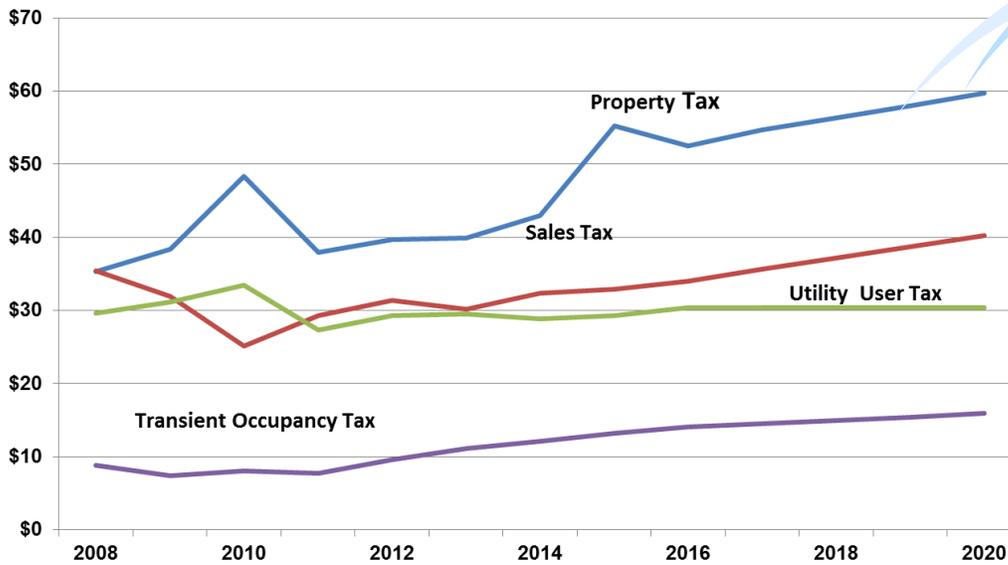




Fiscal Year 2016

General Fund Update



The Fiscal Year (July 1, 2015- June 30, 2016) started out strong and mirrored a growing economy. In recent months the nationwide and global economy have become increasingly unstable and are projected to remain so for the near future. Despite this instability, Pasadena continues to see positive economic growth through new construction, economic development projects and continued slow but stable growth in sales and property tax revenues. All of this leads to a positive overall financial outlook for the 2016 Fiscal Year.

General Fund Revenue Analysis

Property Tax: Property Tax represents the City’s largest single revenue source for the General Fund. The bulk of property taxes are received in December and April of each year. The FY 16 Budget represents an increase of 21 percent over the FY 15 Budget, which equates to \$8.6 million. This increase was aggressive but realistic as the unwinding of redevelopment has finally filtered its way through the property tax payments and the City can expect some stabilization going forward. Through January, Secured Property Tax Revenues totaled \$23.16 million. The property tax amounts for annual property tax payments are coming in as forecasted in the original budget. The current revenue also includes two, one-time payments: \$1.7 million related to the unwinding of redevelopment and a one-time payment of \$1.1 million from the County of Los Angeles for a legal settlement related to property tax administration fees. The City is also expecting one additional one-time payment related to redevelopment unwinding of approximately \$600,000 during the fiscal year. In total, projections show an increase over budget of approximately \$3.4 million related to one-time revenues. At this time, we are not projecting an increase over budget regarding ongoing property tax payments.

Sales Tax: The budget for FY 16 includes a modest 2.6 percent increase in sales tax over FY 15 for a total sales tax budget of \$34.0 million. Sales tax is accrued and paid with a 60-day accrual, meaning that the July and August payments are accrued to the previous fiscal year. Therefore, despite being seven months into the fiscal year, the City has recognized only five months of sales tax revenue. Through January, sales tax revenue is at \$13.5 million. This is in line with budget estimates. The City may receive a one-time payment related to sales tax at the end of the fiscal year as the state is scheduled to unwind their triple flip payment process of sales tax. This one-time revenue may be as much as \$2.0 million but it has not been accounted for in the budget as it depends on state action that can be uncertain at times.

