# South Pasadena's Proposed Budget:

## A Path to Sustainability: Services, Streets, Roads and Public Safety

City of SOUTH PASADENA

# Agenda

City of SOUTH PASADENA

- Overview of City Services
- Overview of City Budget
- Overview of City Infrastructure
- Potential Dedicated Infrastructure Funding

# City Services

Police

Fire

Public Works

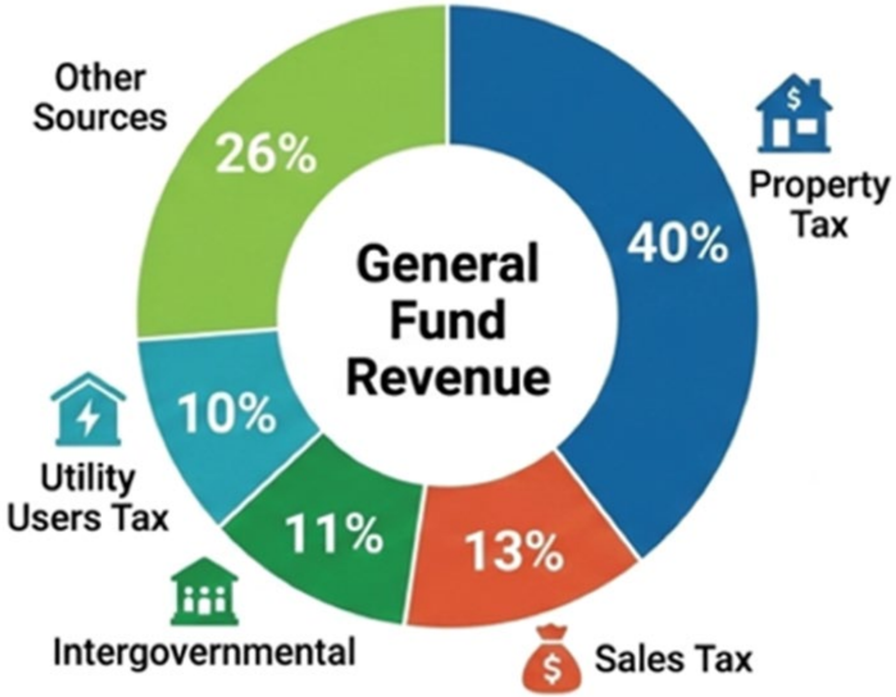
Parks and Recreation

Planning

Library

# How is the City Funded?

City General Fund



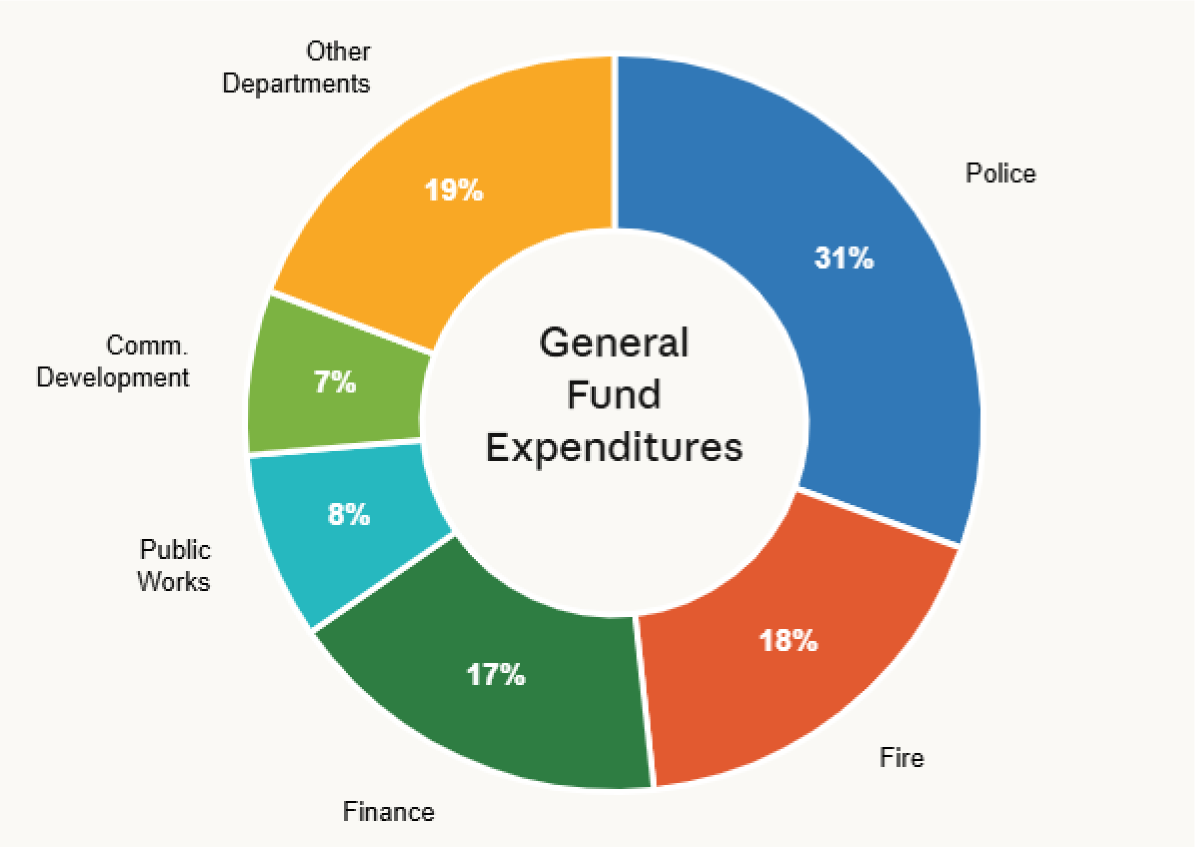

City's Budget is balanced, with FY 26-27 revenues at $45.7M and expenses at $45.7M

Several key revenues, including Sales Tax, UUT and others are sensitive to economic conditions.

# How Are City Revenues Invested?

City of SOUTH PASADENA

**City General Fund**




Nearly Half of the City's General Fund Spent on Public Safety (Police/Fire).

Street repairs are funded primarily through non-General Fund state gas tax and County-wide voter-approved transportation sales tax measures.

# FY 26-27 General Fund Budget at a Glance

| $45.7M | $45.7M | $3.20M | $48.9M |
|---|---|---|---|
| PROJECTED REVENUES | OPERATING EXPENDITURES | ONE-TIME RESERVE TRANSFERS | TOTAL EXPENDITURES |
| +1.5% vs FY25-26 amended | Includes new ISF charges & labor | Resolve Negative Fund Balance & Reserves for 3 ISFs & Election ‘26 | Operating + reserve transfer |

## General Fund Reserve – Minimum Requirement Maintained

| $14.3M* | 31% | $2.9M |
|---|---|---|
| Ending Unassigned Reserve | Reserve as % of Expenditures | Above 25% Policy Minimum |

*Includes Designated for Fiscal Findings (DFF): $1.5M earmarked from available reserve to absorb anticipated cleanup adjustments related to fund balances, audit findings, and disallowed grant expenditures.

# A Path to Sustainability

Building on the FY 2025-2026 work to stabilize operations, restore financial reporting, and equitably allocate costs across funds, the FY 2026-2027 Proposed Budget aligns structural operating costs with recurring revenues and establishes the dedicated reserves the City needs for long-term financial stability.

