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Pasadena, CA 91107

April 25, 2022

Mayor Victor Gordo & Members of the
Pasadena City Council
By Email

Re: Concerns about, and Objections to, Funding for Three Projects in the Proposed 2023-2027 Capital Improvements Program Budget

Dear Members of the City Council:

A. Introduction

Today, the Interim City Manager will introduce the proposed 2023-2027 Capital Improvements Program (CIP) Budget. My concerns and objections relate to the following three projects in the proposed budget:

1. \$2 million of American Rescue Plan Act (“ARPA”) funds for renovations and improvements related to three fire stations (without a detailed cost analysis and explanation of why this funding is necessary now and must be paid for with ARPA funds);
2. \$200,000 of ARPA funds toward the \$6.8 million remodel of the Police Department Building;
3. \$9.990 million from “RBOC Unrestricted Reserve Funds” to fund Rose Bowl improvements.

B. The Use of ARPA Funds for the Police Department Building Remodel & Fire Station Improvements is Unsupported

Our City received a lifeline from the federal government in extraordinary funds pursuant to the American Rescue Plan Act (“ARPA”) -- \$26 million last year and \$26 million likely next month. The Interim Final Rule (“IFR”) is the Treasury Department’s guidance for allocating the ARPA funding provided to state and local governments. It discusses numerous eligible uses for the ARPA funds, many of which would provide critical programs that our most vulnerable and marginalized residents need to move forward from the pandemic. The ARPA

funds must be spent within the four eligible uses identified in the statute—"(1) to respond to the public health emergency and its negative economic impacts, (2) to provide premium pay to essential workers, (3) to provide government services to the extent of eligible governments' revenue losses, and (4) to make necessary water, sewer, and broadband infrastructure investments." Significantly, at the outset, the IFR states that "[t]he ARPA provides a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, **more equitable economy** as the country recovers."

Last August, the City Council's approved spending plan for the first ARPA funding included the following four very substantial appropriations:

- \$9.8 Million: to the City's General Fund to backfill the City's revenue losses due to the pandemic;
- over \$8.5 million: for sidewalk improvements, traffic signals, bridge enhancements and other capital improvements;
- \$2 million: to remodel Fire Station 38; and
- \$925,000: for COVID-19 testing for unvaccinated employees.

Significantly, the large chunk of ARPA money to the General Fund did little to help departments like the Housing and Public Health Departments because they receive very little funding from the General Fund.

In contrast, the City Council's ARPA appropriations for our poor, low-income and marginalized residents were minimal:

- \$400,000 for bridge housing, but only for PCC students;
- A mere \$150,000 for eviction prevention legal services;
- Just \$200,000 for community violence prevention/intervention efforts; and
- \$550,000 for the second Pasadena Outreach Response Team (PORT) to fund fiscal years 2023 and 2024.

The City Council appropriated more funding for **each** of the traffic signals at Orange Grove and Craig and Orange Grove and Sunnyslope than for bridge housing for our nearly 300 unsheltered residents.

Residents pushed back on the City staff's recommendations for ARPA funding last year. There were numerous letters in opposition to the recommendations and

people spoke at City Council meetings advocating for more ARPA dollars for community services, especially for our poor and marginalized residents. Ultimately, of the total ARPA funds our city received last year, the City Council directed just approximately 8% for programs for our poor, low-income and marginalized residents. This was unacceptable given that the federal guidance for spending ARPA specifically states that the funds are to meet pandemic response needs and rebuild a stronger **more equitable** economy.

This year, the City needs to prioritize people with its ARPA appropriations, not buildings, sidewalks, traffic signals, etc., like it did last year.

Regarding the proposed \$2 million of ARPA funding for renovations and improvements to fire stations, according to the Project Schedule “Tenant improvements at Fire Station 31 and construction of a new storage building at Fire Station 33 will be completed in FY 2023. Design of renovations at Fire Station 37 will begin.” Without a detailed cost analysis and a detailed explanation of why all of these improvements are necessary **now** and must be paid for with ARPA funding, it is impossible to determine whether using \$2 million of ARPA funds is justified and reasonable. Accordingly, it should be rejected.

Regarding the \$200,000 in ARPA funding for the Police Department building, according to the Project Description, this is a \$6.8 million remodel, \$6.6 million of which is unfunded. What is the immediate necessity justifying using \$200,000 of our invaluable ARPA funding for a very expensive project, the vast majority of which is unfunded? For this reason, the ARPA funding of this project should be rejected.

C. Rose Bowl Major Improvements Project FY2020-2024

The proposed CIP 2023-2027 budget has the “RBOC Unrestricted Reserve Funds” paying for \$9.990 million in Rose Bowl improvements in fiscal year 2023. The question is: can these Unrestricted Reserve Funds be used, instead, to offset RBOC/Rose Bowl debt?

The City paid \$11.5 million of debt related to the Rose Bowl in fiscal year 2021; \$10 million in fiscal year 2022. What amount of Rose Bowl debt will the City have to cover this year? Thus far, these very substantial debt payments have been paid from the City’s General Fund and/or General Fund reserves. But last year, former City Manager Steve Mermell advised the City Council that paying the Rose Bowl debt has exhausted much of the City’s General Fund Operating Reserve.

Further, the fiscal year 2022 General Fund 5-Year Financial Forecast showed Pasadenans continuing to pay the Rose Bowl debt, resulting in **deficits for our critical General Fund** absent a solution.

The proposed work to be performed in 2023 does not appear to be safety related for the most part.¹ While there has been discussion that more improvements will be necessary for the Rose Bowl to remain competitive, as of May 2021, the stadium had collected a whopping **\$197.72 million** in outstanding debt. Why would the City agree to even more non-safety-related improvements, especially since according to Mr. Mermell’s budget transmittal letter last year, over the next five-years, the City’s debt payments will CONTINUE due to Rose Bowl revenue gaps of \$5.4-7.7 million PER YEAR?

If the RBOC Unrestricted Reserve Fund can be used to help pay the debt obligation on the Rose Bowl this year, that needs to happen instead of using the City’s reserve funds or, even worse, the General Fund to cover the debt obligation this year. For these reasons, the proposed use of the RBOC Unrestricted Reserve Fund to pay for nearly \$10 million in Rose Bowl improvements this year should be rejected.

Thank you for your time and consideration of this letter.

Sincerely,

/s/

Sonja K. Berndt
Pasadena

¹ “SCHEDULE: In FY 2023, the following projects will take place: broadcast & audio/visual control room upgrades, back of house WiFi, campus fiber upgrades, field sideline bench replacement, concession stand upgrades, perimeter pedestrian flow safety improvements, stadium seating replacement, speaker system replacement, Pavilion club upgrades, Loge Lounge outdoor TV replacement and future project studies & assessments.”