budget items. Non-combined district meetings would allow Council Members to dial in more specifically on what they want as intended "outcomes".

- The budget information provided by the City Manager and Director of Finance at the start of each meeting was necessary. Educating residents on overall budget issues prior to the budget specifics clearly helped those residents who knew very little about City finance. Keeping the Budget summary brief was also very well received. Those citizens who attended the first two workshops felt a little overwhelmed with the information presented. It was a good idea to present the departments funded by the general fund, but the FTE facts were a bit too technical and appeared out of context. It might have also been helpful to summarize what is not funded by the General Fund.

- Expanding the meetings from 1.5 hours to 2 hours was helpful. Time management starting on time, finishing on time was a challenge. Many of the residents stayed after each of the session was over and engaged with Council Members and City Staff following up with specific questions or comments. Some of the most helpful information for residents actually happens after the conclusion of the workshop. We

would estimate that at least 40-45% of the residents stayed at least a few minutes after for all the workshops and a much higher rate 75% stayed after workshop #1.

- The transition to have Department Heads or designee formally present (sessions #3 & #4) was well received from the audience. Staff addressed the following questions; what are the key services they provide, recent general fund reductions and what are the future creative efficiencies to deal with this economy. It is helpful for the citizens to gain a better understanding of the individual department's efforts to reduce department expenditures and concepts for future reductions. It gives them an opportunity to provide feedback on specific actions taken to reduce expenditures.

- The transition to have the budget charts less of a focus at sessions #3 and #4 allowed for more interaction from the audience. The charts were well done and some people did take the time prior to and after the sessions to review the material. This was especially true at the last session.

- The Workshop Questions (Workshops #3 & #4) allowed for residents to complete and return their responses and helped prompt questions valuable to the City. The ability to transfer workshop data to the website was helpful for those residents who were unable to attend and confirmed that the City of Pasadena "heard you" for those in attendance.

- The "key services" handout was an excellent supplement to what was listed on the charts. This allowed residents to easily follow along with each Department Head and remind them of Department priorities.

- When comparing the Pasadena Citizen Budget Workshops with other workshops recently facilitated by The Counseling Team International (facilitated within the past 10 months), The Counseling Team found that Pasadena's workshops rated higher in the area of "Information Provided" (4.5 on a scale of 5); higher in "Location of the Meetings" (4.1 on a scale of 5). The overall "Quality of Presentation" averaged about the same (4.4 vs. 4.3). It is important to note that the combined averages of the "other workshops" do include feedback from commissioners, staff, and the public. Overall the evaluation and feedback was clearly above average.

- In order to encourage more discussion among the participants, the workshops and/or sessions should be separated into two phases –an informational meeting only and then a data collection, and a Q& A meeting. The first meeting is to provide your participants with valuable information you want your participants to know. The second meeting should be completely dedicated to collecting data and questions and answers. This can be accomplished by two meeting dates or expanding the workshops to 3 hours, 1 hour presentations and 2 hour data collecting and questions and answers.

- The City may also want to consider selecting community members from each district to meet weekly (not to exceed 2 hour) over a two month period (approximately 7 meetings). A Department Head and/or representative should attend each meeting to discuss the department's key budget challenges, goals and staffing. The citizen feedback from these meetings would assist the City in gaining a better understanding of specific issues/concerns and would allow the Department Head to better prepare for the district workshops.

- The City may also want to consider organizing a City Council workshop to confirm the process and agenda in greater detail prior to conducting the citizen meetings. This would help to set the priorities and objectives for each district's meeting.

Citizen Budget Workshops:

The **First Citizen Budget Workshop** was held on Tuesday, October 12, 2010, at the La Pintoresca Branch Library from 6:30 p.m. to 8:30 p.m. Approximately 28 residents attended the workshop.

The **Second Citizen Budget Workshop** was held on Wednesday, October 13, 2010, at the Woodrow Wilson Middle School Cafeteria from 6:30 p.m. to 8:30 p.m. This meeting was hosted by District 4 Councilman Steve Haderlein and District 7 Councilman Terry Tornek. Approximately 15 residents attended the workshop.