## Three Significant Cost Pressures

### Employee Compensation Adjustments

- Recently ratified labor agreements

### Internal Service Charges

- Liability, workers' comp, facility, and fleet costs not previously built into operating budgets

### Streets & Sidewalks Condition

- Deteriorating pavement and sidewalk infrastructure requiring a long-term plan

## Departmental Response & Results

### Operating Efficiencies

- Each department identified savings within existing operations

### Increase Cost Recovery Revenue

- Pursued opportunities to recover costs through user fees to ensure customers are paying their fair share

### 7% Operating Reduction

- Additional across-the-board reduction applied to remaining operating expenditures

*Results: A balanced budget that funds ongoing obligations and preserves the unassigned General Fund reserve about the 25% policy minimum*

# Four Focus Areas Advancing the Path to Sustainability

**Each focus area directly advances one or more of the Council's adopted priorities for FY 2026-2027.**

### 1. Confronting the City's Largest Financial Exposures

- Resolved negative fund balances and establish the Self-Insurance, Facility Maintenance, and Vehicle Replacement Funds.

### 2. Strengthening Customer Service

- Launch the Customer Success Center and Salesforce platform, with no net increase to citywide headcount.

### 3. Preparing for the Budgetary Effects of Development

- Comprehensive update of Development Impact Fees and evaluation of alternate financing mechanism.

### 4. Addressing Critical Infrastructure Needs

- Long-term financing plan for streets and sidewalks; continued direct CIP budgeting in restricted funds.

# Four Focus Areas Advancing the Path to Sustainability

**Each focus area directly advances one or more of the Council's adopted priorities for FY 2026-2027.**

### 1. Confronting the City's Largest Financial Exposures

FUNDED

- One-time seed funding to establish the Self-Insurance, Facility Maintenance, and Vehicle Replacement Funds.
- Council Priority: Finance

### 2. Strengthening Customer Service

FUNDED

- Launch the Customer Success Center and Salesforce platform, with no net increase to citywide headcount.
- Council Priorities: Operational Efficiencies; Community Services Evaluation

### 3. Preparing for the Budgetary Effects of Development

IN PROCESS

- Comprehensive update of Development Impact Fees and evaluation of alternate financing mechanism.
- Council Priorities: Finances; Housing

