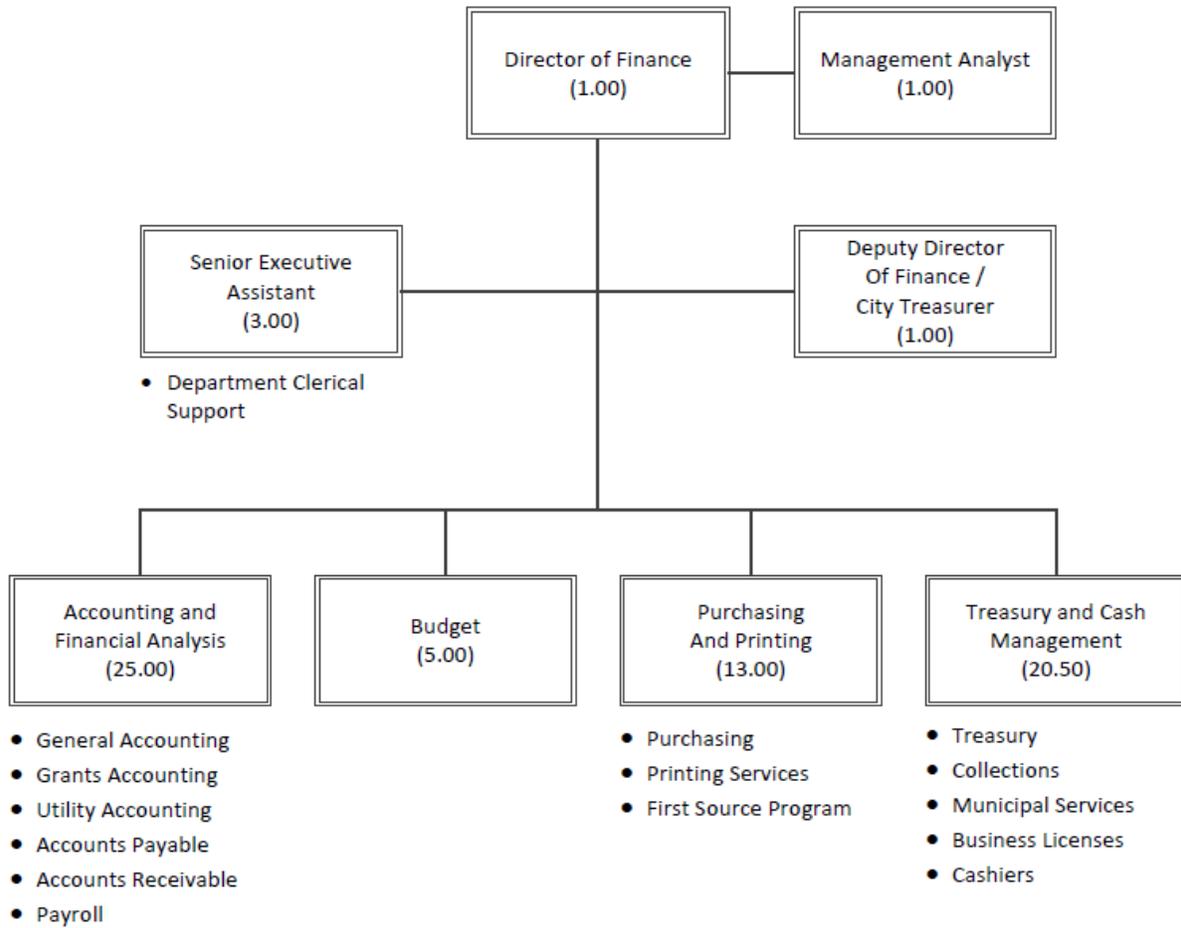


CITY OF PASADENA
FINANCE



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MISSION STATEMENT

The mission of the Department of Finance is to develop and monitor fiscal policies and procedures that ensure a financially strong and effective city government and maintains the financial integrity of the City. Being responsible for the overall financial and accounting management of the City, the Department ensures adherence to generally accepted accounting principles and ensures appropriate internal controls are in place to safeguard City assets.

