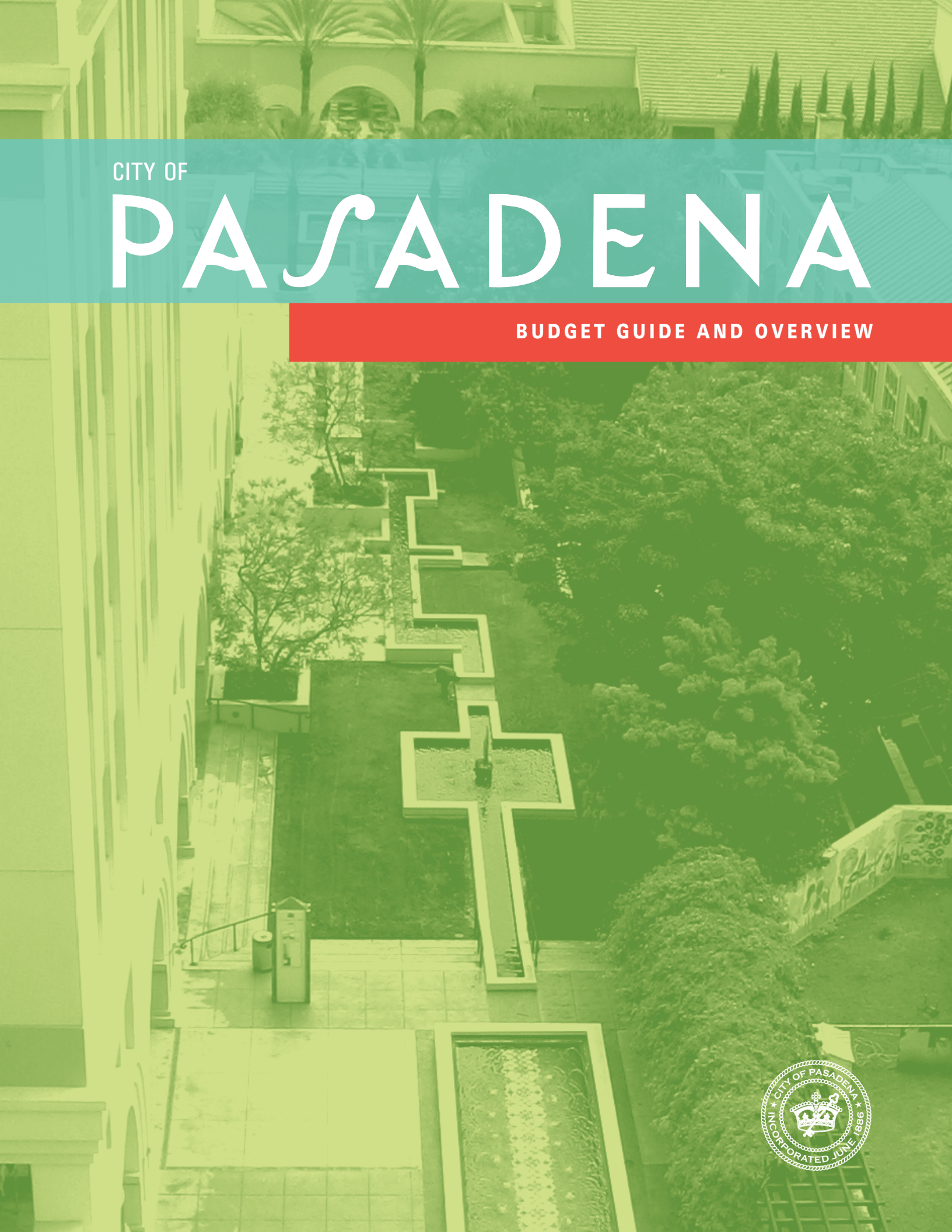
CITY OF

PASADENA

BUDGET GUIDE AND OVERVIEW



THE ANNUAL BUDGET DOCUMENT

The Budget Document provides comprehensive budgetary information on the City. Copies of the Budget Document may be viewed and printed from the City's website. Copies are also available in the Office of the City Clerk, and at the Central Library and several branch libraries. Hard copies may be purchased from the Finance Department.

The Budget Document is divided into several sections including:

City Manager's Transmittal Letter - Formally presents the City's annual adopted budget and summarizes total budgeted appropriations, revenues and number of full-time equivalents (a surrogate measure of authorized staff positions). The Transmittal Letter describes the guiding principles that were used to determine budget priorities, with special attention given to the City Council's goals. The Transmittal Letter discusses the general economic outlook and provides context for the annual budget. The Transmittal Letter highlights the critical issues and challenges facing the City as well as any significant year-over-year changes made to financial policies, organizational structure, program delivery and/or operations.