The **Third Citizen Budget Workshop** was held on Thursday, October 21, 2010, at the Santa Catalina Library from 6:30 p.m. to 8:30 p.m. This meeting was hosted by District 2 Councilwoman Margaret McAustin and District 5 Mayor Victor Gordo. Approximately 40 residents attended the workshop.

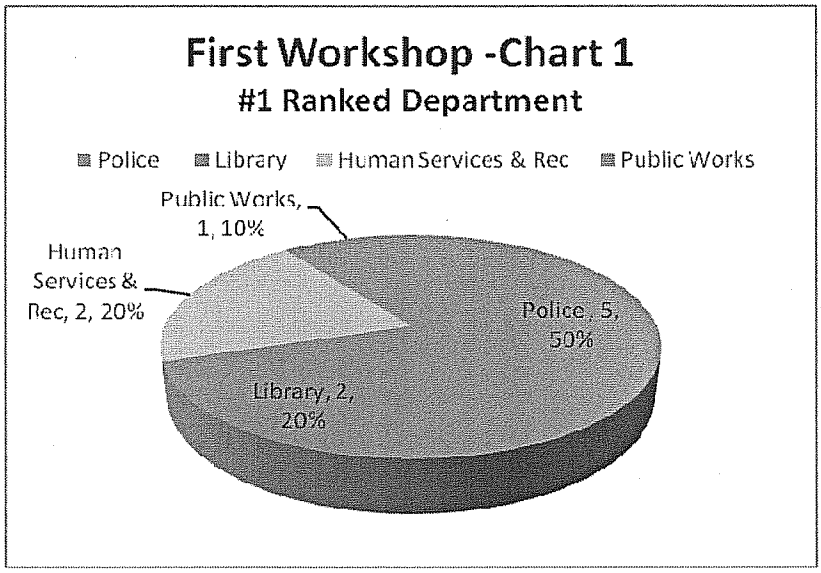
The **Fourth Citizen Budget Workshop** was held on Wednesday, October 27, 2010, at the Southern CA Public Radio's Crawford Family Forum from 6:30 p.m. to 8:30 p.m. This meeting was hosted by District 6 Councilman Steve Madison and District 7 Councilman Terry Tornek. Approximately 40 residents attended the workshop.

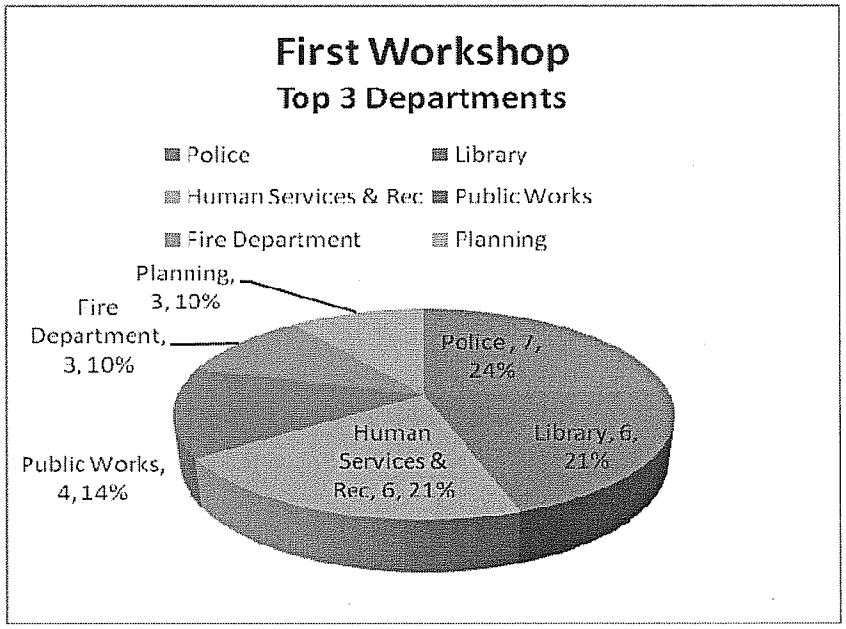
The Director of Finance, Andrew Green, presented the City's adopted Fiscal Year 2010-2011 budget summary that included a brief overview of the budget process, municipal financing and future budget challenges. In Workshops #3 and #4, each Director or department designee was invited to present their individual department's efforts to reduce department expenditures and concepts for future reductions following the budget summary. Furthermore in Workshop #4, each participant was provided an index card to write down specific questions related to the budget. During the Workshops, the attendees were also provided Ranking Surveys and Workshop Questions. Large presentation charts were also available for public review that provided a general overview of the various City Department service priorities and their respective FTE five-year fiscal trends.