PROGRAM DESCRIPTION

The Department plays a key role in every financial transaction of the City ranging from cash handling to debt management and from financial forecasting and reporting to budgetary controls. Services provided by the Department include fiscal oversight, accounting and analysis, debt management, investments, purchasing, budgeting, cash management, cashiering, collections, accounts receivable, accounts payable, payroll, printing services, and management analysis. The Department performs the following services:

- Monitors and reports the fiscal well-being of the City to the public, the City Council, and to executive management;
- Provides staff support to the City Council Finance and Audit Committees;
- Coordinates the City's long-range financial planning and debt administration;
- Prepares and oversees the City's Operating Budget and routinely amends the budget to reflect operational changes;
- Updates and monitors the General Fund Five-Year Financial Plan;
- Provides procurement, accounts payable, accounts receivable, accounting, grants management and printing services for the City;
- Maintains the City's vendor list and serves as a resource for bid notifications and outreach for City departments including outreach for viable local economic opportunities;
- Promotes the local economy by identifying local purchasing, contracting, and hiring opportunities;
- Provides prudent investment management of the City's pooled portfolio, Capital Endowment Portfolio, Stranded Investment Reserve Fund, the former Pasadena Community Development Commission (PCDC), and segregated smaller portfolios, as well as investments held with trustees;
- Manages the bonded indebtedness for the General Fund, Water and Power Department, Successor Agency to the PCDC, and other City debt for a total of 33 financing issues with original face amounts of approximately \$1.007 billion and current outstanding bonds of \$859.5 million, with reserve funds of \$42 million as of December 31, 2018;
- Performs lead role in issuing municipal bonds;
- Provides financial analysis and planning, actuarial analysis and cash flows relating to the funding of the Fire and Police Retirement System;
- Provides financial management services to the Successor Agency to the PCDC to effectuate the elimination of redevelopment activities per state law;
- Provides citywide cashiering services, processing of utility payments, monitoring of billing, renewing, collecting, processing, investigating and issuance of over 18,000 business licenses with an average annual revenue of \$6.6 million;
- Collects and administers delinquent accounts for the City including civil citations, paramedic accounts, utility accounts, code enforcement citations, special taxes, district assessment fees, non-sufficient fund returned checks, and other miscellaneous accounts;
- Collects, analyzes, records, and reports financial transactions of the City in accordance with applicable accounting, City, and other governmental requirements, standards, and guidelines;
- Bills and collects grants and other miscellaneous City revenues;

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- Performs billing and receivables management for false alarms, utility users' tax, franchise tax, transient occupancy tax, zoning parking contracts, occupancy inspections, grants, housing, benefits, and property damage;
- Manages payroll processing; and
- Coordinates the external audit of City financial statements and prepares the City's Comprehensive Annual Financial Report (CAFR), develops and prepares periodic financial reports for management, conducts grants-related fiscal monitoring, coordinates audits by federal and state granting agencies, and prepares other required governmental reports;

DEPARTMENTAL RELATIONSHIP TO CITY COUNCIL GOALS

Support and Promote the Quality of Life and the Local Economy

The Department works closely with City departments to provide financial and economic data related to the City. The Department analyzes proposals and assists in the preparation of economic development agreements, works with the City's Business Improvement Districts to ensure the proper collection of annual assessments, and serves as a resource to the Pasadena business community. The Department participates in developing financing plans for major City projects and works closely with the Pasadena Center Operating Company and the Rose Bowl Operating Company to develop financing plans for major improvements.

Maintain Fiscal Responsibility and Stability

The Department continually searches for ways to improve City services while reducing costs. The Department continues to take the lead with updating the City's financial system to enhance financial information delivery. The business license system streamlines the processing of business license accounts and enhances customer service. The Purchasing Card Program allows departments to quickly procure items, reduces unnecessary paperwork and allows vendors to receive more timely payments. The Department developed numerous financial plans for major City funds to provide the City Council with a long-range financial picture of the fiscal solvency of these funds. These documents are refined on a quarterly basis to serve as an important planning tool for monetary decisions. Additionally, purchasing policies have been implemented to achieve urban sustainability as promoted by the United Nations Green Cities Declaration and Urban Environmental Accords, beginning with the purchase of alternative fuel vehicles, paper with higher content recycled matter, green light bulbs, and janitorial supplies that are free of toxins.