Operating Budget Summaries - Provide a variety of schedules and reports which fully disclose the financial plan and staffing details authorized in the fiscal year budget as adopted by the City Council.

Capital Improvement Program (CIP) Budget - Summarizes annual capital appropriations by department and project category. The CIP Budget is submitted to the City Council as a separate budget document in order to provide more detailed descriptions of City Capital Improvement Projects scheduled to take place in the next five years. The 5-year CIP budget consists of projects aimed at improving the City's public infrastructure such as streets, transportation issues, street lights, traffic signals, parks, public buildings, sewer and storm drains, the Rose Bowl, the Pasadena Convention Center, technology, and water and power projects. The CIP may be viewed on the web at: http://ww5.cityofpasadena.net/public-works/engineering-and-construction/capital-improvement-program/

Department Budget Sections - Provide information about each City department and highlights how the department, through various programs and activities, promotes City Council's goals. In addition to providing summaries of the department's authorized appropriations, and staffing and departmental performance measures, the individual department sections include a discussion of the department's mission, provides detail on departmental programs and activities, outlines major departmental accomplishments achieved in the prior fiscal year, and includes a future outlook of department significant issues and challenges.

Affiliated Agencies Section - Provides information on the Successor Agency to the Pasadena Community Development Commission (Successor Agency to PCDC), Pasadena Center Operating Company (PCOC), Pasadena Community Access Corporation (PCAC), and the Rose Bowl Operating Company (RBOC) in a manner similar to that of the Department Budgets section discussed above.

Budget-in-Brief

In addition to this budget document, the City also prepares a Budget-in-Brief. The Budget-in-Brief is a simple, easy to read summary of the fiscal year budget that combines elements of the Budget Guide and Overview and the City Manager's Transmittal Letter. The Budget-in-Brief is available for free from the Finance Department and may also be viewed on the web at: www.ci.pasadena.ca.us/finance/operating-budgets/

THE BUDGET PROCESS

The budget is a product of many Pasadenans coming together - citizens, public officials, non-profit and governmental entities, neighborhood associations, business and City staff - to plan for Pasadena's future. The process is designed to provide many occasions for the public to gain information and understanding about the City's budget and operations, and to provide input towards directing how the City should focus its resources.

Beginning in late fall, City departments analyze their expenditures, revenue collection, and performance results to determine the budgetary needs to meet community demands. Departments also consider relevant commission annual reports submitted in October, to assess how departmental work plans will support those of the commissions.

Also in late fall, the Budget Office reviews and analyzes historic performance, current year budget-to-actual expenditures and various policy decisions to develop a five-year forecast of the City's financial picture. After discussing this forecast with the City Manager, a set of budget instructions is distributed by the Budget Office to departments and affiliated agencies.

The budget instructions include the five-year forecast and provide information regarding inflation, local economic conditions, and revenue assumptions. The budget instructions also provide guidelines to ensure the budgetary recommendations developed by departments incorporate Pasadena's sound financial practices and strategies.

In late winter, departments and affiliated agencies submit their budget requests to the Budget Office for review and analysis. In early spring, key staff from each City department meets with the City Manager to review the requests, taking into account community input and City Council direction. After a series of rigorous discussions, budget proposals are prioritized, refined, compiled and integrated into the Recommended Operating Budget that is presented to the City Council. In accordance with Article IX, Section 902 of the City Charter, the Recommended Operating Budget is presented to City Council no later than the third Monday in May. Copies of the Recommended Budget are made available on the City's website, in the Office of the City Clerk, and at the Central Library and several branch libraries.

Subsequent to the submission of the City Manager's Recommended Operating Budget, a series of public meetings are held at which the City Council reviews the recommended budget for each City department and affiliated agency and to allow for public input. The City Council may revise the City Manager's Recommended Budget as it sees fit. Pursuant to Section 904 of the City Charter, the City Council is required to adopt the annual fiscal year budget no later than the 30th of June.

MEASUREMENT FOCUS AND BASIS OF BUDGETING AND ACCOUNTING

The City of Pasadena's accounting records are maintained in full accordance with Generally Accepted Accounting Principles (GAAP), as established by the Government Accounting Standards Board (GASB).

Governmental (General, Special Revenue, Debt Service and Capital Projects) funds and Permanent Trust funds are accounted for on a "current financial resources" measurement focus. Accordingly, only current assets and current liabilities are included on their balance sheets. The reported fund balance provides an indication of available, spendable resources. Operating statements for Governmental fund and Expendable Trust funds report increases (revenues) and decreases (expenditures) in available spendable resources.