Workshop # 1 community input included:

- Through good planning and leadership, the City can continue to grow with fewer resources.
- Government can no longer do business as usual
- Need to watch expenditures. If we do not have the money, need to stop spending.
- Need to continue to invest in the community
- Health department should continue to be a priority
- The City should attract private entertainment uses for youth. The existing art galleries are too expensive for today's youth
- Police and safety concerns ranging from issues involving transients, 911 response calls, parking issues, and drug dealers
- The need for more bike patrols and security lighting at the Rose Bowl loop
- The creation of more affordable housing and other quality of life amenities
- The need for a self sufficient Health Department
- The continued support for community library services and youth programs that offer employment opportunities
- Continued support of the school district

A total of 10 participants submitted a City Department Ranking Survey. The raw data collected from this survey prioritized the Police Department as the most important department. Specifically, 5 out 10 or 50% of the participants ranked PD as the most valued department (Refer to Chart 1 below). As a whole, the Departments of Police, Library and Human Services& Recreation were ranked in the Top Three (Refer to Chart 2 below). Surveys included as ***Attachment 1*** to this report.





In general, the community feedback related to public safety and the suppression of street level crimes, gang and drug crimes, as well as issues related to emergency response times, lighting and bike patrol. This district values their public libraries and the engagement of the youth in meaningful activities and employment. In addition, the public health services currently offered by the City were greatly appreciated.

Workshop #2 community input included:

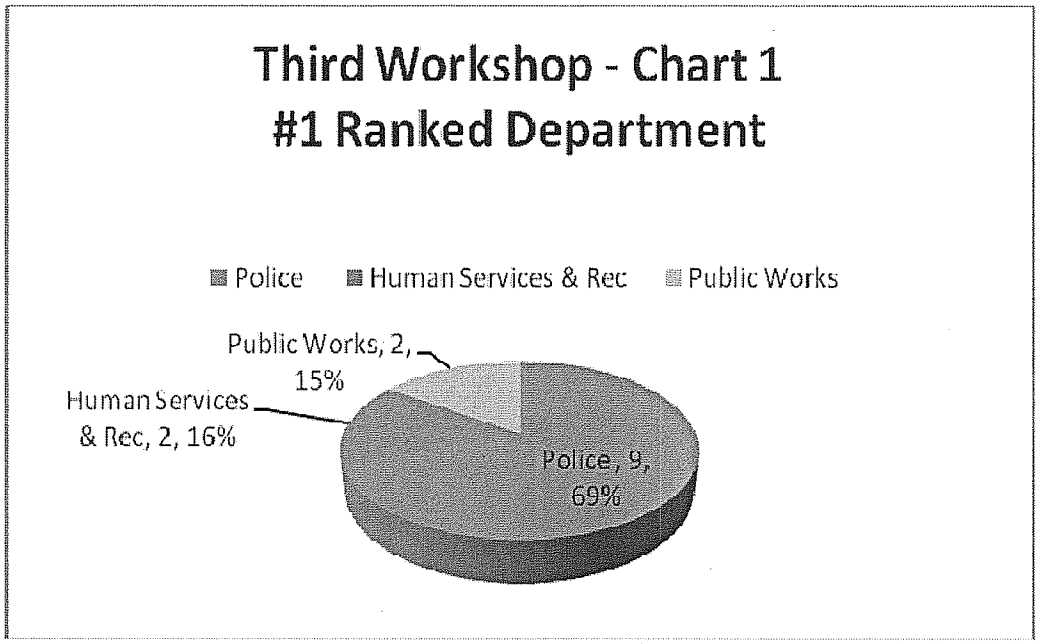
- Questions related to a certain lease agreement with the Fire Department and Caltech
- Questions related to Fire Department revenues (i.e. hazardous waste materials)
- Questions related to staffing levels in individual departments
- Specific questions related to indebtedness and reserves
- Questions related to Fire Department Pensions
- How does the Comprehensive General Plan impact the budget (i.e. land uses and zoning)
- Need to deal with existing liabilities and obligations
- Question related to non-departmental expenditures. More explanation.
- What could the City do to increase revenues instead of giving up much-needed services
- Rethinking how we do business (i.e. printing functions and other core services)
- Evaluation of spending trends; making cost comparisons; and digging deeper in the organization to see what other services or staffing levels could be eliminated in non high profile departments.
- It was recommended to assign a budget amount to each department priority
- A recommendation to have General Plan Workshops promoted better.
- Concern with the elimination of the ARTS Route 70