### 4. Addressing Critical Infrastructure Needs

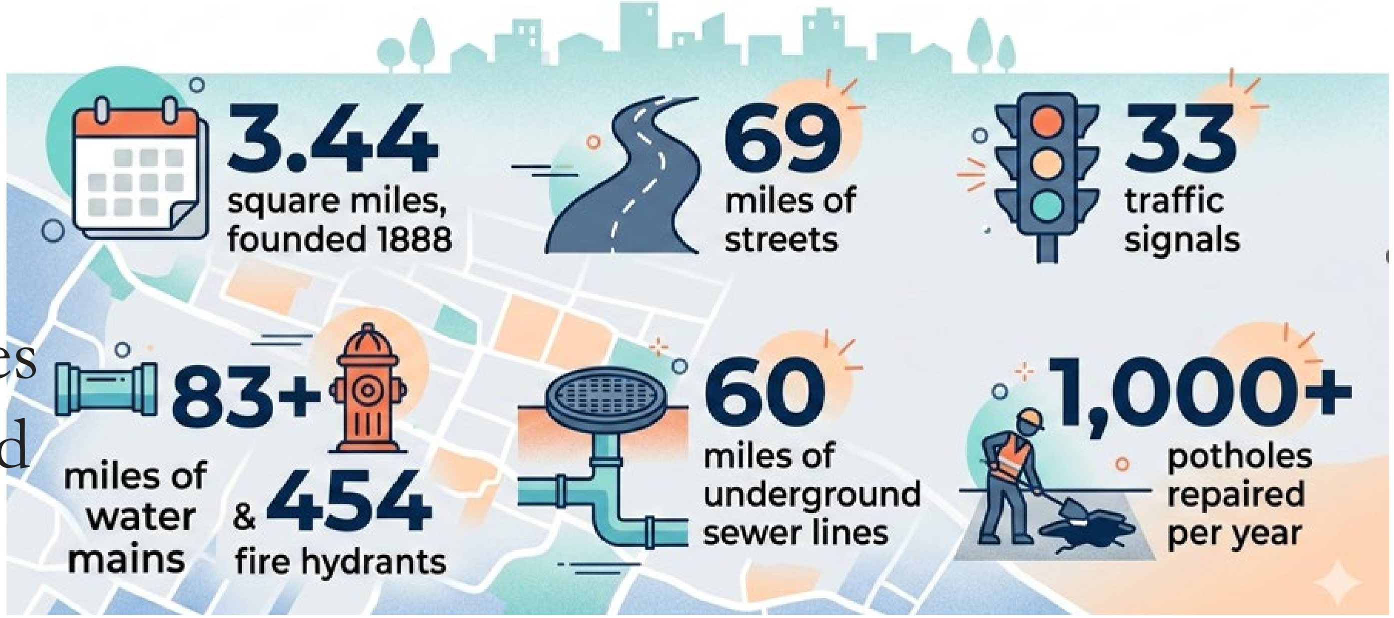
UNDER FUNDED

- Long-term financing plan for streets and sidewalks; continued direct CIP budgeting in restricted funds.
- Council Priorities: Infrastructure; Traffic Mitigation & Safety

# City Infrastructure at a Glance

Insufficient funding for Infrastructure from current and future demand will continue to deteriorate City infrastructure.

A true Path to Sustainability requires a significant investment in unfunded infrastructure improvements.



# Maintenance vs. Improvements

When developing a budget to address infrastructure each year, there are two components: **Maintenance** – keeps assets functioning day-to-day, and **Capital Improvements** – restore or extend the assets useful life.

## Maintenance Program

### Day-to-day Activity

- Pothole repair: 1,000+ annually
- Sidewalk repair: Ramping and concrete work

### Slurry Seal

- Topcoat that extends life of streets already in good condition
- Most cost-effective form of maintenance.

### Funding for Maintenance

- Very little to no discretionary General Funds available for infrastructure maintenance
- Primary funding through special State and County tax measures: ~$2M per year

## Improvement Program

### Pavement Management Plan

- Prepared every 5 years by engineering firm to assess condition of streets
- Current overall PCI = 54 (Poor)

### Current Improvement Projects

- Fair Oaks ITS to improve traffic signals and intersections (Grant)
- Huntington/Fremont Reconstruction (Grants)
- Various traffic improvements (special restricted tax funds)

### Funding for Improvements

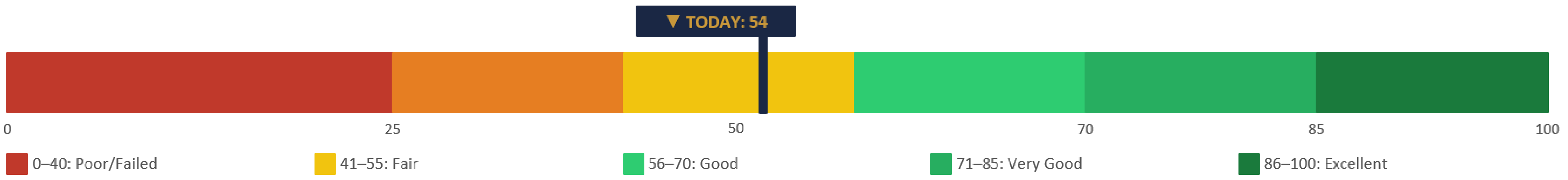
- Heavily reliant on grant and state/county funding