FISCAL YEAR 2019 ACCOMPLISHMENTS

- The City expects to receive a Certificate of Achievement for Excellence in Financial Reporting by the Government Financial Officers Association (GFOA) for the CAFR for the fiscal year ended June 30, 2018. Notification is generally received in July or August;
- Solicited residents' input prioritizing City services through the "Join the Conversation" community outreach endeavor, which supported the Measure I Sales Tax Measure approved by voters in November 2018;
- Prepared and presented to the City Council the FY 2020 Operating Budget for adoption;
- Maintained a current General Obligation Bond rating of AAA, the highest rating given by Standard and Poor's, and AA+ by Fitch rating agencies;
- Since the inception of the Pasadena First Buy Local Program, over 433 construction related jobs have been filled by Pasadena residents. This resulted in over \$2.1 million in wages earned on private development projects, which comprised approximately 29 percent of the total payroll. Additionally, over \$3.6 million in wages have been earned on public projects and a total of over \$18 million in subcontracting and procurement has gone to Pasadena businesses;

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- Planned and coordinated two outreach events to Pasadena businesses. An event was facilitated in partnership with JPL and NASA to conduct outreach to Pasadena businesses and small businesses;
- In calendar year 2018: increased the use of e-Procurement tools to 64.8 percent of all procurements; increased the number of Pasadena businesses registered to do business with the City to 1,000; awarded \$8,946,269 or 7.3 percent to Pasadena businesses; and generated over \$238,000 in revenue to the City through the City's salvage process.
- Continued to reduce the number of printed checks by Accounts Payable and increased efficiencies by expanding e-payable solutions and electronic invoice tracking;
- Continued to invest approximately \$694 million as of June 30, 2018 in accordance with the City's investment policy and strategy and achieved competitive returns on the City's investment portfolio;
- Continued to implement the home-based business audit program by sharing data with the State Franchise Tax Board;
- Continued to implement AB990 Business License Tax audit program with the State Board of Equalization;
- Successfully reported required annual continuing disclosure reports to the investment community and information disseminating agents; assisted on activities related to the dissolution of PCDC;
- Provided cash handling and procurement training to various departments throughout the City;
- Completed printing and production of the Adopted Operating Budget, Budget In Brief, and CAFR documents; and
- Reduced outsourced printing costs by conducting a formal bid process and awarding to lowest-bid contract.

FISCAL YEAR 2020 RECOMMENDED BUDGET

Operating Budget

The FY 2020 Recommended Budget of \$13,129,227 is increasing by approximately 3.1 percent compared to the FY 2019 Revised Budget.

Personnel

A total of 69.50 FTEs are included in the FY 2020 Recommended Budget which is an increase of 2.25 FTEs (1.00 new Senior Accountant, 1.00 new Collections Specialist, and additional .25 Purchasing Assistant) compared with the FY 2019 Revised Budget. The majority of the associated cost increase for these 2.25 FTEs has been offset with reductions in Services and Supplies.

YEAR-OVER-YEAR BUDGET CHANGES

General Fund - 101

Personnel costs account for the majority of the department's expenditures. An increase of approximately \$337,970 is primarily related to salary, PERS, medical and benefits as well as increases in internal service related costs.

Revenues are projected to decrease by approximately \$65,000 due to a reduction in rebates associated with the reduced use of City-issued purchasing cards.

Printing Services Fund – 508

Personnel costs are 11.2 percent higher compared to the FY 2019 Revised Budget due to increases in salary, PERS, medical and benefits. Internal service related costs are projected to decrease by 7.2 percent.