General Fund Revenue Summary

In general, the health of General Fund revenues for FY 16 remains positive. Based upon all of the data provided of key revenue sources, General Fund revenues are trending to finish more than \$5.0 million above budget. It is important to note that much of this is related to one-time increases rather than ongoing revenue growth. A cautionary note to this figure is that the general economic market nationwide and globally has become increasingly volatile in the past few months. While many economic indicators are still strong, the City must remain guarded in its projections. A sudden downturn in retail sales, tourism, development or other related fields could have a negative impact on the General Fund’s revenue strength.

Revenues Continued...

Transient Occupancy Tax: The City charges a Transient Occupancy Tax (TOT) on the nightly rate of a hotel stay. The majority of the TOT, approximately 80 percent, is remitted to the Pasadena Center Operating Company (Convention Center) to cover debt service related to the site. The City retains the remaining portion in the General Fund. Included in the budget is an anticipated increase of 9.8 percent over the FY 15 budget or a 6.5 percent increase over FY 15 actual revenues, which equates to approximately \$860,000. Through December, total TOT revenues are up 10.8 percent or \$704,000. Therefore, while aggressive with the budget increase, revenues are being received at a slightly higher rate than projected. As new hotels have not opened during this period, this increase is a reflection of increasing room rates and improved occupancy at existing hotels.

Utility Users Tax: The Utility Users Tax (UUT) is a fee charged on utilities provided within the City. The chart below reflects the current UUT rates in Pasadena. UUT revenues as a whole have been flat or declining over the past several years. For FY 16, the City's budget reflected a slight decrease of \$300,000, which equates to a 0.01 percent reduction. For the current fiscal year, the UUT on water continues to trend downward due to conservation,

which equates to an approximate drop in revenues from budgeted estimates of \$500,000. Additionally, due to a lawsuit filed against AT&T that was ultimately settled, revenues will realize a one-time decrease to cellular telephone UUT of \$366,000. On the positive side of UUT, effective January 1, 2016, the State on behalf of the City started collecting UUT on prepaid wireless service. Estimates provided by consultants have projected annual revenues between \$600,000 and \$1.0 million for Pasadena. Once the receipt of these revenues begin, we will have a more realistic picture of the financial impact.

Franchise Fees: The City receives franchise fee payments from non-city provided utilities and waste haulers with operations in the City. Franchise fees have been declining over the years due to the bundling or elimination of landline telephone service along with the reduced usage of traditional cable television. Included in the FY 16 budget was a decrease in franchise fees of almost 16 percent or \$471,000. Unfortunately, revenues are continuing to decrease and projections through the end of the fiscal year show a shortfall of \$250,000.

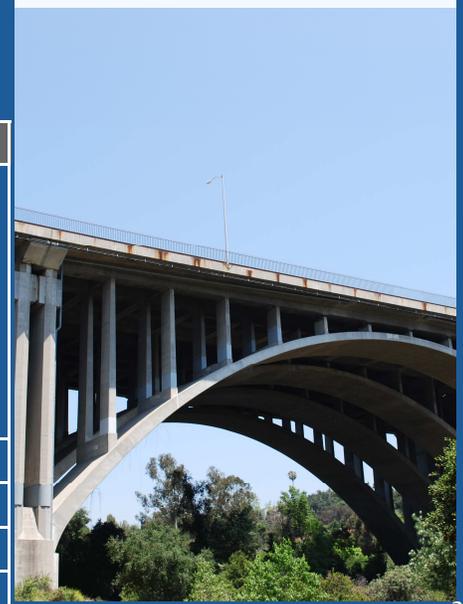


What is the General Fund ?