# Pavement Condition Index (PCI)

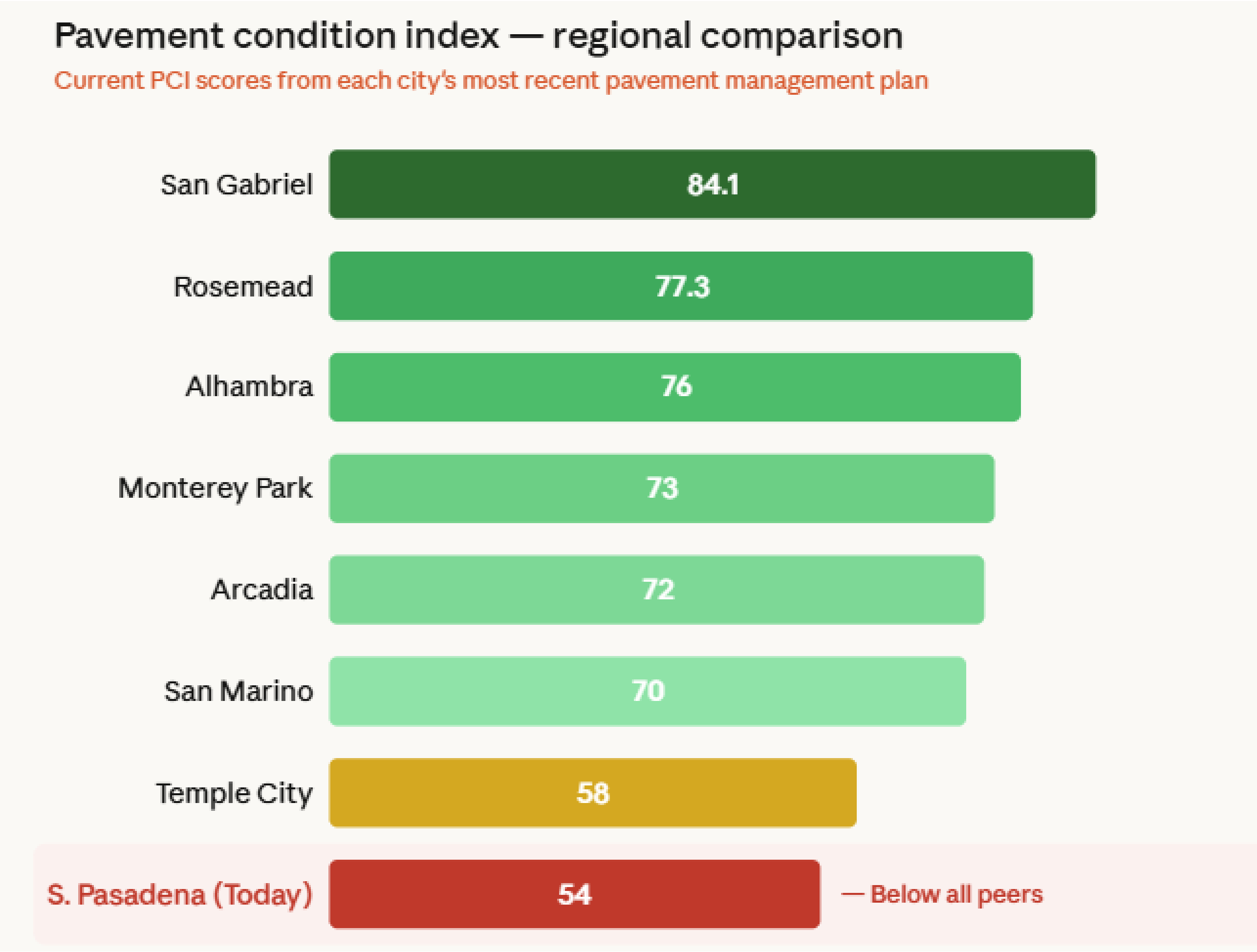
Independent Analysts have scored South Pasadena's Streets and Roads with a preliminary **"PCI" of 54, on a scale of 0 – 100.**

A PCI in the mid-50's means many streets show significant cracking, rutting, and surface deterioration. It is the streets that fall into the "poor" and "fair" categories that require extensive repair to improve this score.

**Nearly 50%** of the roads in South Pasadena fall into these "fair" or "poor" according to the PCI Index



# How Does South Pasadena Compare?




South Pasadena's preliminary PCI in the mid-50's ranks well below most of our neighboring cities.