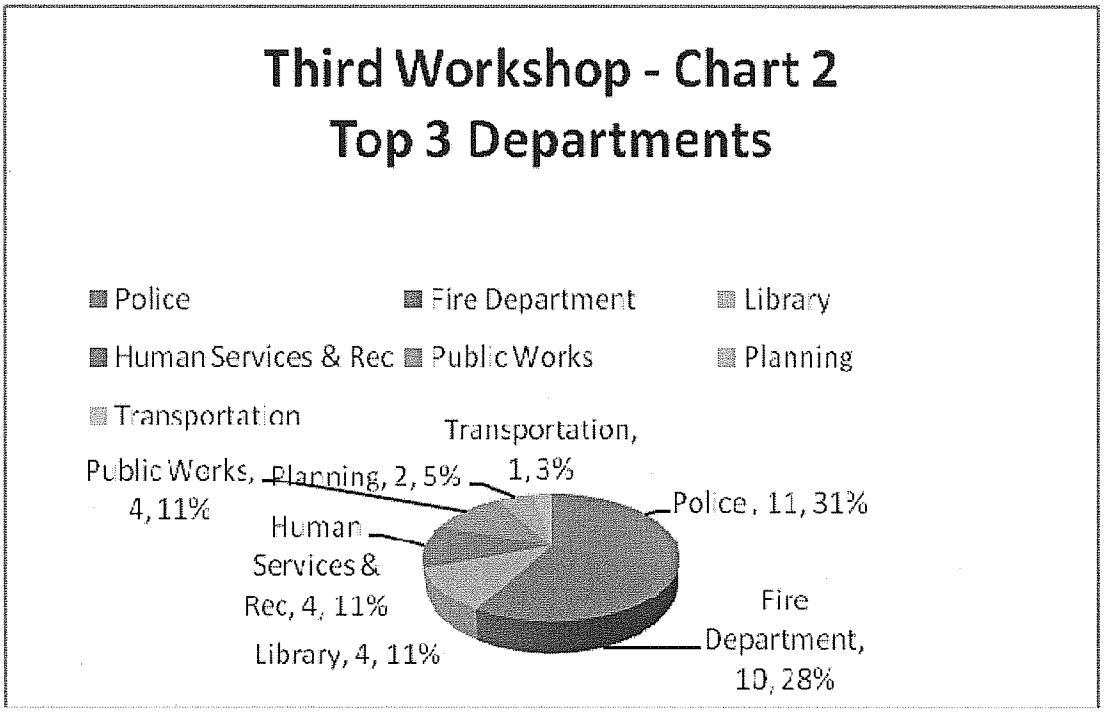
No Ranking Surveys were collected. In general, this district expressed a concern for departmental staffing levels and expenditures falling under "non-departmental".