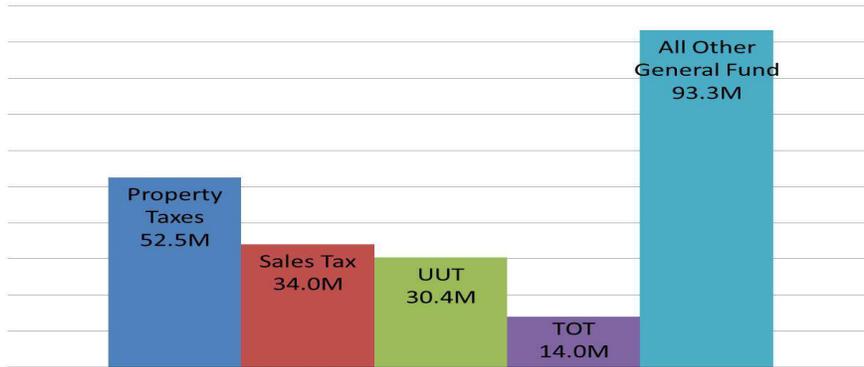
The General Fund is the primary operating fund of the City and is supported by large variety of revenue sources including taxes, license fees, permit fees, charges for services, fines, forfeitures, investment earnings, rental income and a variety of other miscellaneous sources. Through these revenues the General Fund supports Public Safety (Police and Fire), Public Works, Community Services (Libraries, Housing, Human Services and Recreation, Planning & Community Development and Transportation), Administration (City Manager's Office, City Attorney, City Clerk, Finance and Human Resources), Non-Departmental (Transfers to the Pasadena Community Operating Corporation and Pasadena Community Access Corporation) and Debt Service.

UTILITIES SUBJECT TO TAX

Telecommunications (see ordinance definitions) Includes wired and wireless telecommunications (prepaid and postpaid); intrastate, interstate and international services; ancillary services; conferencing services; VoIP; text messages; and private communication services	8.28%
Prepaid wireless (per Rev & Tax Code 42100 et seq.) effective 1/1/2016	7.5%
Electricity	7.67%
Gas	7.9%
Video (including CATV, IP-TV, and similar offerings of video programming)	9.4%
Water	7.67%



General Fund Revenues



General Fund Revenue Analysis

Overnight Parking Permits: The City's revenue related to overnight parking permits has been increasing and for FY 16 the budget was increased from \$1.0 million to \$1.2 million. Actual receipts have continued to be positive and reflect actuals that will likely finish the fiscal year at \$1.4 million or \$200,000 above budget.

Motor Vehicle License Fee: The City receives a portion of the state's Motor Vehicle License Fee through a property tax distribution in January and May of each year. This revenue source has shown positive growth over many years and the City included a projected 4 percent increase in FY 16 over FY 15 actuals. Upon receipt of the payment in January, the actuals for FY 16 will exceed the budget by \$350,000 or 6.7 percent more than FY 15 actuals.

State Mandated Cost Reimbursement: The state adopted Senate Bill 90 many years ago which requires the state to reimburse cities for certain state-mandated programs. The City files for these reimbursements each year, but the state, due to funding issues, has not provided reimbursement on a timely basis. In FY 15 the state began repayment of these programs and continued to do so into FY 16. As a result of the repayments, the City has real-

ized \$196,000 in unbudgeted revenues in FY 16.

State Funding: Through the unwinding of redevelopment, the City, acting as the Successor Agency, must request funding every six months from the state for enforceable obligations. The state approved funding in FY 16 for payments related to parking structure debt which will reimburse the City's General Fund by \$1.98 million. As this funding is of a limited duration and subject to state approval each year, these funds are not included in the annual operating budget revenues.

Property Tax Facts

Property tax revenues are collected by the County of Los Angeles and distributed to a large number of taxing entities such as the County, K-12 schools and higher education, City of Pasadena, and Special Districts. Of the base property tax rate of 1 percent, the City of Pasadena receives 21 percent. In simplified terms, the City of Pasadena receives approximately 21 cents for each dollar in property tax paid.