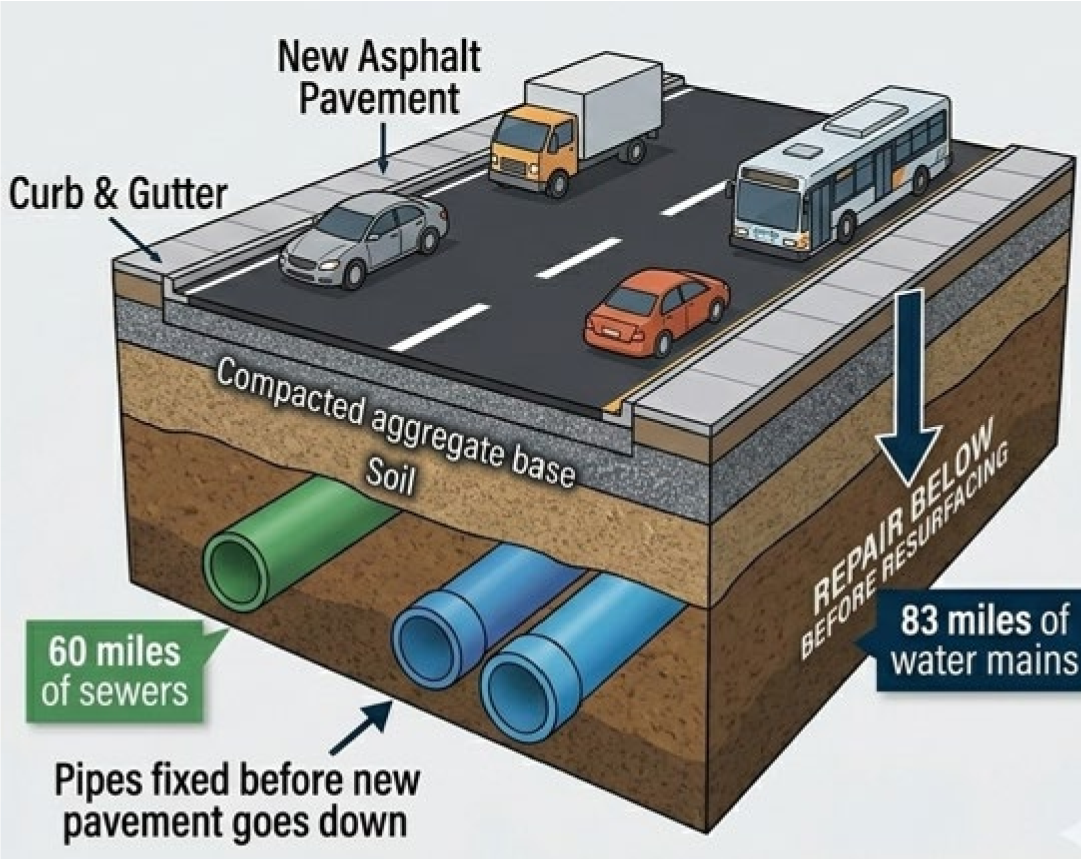
South Pasadena lags the regional average of peer cities by more than 20 PCI points.

# What About Underground Infrastructure?

City of SOUTH PASADENA

It is not only the street surfaces that require repair and reconstruction.

Dozens of miles of pipes below the streets are also in need of updating to mitigate future ruptures and safety issues.



# Street Funding Sources

City of SOUTH PASADENA

**State gas taxes** — A portion of what drivers pay at the pump comes back to the city. This includes the traditional gas tax plus newer funding from SB 1 (the Road Repair and Accountability Act of 2017). Together these provide roughly $1.4 million a year.

**LA County sales tax measures** — Voters in LA County have approved several half-cent sales taxes over the decades (Proposition C, Measure R and Measure M) that return a share of revenue to local cities for transportation. These are ongoing street repair dollars, collectively contributing approximately one million annually.