Workshop #3 community included:

- General concern for the lack of sidewalk repair in certain areas
- Concerns related to the appeal process for parking tickets
- A need to understand the selection process of hiring consultants
- Need to consider the population growth and the impact it will have on City services
- General consensus that the Rose Bowl has a huge economic benefit for the City
- Concern with the elimination of the ARTS Route 70
- General appreciation of the 311 non emergency request line
- Concerns for police responsiveness to calls
- Strong support for Health Services
- Review election timing process, if possible
- Encourage staff to continue to apply for grants
- Should consider cutting expenses evenly across all departments
- Strong support for maintaining library services
- Concern for cutting on-going maintenance (i.e. 3 of times park restrooms are cleaned)
- Continue to support volunteer programs
- Strong support for the Police Pal Program

A total of 13 participants submitted a City Department Ranking Survey. The raw data collected from this survey prioritized the Police Department as the most important department. Specifically, 9 out of 13 or 69% of the participants ranked PD as the most valued department (refer to Chart 1 below). As a whole, the Fire Department followed closely behind PD, while the Departments of Public Works, Library and Human Services & Recreation had an equal ranking of 11% (refer to Chart 2 below). Surveys included as ***Attachment 2*** to this report.





A total of 10 Workshop Questions were collected after the meeting. The participants were asked 3 questions:

1. What services provided by the City are most valuable to you?
2. What City Services can you live without?
3. In general, how do you feel about the level of services provided by the City?

In general, police and fire safety services were of most value to the participants. Overall, the residents are very satisfied with the City's level of service especially in this current economic situation. The participants were challenged to state what services they could live without. A few comments related to parking citations and

reduction of maintenance services in park facilities. The workshop questions with participant responses attached as ***Attachment 3*** to this report.

In **Workshop #4**, City staff collected a total of 18 index cards with specific budget questions. Each question was addressed at the meeting by the appropriate Department staff person. The list of questions on the index cards are attached as ***Attachment 4*** of this report. A total of 19 Workshop Questions were collected after the meeting. The participants were asked 6 questions. The workshop questions with participant responses attached as ***Attachment 5*** to this report.

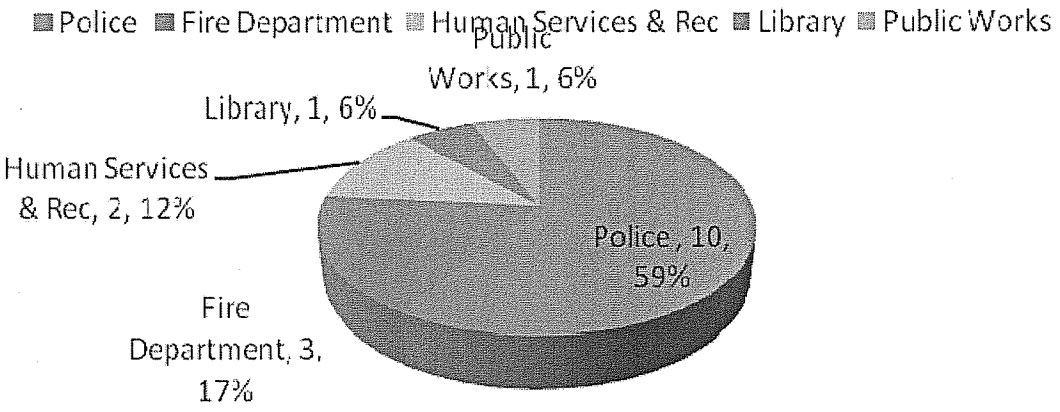
1. What services provided by the City are most valuable to you?
2. What City Services can you live without?
3. In general, how do you feel about the level of services provided by the City?
4. Do you have any Revenue ideas?
5. What does responsible government look like?
6. What makes Pasadena a quality place to live?