County	27.9%
Schools	48.2%
City	21.1%
Special Districts	2.8%

Sales Tax Facts

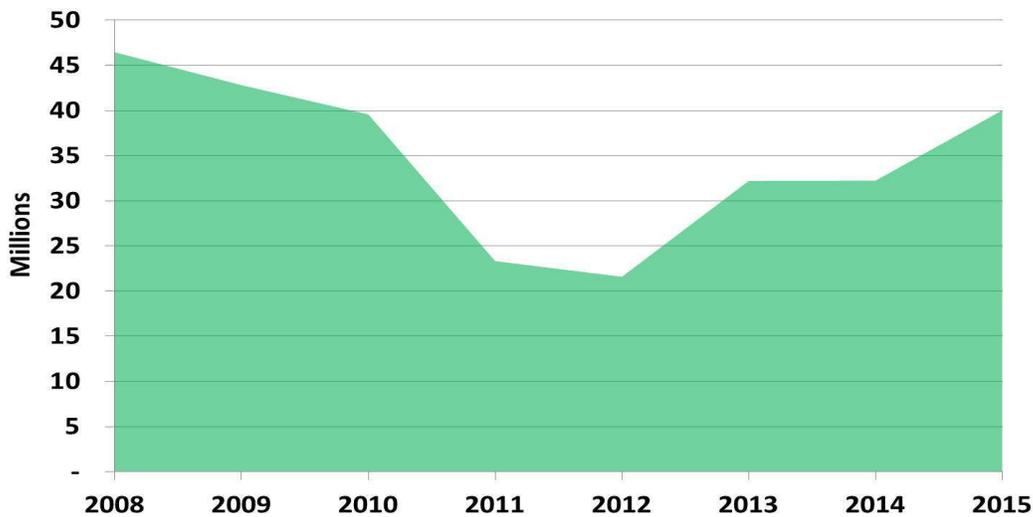
The sales tax rate in Pasadena is 9.0 percent. The City of Pasadena retains 1.0 percent of the 9.0 percent collected.

State General Fund	3.9375%
State Public Safety	0.5000%
State Education	0.2500%
State Health	0.5000%
State Local Revenue	1.0625%
LA County Transp.	0.2500%
LA County Prop. A	0.5000%
LA County Prop. C	0.5000%
LA County Measure R	0.5000%
City of Pasadena	1.0000%

General Fund Projection (in millions)

Adopted General Fund Revenues	\$224.2
Budget Adjustments	0.5
Analysis Projected Increase	5.0
Projected General Fund Revenues	\$229.7
Adopted General Fund Expenditures	\$219.8
Budget Adjustments	4.8
Projected General Fund Expenditures	\$224.6

General Fund Emergency Contingency



General Fund Expenditures

Due to some of the transaction posting and reporting complications that are still being worked out through the Enterprise Resource Planning (ERP) implementation team, expenditures are proving to be more difficult to track and project for the current fiscal year. Additionally, due to the timing delay of importing payroll figures from the Legacy system to Tyler Munis, only figures through November 2015 can be reviewed. Recently one pay period per week has been loaded which allows catch up slowly but steadily.

General Fund Expenditures Analysis

Salaries and Benefits

Through the eleventh payroll of the fiscal year (November 29, 2015), the General Fund has expended \$56.8 million. Projecting this figure over the annual 26 pay period pay cycle for the fiscal year brings estimated payroll costs to \$134.3 million. The total General Fund budget related to salaries and benefits is \$137.2 million. With the understanding that General Fund payroll costs are likely to increase due to continued onboarding of new staff to fill vacancies and additional overtime charges related to the New Year's events, the projected \$2.9 million buffer provides for reasonable adjustments within the adopted budget during the fiscal year.

Services and Supplies

Projecting services and supplies over the fiscal year typically proves to be more difficult as large, one-time costs such as insurance premium payments can make generic forecasting difficult. In lieu of doing this type of forecasting, the responsibility rests between the analysts and management staff of the departments along with the Budget Division in the Finance Department to track items ongoing. In support of this, regular budget adjustments are made within departments and funds to make necessary changes, and quarterly budget updates are presented to the Finance Committee and City Council for review and approval. The next quarterly update is planned for April 2016. As of the presentation of this update, there are no known significant variances that will affect the actuals versus budget figures.

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