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FUTURE OUTLOOK

The Department of Finance will pro-actively work to continue developing long-term fiscal strategies to maintain the City's ability to continue providing local quality of life services desired by residents. External factors will continue to make these efforts more difficult. The passage of the Measure I Sales Tax Measure and the Wayfair Decision regarding the taxation of online purchases will both help the City's General Fund for the long-term, but will be sufficient to fund all of the City's future operational and capital infrastructure needs. The Department will continue to partner with other City departments and the affiliated agencies (Pasadena Center Operating Company, Rose Bowl Operating Company, and Pasadena Community Access Corporation) when new projects emerge and major initiatives are undertaken such as the expiration of the Library Special Tax in Fiscal Year 2023. The Department is actively involved in legislation as it impacts local government revenue and finances. It is anticipated that both legislative bills and ballot measures will come forward in the next year that could challenge existing property tax and sales tax structures along with efforts to address new areas such as clean water mandates. As new reporting requirements are introduced by the Governmental Accounting Standards Board (GASB), state laws change, revenues continue to show only modest gains, and expenses continue to grow, the need for constant monitoring of the City's financial affairs will increase. Strong fiscal leadership and superior customer service are two key areas of focus in the Department. Department employees will continue to attend training offered by the City to enhance their skill set and the Department will continually strive to streamline processes to enhance customer service. Additionally, implementation of recommendations from the Department's operational and fiscal audits and strategic plan will help ensure that the City's financial systems are effective and efficient.

Actions that will be taken in FY 2020 as part of the Department's Work Accountability Plan include:

- Support and facilitate a long-term balanced General Fund forecast that includes future capital funding needs for vital infrastructure;
- Review and revise finance related procedures;
- Implement new online bill pay and presentment;
- Continue the implementation of new Accounts Payable payments solutions such as ACH;
- Implement and collect the cannabis tax for all cannabis related businesses;
- Provide mandatory training to both internal Finance staff and other department staff on finance policies and procedures;
- Review the City's billing practices to ensure compliance with policy and the proper accounting of revenue and receivables;
- Increase the City's internal collection efforts regarding past due amounts;
- Provide financial updates to the Finance Committee on an ongoing basis;
- Provide regularly requested public documents such as new business listings or stale dated checks on the City's website for greater transparency;
- Refine and implement the Cost Allocation Plan and Cost of Service Study to ensure cost recovery where appropriate;
- Review funding methodologies for the internal funding of workers' compensation and general liability.

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SUMMARY TABLES

SUMMARY OF APPROPRIATIONS BY EXPENSE CATEGORY

(In Thousands)

Expenditure Category	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Revised	FY 2020 Recommended
Personnel	\$8,232	\$8,404	\$8,404	\$8,975
Services & Supplies	1,102	1,513	1,513	1,286
Internal Service Charges	2,471	2,811	2,811	2,861
Operating Expense	7	7	7	7
Finance Total	\$11,811	\$12,735	\$12,735	\$13,129

SUMMARY OF APPROPRIATIONS BY DIVISION

(In Thousands)

Division	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Revised	FY 2020 Recommended
Accounting & Analysis	\$3,908	\$4,113	\$4,113	\$4,370
Budget	724	930	930	933
Finance-Administration	1,424	1,391	1,391	1,409
Purchasing & Printing	2,660	2,767	2,767	2,828
Treasury/Cash Management	3,095	3,535	3,535	3,589
Finance Total	\$11,811	\$12,735	\$12,735	\$13,129

SUMMARY OF APPROPRIATIONS BY FUND

(In Thousands)

Fund	FY 2018 Actuals	FY 2019 Adopted	FY 2019 Revised	FY 2020 Recommended
101 - General Fund	\$10,151	\$10,775	\$10,775	\$11,113
203 - Health Fund	0	19	19	20
204 - Building Services Fund	0	66	66	71
219 - Community Develop Block Grant	60	61	61	65
220 - Rental Assistance Programs Fnd	49	27	27	29
221 - Home Investment Partnership Fd	29	34	34	37
223 - Supportive Housing Prog. (SHP)	0	49	49	64
226 - HOPWA Fund	3	3	3	3
238 - Other Housing Funds	24	14	14	15
508 - Printing Services Fund	1,495	1,561	1,561	1,595
681 - Workforce Innov and Opport Act	0	126	126	116
Finance Total	\$11,811	\$12,735	\$12,735	\$13,129

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SUMMARY OF FTEs BY DIVISION

Division	FY 2018 Adopted	FY 2019 Adopted	FY 2019 Revised	FY 2020 Recommended
Accounting & Analysis	24.00	24.00	24.00	25.00
Budget	4.00	4.00	4.00	5.00
Finance-Administration	6.00	6.00	6.00	5.00
Purchasing & Printing	12.75	12.75	12.75	13.00
Treasury/Cash Management	20.50	20.50	20.50	21.50
Finance Total	67.25	67.25	67.25	69.50