The modified accrual basis of accounting is followed by the Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are susceptible to accrual when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources.

The Proprietary (Enterprise and Internal Service) and Fiduciary (Pension Trust, Investment Trust, and Private Purpose Trust) funds are accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the balance sheet, and the reported fund equity provides an indication of the economic net worth of the fund. Operating statements for Proprietary, Non-expendable Trust, and Pension Trust funds report increases (revenues) and decreases (expenses) in total economic net worth.

The Proprietary and Fiduciary Trust funds are accounted for using the accrual basis of accounting. Revenues or contributions are recognized when they are earned or due and expenses or benefits paid are recorded when the related liability is incurred.

Fund Structure and Fund Descriptions

A key function of fund accounting is to segregate resources. GAAP requires that governmental fund data be presented separately for

each individual major governmental fund. Data from all non-major governmental funds is typically aggregated into a single "other governmental funds" column, regardless of fund type. By definition, the General Fund is always considered a major fund. Governmental funds other than the General Fund are reported as major funds if they both meet the following criteria:

- Ten Percent Criterion – An individual governmental fund reports at least 10 percent of any of the following: a) total governmental assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- Five Percent Criterion - An individual governmental fund reports at least 5 percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the 10 percent criterion.

The City reports the following major governmental funds:

General Fund – The primary fund of the City is used to account for all general revenues of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Project Management Capital Projects Fund – Used to account for all CIP projects, except for those involving the utilities, and special assessment districts, where revenues are received from grants by other governments, private parties, and through transfers from other City funds.

The City reports the following major proprietary funds:

Light and Power Fund – Used to account for the operations of the City's electric utility; a self-supporting activity that renders services on a user charge basis to residents and businesses as prescribed by the City Charter.

Additionally, the City reports the following fund types:

Non-Major Special Revenue Funds – Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Funds include: Building Services, Sewer Construction and Maintenance, Underground Utilities, Library Services and Library Special Tax, Gas Tax, various Parking Meter funds, Public Safety funds, Community Development, Proposition A, Proposition C, and Measure R Local Transit funds, or the Public Health fund.

Non-Major Proprietary Funds – Used to account for the acquisition, operation and maintenance of government facilities and services which are entirely self-supported by user charges. Funds include: Water, Old Pasadena Parking, Off Street Parking, Refuse Collection and Telecommunications.

Internal Service Funds – Used to account for computing and communication services, building maintenance, fleet maintenance and replacement, employee benefits, worker's compensation, general liability, equipment leasing, and printing.

BUDGETARY DATA

The City Council is required to adopt an annual budget by June 30 of each fiscal year. The budget is adopted on a basis that does not differ materially from GAAP.

An appropriated annual budget is legally adopted for the General and Special Revenue governmental funds. Annual appropriated budgets are not adopted for Debt Service funds because bond indentures are used as the method for adequate budgetary control. Capital Projects funds do not have annual appropriated budgets. Control over capital projects is maintained by a project-length capital improvement budget. This project-length budget authorizes total expenditures over the duration of a construction project, rather than year by year.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the department level and within a single fund. The City Manager may authorize transfers of appropriations within a department so long as it is within a single fund. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year may, or

may not, be significant in relationship to the original budget as adopted. All non-CIP appropriations lapse at fiscal year-end.

CITY COUNCIL FINANCIAL POLICIES

The City has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely and plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The following are the primary policies that guide the preparation of the City's annual budget:

1. Balance annual planned expenditures with estimated revenues, other financing sources, and fund balances.
2. Maintain a diversified and stable revenue base to protect the City from short-term fluctuations in any one revenue source.
3. Maintain a long-range fiscal perspective through the use of five and/or ten-year financial projections of revenues and expenditures for the City's major funds.
4. Maintain a designated General Fund working capital reserve equivalent to 10 percent of the General Fund's annual appropriations budget.
5. Maintain a 100 percent cash reserve to cover short-term accounts payable and accrued liability obligations and a 50 percent cash reserve to cover long-term payable obligations in the internal service Benefits Fund and a 70 percent cash reserve to cover projected claims payable obligations in the General Liability Fund and Worker's Compensation Fund.
6. Require that the internal service Computing and Communications Fund and Building Maintenance Fund maintain working capital reserves equal to 10 percent of current year operating appropriations.
7. Require that the internal service Fleet Maintenance Fund maintain a $250,000 cash reserve balance.
8. Require that the Sewer Construction and Maintenance Fund and Library Services Special Revenue Fund maintain working capital reserves equal to one month current year operating appropriations.
9. Require that the Light and Power Fund, Water Fund, and Refuse Fund maintain working capital reserves equal to two months (one month for Refuse Fund) current year operating appropriations.