**Former 710 Freeway Funds from CalTrans** – One-time funding administered through Metro to fund specific traffic demand related projects after the "no-build" alternative for the 710 Freeway extension was approved by CalTrans. Funds specifically designated for Fair Oaks ITS, Huntington/ Fremont, and 110 Freeway On-ramp.

**Water/Sewer Rates for Underground Utilities** – A portion of the water/sewer rates that South Pasadena customers pay is used to make capital improvements to the system. Best practice is to align underground pipe replacement with street construction.

# FY 26-27 Capital Improvement Investments

## Streets & Sidewalks – Existing Conditions

- Preliminary Pavement Condition Index
  - **54** Out of 100
- Rated FAIR/POOR
- Trajectory: Declining absent additional investment

## FY 2026-2027 Capital Funding Priorities

- Prioritizing grant projects and arterials due to limited funding for capital improvements.
- Re-establishing annual Slurry Seal program.

Existing Conditions/ New Development + Limited Funding/ increasing Cost = Deteriorating Streets/Sidewalks

## $51.1M Total CIP Funding

- 24 projects across 9 categories
- 77% Streets/Transportation
- 13% Water/Sewer/Stormwater
- 10% Facilities
- Primarily funding restricted to specific purposes

## $28.1M Transportation & Traffic

- Fair Oaks ITS
- Primarily Funded through Former 710 Freeway Funding (One-time)

## $11.4M Streets & Sidewalks

- Complete FY 25-26 Streets Program
- Mostly carryover from prior year ($10.5M)
- $865k new funding in FY 26-27

# Challenges: By The Numbers

- South Pasadena has one of the lowest road ratings amongst our neighbors.
- The City sees an average of 100,000 vehicles transit through our streets and corridors everyday.
- When those roads become damaged beyond simple repairs, costs could soar from around $50,000 per mile (slurry seal) to around $2.5 million per mile (reconstruction). A 4,900% increase.
- Investing $1 now in road maintenance prevents $6–$10 in future reconstruction costs.
- The City has received more than 200 liability and property damage claims, resulting in more than $7 million in claims costs since 2016, related to poor street & sidewalk conditions.
- The City fills more than 1,000 potholes per year, costing tens of thousands in labor-hours.

# What Now?

Identified the Problem…

Now what is the options?