In a general sense, police and fire safety, and library services were of most valuable to the participants. Overall, the residents show great pride for Pasadena and are happy with the neighborhoods, arts and entertainment, historic significance, and urban amenities that attract visitors to the area. The participants were challenged to state what services they could live without and would rather see reductions across the board, than complete elimination of major services. Revenue generating suggestions included the following:

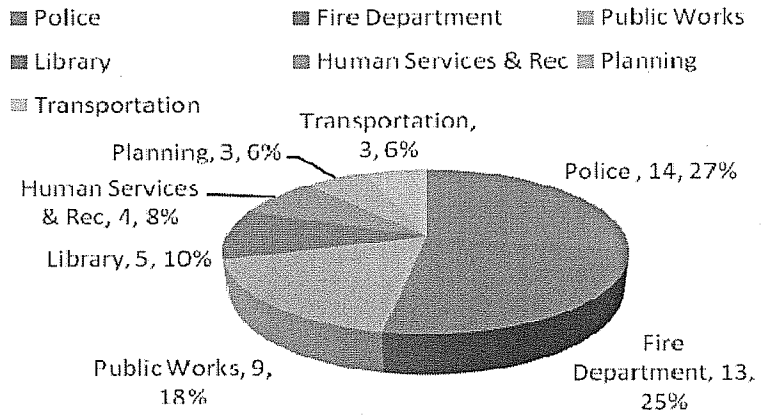
- Extend the "free" parking hours and eliminate some of the metered parking as to encourage people to shop and eat longer
- Increase Library fees for heavy Library users (i.e. increase fees for library cards, computers)
- Continue efforts to conserve water
- Borrow money from future increased revenues
- Include Churches and other such institutions to the tax base
- Add fees for park use
- Different fee structure for the use of public facilities, etc, for residents and non-residents
- Propose new fee structure for the use of water and power
- Reduce street sweeping and request that citizens merchants financially participate
- Move the Fire Department administration to a City-owned facility
- Increase number of events permitted at Rose Bowl
- Reduce all City employee salaries by 5 to 6% and use furloughs to eliminate layoffs
- Increase developer fees
- Increase Hotel tax, rose Bowl tickets
- Decrease overhead in water and power and transfer saving to GF
- Provide more business incentives

A total of 17 participants submitted a City Department Ranking Survey. The raw data collected from this survey prioritized the Police Department as the most important Department. Specifically, 10 out of 17 or 59 % of the participants ranked the Police Department as the number one priority department (refer to Chart 1 below). As a whole, the Departments of Police, Fire and Public Works ranked in the Top Three (refer to Chart 2 below). The Surveys included as ***Attachment 6*** to this report.

