# BUDGET GUIDE AND OVERVIEW



ADOPTED OPERATING BUDGET FISCAL YEAR

2009

#### Accessing the Budget Document

The City of Pasadena's Operating Budget is presented in three forms, allowing the user to select the desired level of detail: The Adopted Operating Budget document, Technical Appendices and the Budget in Brief.

The Adopted Operating Budget document provides comprehensive budgetary information on the City. Copies of the Adopted Operating Budget may be purchased from the Department of Finance. The document is divided into several sections including:

The City Manager's Transmittal Letter formally presents the Operating Budget to the City Council and outlines the total budgeted appropriations, revenues and number of full-time equivalents, i.e., number of positions. The Transmittal Letter describes the guiding principals that were used to determine budget priorities, with special attention given to the City Council's goals. Also considered are the challenges facing the City as well as the general economic outlook. Any significant changes made to budget or financial policies, organizational structure, program delivery or operations are highlighted.

The Budget Summaries section provides a variety of schedules and reports, which fully disclose the financial plan adopted by the City Council.

The Departmental Budget pages present information about the programs and activities of each City department. The Departmental Summary explains the department's mission, provides a detailed program description and outlines the major accomplishments achieved in the prior fiscal year. In keeping with the City's results-based budget format, this section highlights how each department, through its various programs and activities, promotes the City Council's goals. Departmental performance measures are included in this section as well as a discussion of any budgetary changes from the prior year. Finally, a future outlook is provided for each department and its sections.

The Affiliated Agencies section provides information on the Pasadena Center Operating Company and the Rose Bowl Operating Company in a manner similar to that of the Departmental Budget section.

The Budget in Brief is a simple, easy to read summary of the

Operating Budget that combines elements of the Budget Guide and Transmittal Letter. The Budget in Brief is available for free from the Department of Finance and may also be viewed on the web at www.ci.pasadena.ca.us/finance.

The Technical Appendices is a separate document which provides line item financial detail for departmental and Affiliated Agencies budgets. These are just the numbers, with no narrative.

The Capital Improvement Program (CIP) Budget is submitted to 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 six years. This 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 Center, technology and water and power projects. In fiscal year 2009 the City's General Fund CIP appropriations totaled \$3.2 million, and consists of \$2.5 million for Robinson Park Master Plan, \$200,000 to implement a new Budget System, \$50,000 for Rose Bowl Loop Improvements and \$469,275 for Traffic Signal Indication Safety Improvements. The CIP may be viewed on the web at www.ci.pasadena,ca.us/publicworks/CIP.

#### 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 that staff commissions also consider relevant commission annual reports submitted in October, to assess how departmental work plans will work in concert with 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 operating companies.

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

In late winter, departments and operating companies submit their budget requests to the Budget Office for review and analysis. In early spring, key departmental staff meet with the City Manager to review the requests, taking into account community input and City Council direction. After a series of rigorous discussions, the proposals are prioritized, refined, compiled and integrated into a 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 must be presented no later than the third Monday in May. Copies of the Recommended Budget are made available in the office of the City Clerk, at the Central Library and all branch libraries.

Subsequent to the submission of the City Manager's Recommended Operating Budget, a series of public meetings are held over successive weeks for the City Council to consider the Recommended Operating Budget and to allow for public input. The City Council may revise the Recommended Budget as it sees fit. The City Council is required, pursuant to Section 904 of the City Charter, to adopt an Operating Budget by the 30th of June.

### The Accounting System, Budgetary Control, City Council Financial Policies & GANN Limit

#### 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) Fund Types and Expendable 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 Types and Expendable Trust Funds report increases (revenues) and decreases (expenditures) in available spendable resources.

The Proprietary (Enterprise and Internal Service) Funds, Nonexpendable Trust Funds and the Pension Trust Fund 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, Nonexpendable Trust, and Pension Trust Funds report increases (revenues) and decreases (expenses) in total economic net worth. The modified accrual basis of accounting is followed by the Governmental and Expendable Trusts. 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, Nonexpendable Trust, and Pension 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.

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, as long as they do not conflict with GASB pronouncements. The City applies FASB Statement No. 71 to its enterprise activity. Under FASB Statement No. 71, certain revenues and costs are deferred (under the regulation of City Council) as necessary to match revenues with related expenses.

#### **Fund Structure and Fund Descriptions**

Major funds represent the significant activities of the City and basically include any fund whose revenues or expenditures, excluding other financing sources and uses, constitute more than 10% of the revenues or expenditures of the appropriated budget. The breakdown of the City's fund structure is as follows:

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 capital improvement projects, except for those involving the utilities, and special assessment districts, where revenues are received from grants by other governments, private parties, and through transfer from other City funds.

The Capital Improvement Program (CIP) budget is a six-year plan of the City's infrastructure needs. Projects in the CIP are grouped into one of the thirteen sections described below:

- Municipal Buildings and Facilities Major renovation projects and/or construction of new City-owned buildings and facilities.
- Streets and Streetscapes -Projects to repair and/or enhance the 326 miles of new City streets as well as all sidewalks, curbs, gutters, as well as amenity upgrades in the public right-of way.
- Street Lighting Projects to install new, or repair and/ or upgrade existing street lights and street light systems throughout the City.
- Street Lighting and Electric System Undergrounding –
  Projects that establish undergrounding districts, construct
  street lighting systems and/or underground electrical
  utilities.