CITY OF PASADENA APPROPRIATIONS LIMIT

The voters of California, during a special election in 1979, approved Article XIII-B of the California State Constitution. Informally known as the "Gann Initiative," Article XIII-B provides limits regarding the total amount of appropriations in any fiscal year from "the proceeds of taxes." Every year the City Council adopts a resolution establishing an appropriations limit for the upcoming fiscal year.

The State Legislature, in 1980 added Section 9710 to the Government Code, providing that the governing body of each local jurisdiction must establish, by resolution, an appropriations limit for the following year. The appropriation limit for any fiscal year is equal to the previous year's limit, adjusted for population changes and the changes in the Consumer Price Index (or California per capita personal income, if smaller). The necessary statistical information is provided annually by the California Department of Finance.

In June 1980 the original Article XIII-B (Proposition 4) was modified by the voters by Proposition 111 and SB 88 and the changes were incorporated into the FY 1991 and FY 1992 Appropriations Limits. Beginning with the FY 1991 Appropriations Limit, a city may choose annual adjustment factors. The adjustment factors include the growth in the California Per Capita income or the growth in the non-residential assessed valuation due to construction within the city and the population growth within the county or the city. The revised annual adjustment factors were applied to the FY 1987 Limit and each year in between in order to calculate the current year's Limit. However, the Limits for FY 1987 through FY 1990 were not affected.

The following compares the difference between Pasadena's FY 2018 Appropriations Limit and the estimated proceeds of taxes in the budget. It reflects a significant gap of $153,116,549. The City remains well below its Appropriations Limit for FY 2018.

Historical Appropriations Limits

Fiscal Year	Appropriations Limit	Subject to Limit	Difference
1986	$68,301,563	$53,470,470	$14,831,093
1987	$70,843,390	$55,679,640	$15,163,750
1988	$73,578,220	$59,965,780	$13,612,440
1989	$77,060,368	$66,380,958	$10,679,410
1990	$81,275,570	$72,945,181	$8,330,389
1991	$85,850,359	$82,233,655	$3,616,704
1992	$93,317,870	$69,278,817	$24,039,053
1993	$94,102,173	$64,067,098	$30,035,075
1994	$97,618,703	$66,009,628	$31,609,075
1995	$99,049,134	$74,304,591	$24,744,543
1996	$104,253,247	$75,295,962	$28,957,285
1997	$109,678,395	$78,010,781	$31,667,614
1998	$116,246,861	$80,982,870	$35,263,991
1999	$122,753,994	$80,134,281	$42,619,713
2000	$130,598,752	$84,718,785	$45,879,967
2001	$139,408,846	$85,271,249	$54,137,597
2002	$152,805,774	$90,033,057	$62,772,717
2003	$154,636,769	$94,888,244	$59,748,525
2004	$162,179,921	$90,949,091	$71,230,830
2005	$169,827,664	$93,724,986	$76,102,678
2006	$181,370,504	$94,669,628	$86,700,876
2007	$190,023,488	$111,536,112	$78,487,376
2008	$199,851,168	$127,310,326	$72,540,842
2009	$210,800,826	$117,933,455	$92,867,371
2010	$216,264,931	$123,252,650	$93,012,281
2011	$213,490,758	$114,683,690	$98,807,068
2012	$222,285,311	$117,176,170	$105,109,141
2013	$231,420,123	$83,405,253	$148,014,870
2014	$244,480,005	$104,201,051	$140,278,954
2015	$245,273,577	$111,566,000	$133,707,577
2016	$255,619,256	$122,263,385	$133,355,871
2017	$271,788,205	$118,506,407	$153,281,798
2018	**$286,551,718**	**$133,435,169**	**$153,116,549**

Appropriations Setting Limit Methodology for FY 2018

FY 2017 Appropriations Limit	$271,788,205
Percent Change in Per Capita Personal Income	3.69%
Percent Change in City Population January 2016 to January 2017	1.68%
FY 2018 Appropriations Limit Adjustment Factor (3.69% x 1.68%)	5.43%
FY 2018 Appropriations Limit	$286,551,718
FY 2018 Appropriations Subject to Limit	$133,435,169
Difference	**$153,116,549**

THIS PAGE INTENTIONALLY LEFT BLANK.