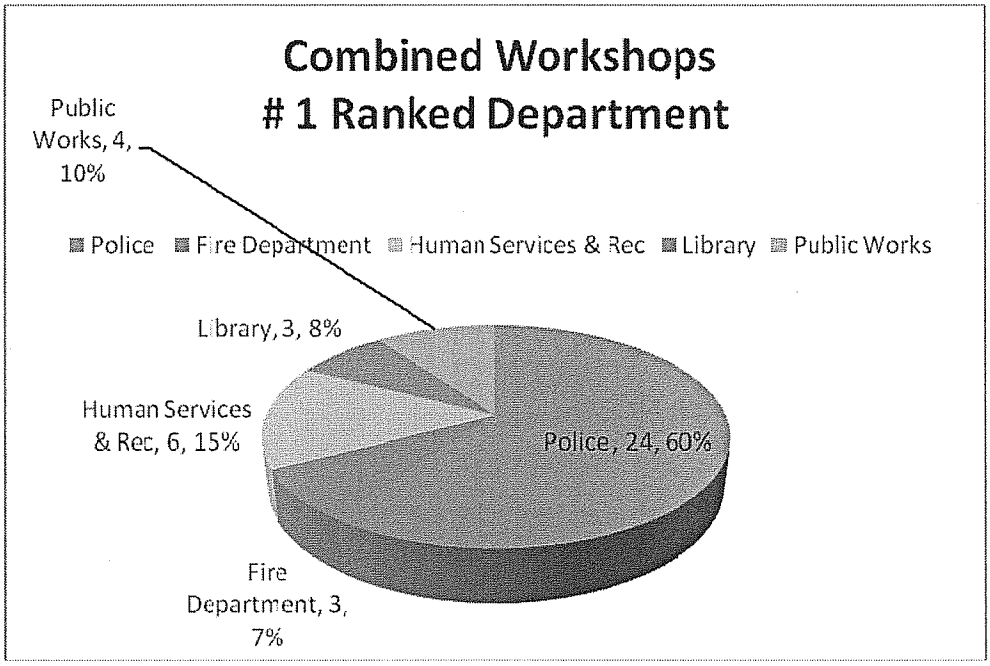
Workshop 4
#1 Ranked Department

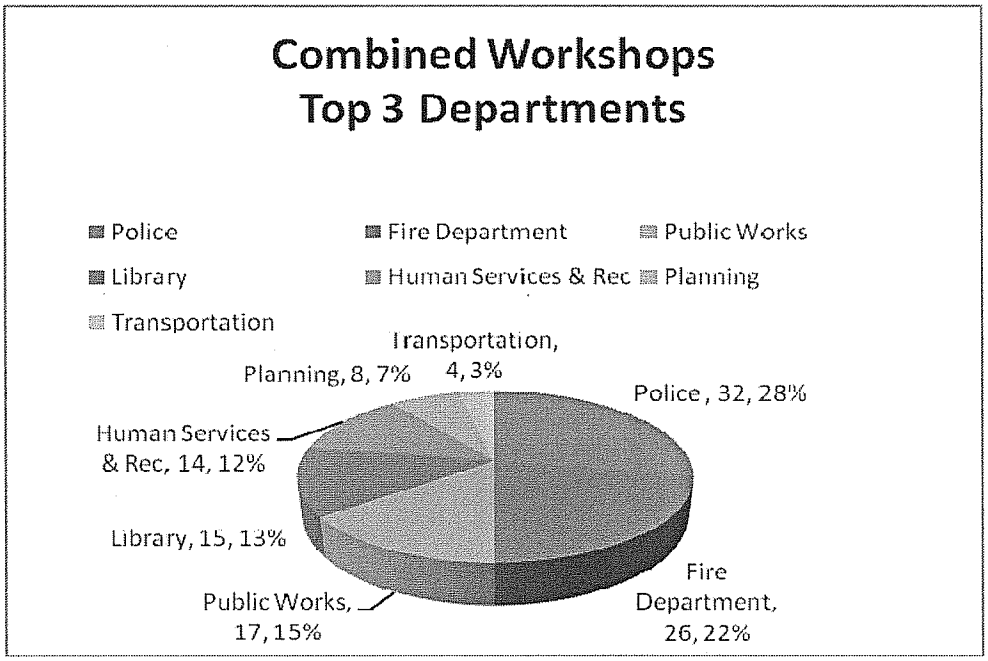


Workshop 4
Top 3 Departments



When the Ranking Survey data was combined from all 4 Community Budget Workshops, the Police Department continues to be prioritized as the number one valued department (see Chart below). The results also concluded the Departments of Police, Fire and Public Works as the Top 3 valued departments (see Chart below).





Concluding Remarks:

In closing, the City of Pasadena should feel good about soliciting feedback and sharing the current and future budget issues with its citizens. Our company, The Counseling Team International, recently surveyed 27 different communities and of those 27, 25 had "Grave Concerns" about the next two-year budget cycle starting in July 2011. In fact, our counseling services (EAP) are up 35% among our City clients.

The ability to have great leadership among the staff, City Council and the Executive Team will pay dividends in handling future budget issues and reinforces that Pasadena is indeed one of the finest places to live in the Country.