- Transportation and Parking Facilities Projects aimed at enhancing the flow of traffic throughout the City by providing for alternate forms of transportation and the installation of traffic control devices and parking management.
- Sewer and Storm Drains Repair, replacement or construction projects for the City's 311 miles of sewer pipes and 34 miles of storm drains.
- Rose Bowl Improvements Improvement projects of the Rose Bowl, Brookside Clubhouse and Brookside Golf Course areas
- Parks and Landscaping Improvement, maintenance and expansion the City's 20 neighborhood and community parks as well as landscaping improvements throughout the City.
- Arroyo Projects Improvement , maintenance and expansion of Pasadena's Arroyo area - Hahamongna, Central Arroyo and the Lower Arroyo.
- Pasadena Center Improvements Renovation and construction projects for the Pasadena Center.
- 11. Water Systems Construction and improvements of the City's water system including groundwater wells and reservoirs, distribution mains, meters and services, and utility management systems.
- Electric Systems Construction and improvements of the City's electric system involving power production and generation, transmission and distribution, metering and utility management systems.
- 13.Technology Projects Projects which improve the City's use of technological resources to enhance service levels and work productivity as well as provide clear, understandable information to the public.

The City reports the following major proprietary fund:

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, Pasadena Housing Authority, Community Development, Proposition A and C Local Transit Funds, and 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, Plaza Las Fuentes Parking, Paseo Colorado Parking, Refuse Collection and the Telecommunications Fund.

INTERNAL SERVICE FUNDS – Used to account for computing and communication services, building maintenance, fleet maintenance, employee benefits, worker's compensation and general liability, equipment leasing, printing and mail services to other departments or agencies of the City.

#### **Budgetary Data**

The City Council is required to adopt an annual budget by June 30 of each fiscal year. The budgets are 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. Instead, control over projects is maintained by means of 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. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds are each considered to be a single department. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year, could be significant in relationship to the original budget as adopted.

The City uses an "encumbrance system". Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as reserved fund balance. In order to be an encumbered appropriation there must be either an approved purchase order or contract in force as of June 30. All unencumbered 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 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:

- The City's budget will be balanced with estimated revenues, other financing sources and fund balances sufficient to finance recommended spending.
- Maintain a designated General Fund working capital reserve equivalent to 10% of the General Fund's operating budget.
- 3. Maintain a diversified and stable revenue base to protect the City from short-term fluctuations in any one revenue source.
- 4. 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.

- 5. Maintain a 75% cash reserve to cover projected claims and long-term payable obligations in the General Liability, Worker's Compensation, and Benefits Internal Service Funds. In addition the Benefits Internal Service Fund shall maintain a 100% cash reserve to cover short-term payables.
- 6. Require that the Light and Power, Water, and Refuse Enterprise Funds maintain a 30-day cash reserve.
- Require that the Fleet Maintenance and Computing and Communications Internal Service Funds maintain a \$250,000 and \$650,000 cash reserve balance, respectively.
- Require that the Building Maintenance Internal Service Fund maintain a cash working capital reserve equivalent to 10% of its operating budget.

#### **Gann Appropriation 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 US Consumer Price Index (or California per capita personal income, if smaller). The necessary statistical information is provided 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 1990-91 and FY 1991-92 Appropriations Limits. Beginning with the FY 1990-91 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 1986-87 Limit and each year in between in order to calculate the current year's Limit. However, the Limits for FY 1986-87 through FY 1989-90 were not affected.

The following compares the difference between Pasadena's FY 2007-08 Appropriations Limit and the estimated proceeds of taxes in the budget. It reflects a significant gap of \$82,501,241. The City remains well below its Appropriations Limit for FY 2009.

## CITY OF PASADENA APPROPRIATIONS LIMIT Historical Appropriations Limits

The appropriations setting limit methodology for FY 2009 is shown below:

Fiscal Year	Appropriations Limit \$	Subject to Limit \$	Difference \$	FY 2008 Appropriations Limit	199,851,168
1984-85	65,020,495	43,196,296	21,824,199	Percentage Change	1.0429
1985-86	68,301,563	53,470,470	14,831,093	in per Capita Personal Income	
1986-87	70,843,390	55,679,640	15,163,750	Percentage Change	1.0114
1987-88	73,578,220	59,965,780	13,612,440	in County of L.A. Population	
1988-89	77,060,368	66,380,958	10,679,410	January 2007 to January 2008	
1989-90	81,275,570	72,945,181	8,330,389		
1990-91	85,850,359	82,233,655	3,616,704	FY 2009 Appropriations	1.0548
1991-92	93,317,870	69,278,817	24,039,053	Limit Adjustment Factor	
1992-93	94,102,173	64,067,098	30,035,075	Multiplied by (1.0429 x 1.0114)	
1993-94	97,618,703	66,009,628	31,609,075	City of Pasadena	200,434,696
1994-95	99,049,134	74,304,591	24,744,543	Fiscal Year 2009	
1995-96	104,253,247	75,295,962	28,957,285	Appropriation Limit	
1996-97	109,678,395	78,010,781	31,667,614	Appropriations 117,933,455	
1997-98	116,246,861	80,982,870	35,263,991	Appropriations	117,333,433
1998-99	122,753,994	80,134,281	42,619,713	Subject to Limitation	
1999-00	130,598,752	84,718,785	45,879,967	Fiscal Year 2009	
2000-01	139,408,846	85,271,249	54,137,597	Difference	\$82,501,241
2001-02	152,805,774	90,033,057	62,772,717		,,
2002-03	154,636,769	94,888,244	59,748,525		
2003-04	162,179,921	90,949,091	71,230,830		
2004-05	169,827,664	93,724,986	76,102,678		
2005-06	181,370,504	94,669,628	86,700,876		
2006-07	190,023,488	111,536,112	78,487,376		
2007-08	199,851,168	127,310,326	72,540,842		
2008-09	200,434,696	117,933,455	82,501,241		