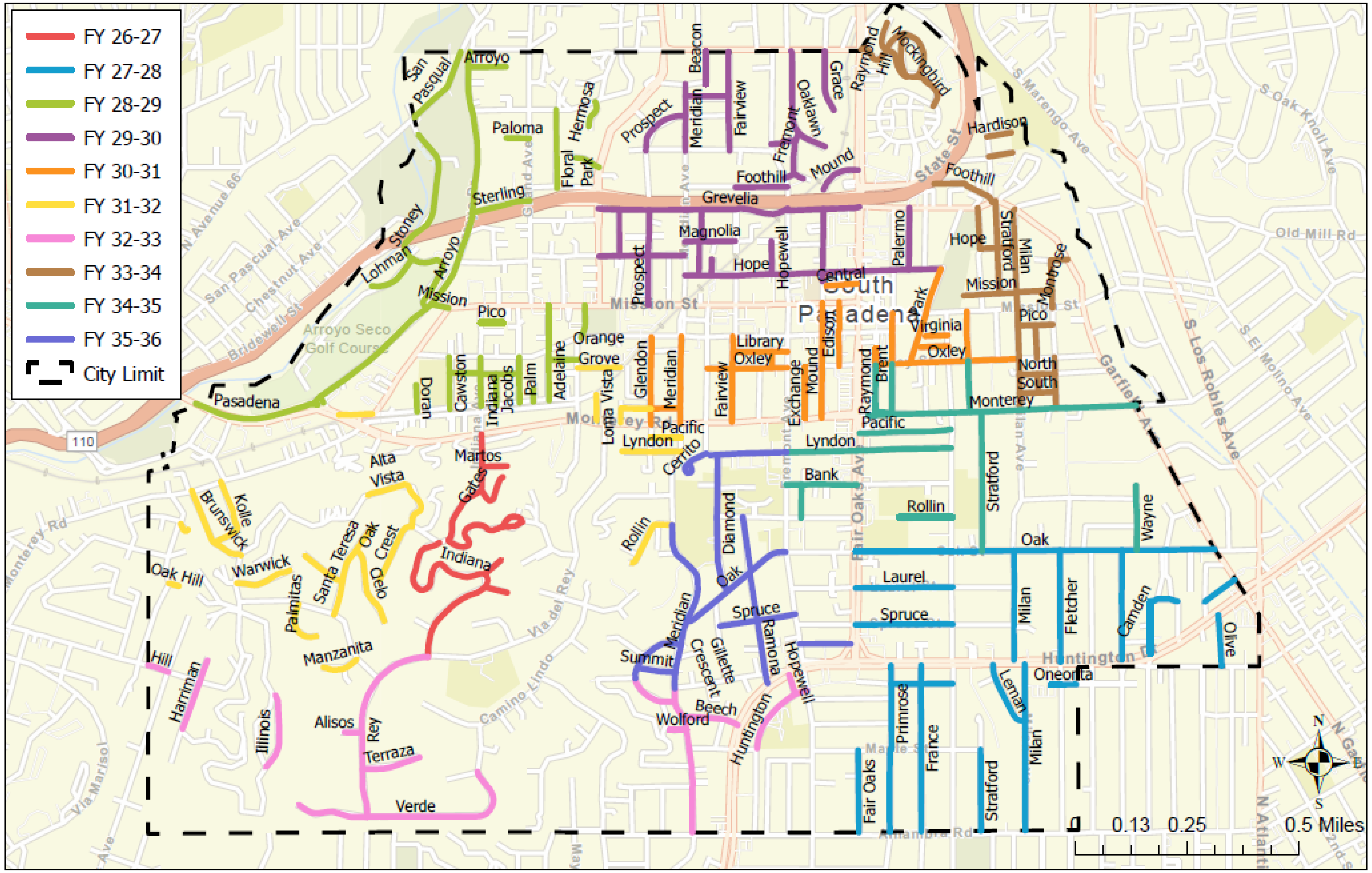
# A Potential Revenue Bond Proposal for Voters

- The City is Considering an $80 mil Bond Proposal, subject to 2/3$^{rds}$ voter approval to:

  - Fix damaged local streets, roads and sidewalks
  - Repair Potholes
  - Improve Driver and Pedestrian Safety
  - Upgrade and Repair storm drains to prevent flooding
  - Bring City Infrastructure ratings to acceptable levels.

# Potential Improvement Plan

## 10-year Resurfacing Plan*




*Resurfacing Plan subject to changed based on multiple factors, including but not limited to, availability of funds, market conditions at time of debt issuance, and construction costs at time of bid solicitation.

# What Would These Investments Mean?

City of SOUTH PASADENA

- **Improved Streets Conditions:** The City's current "PCI" rating for streets is expected to decline further, without additional resources.

  Investing Bond Revenues is projected by independent analysis to <u>improve the 50s "PCI" Rating to 70 within 10 years</u>, with investments to begin immediately.

- **Dedicated Funding:** With various demands on the City General Fund, declining revenue projections and deferred needs, a dedicated bond measure would fund street improvements without cuts to other City services – and all funds would remain local in South Pasadena.

# Impacts

City of SOUTH PASADENA

- Generate approximately $80 million over 10 years to support City infrastructure.
- Cost an average of $33 per 100,000 of assessed valuation
- Requires Spending Disclosure and Public Audits
- All funds restricted to South Pasadena only, funds cannot be transferred to or taken by LA County, State of California or other agencies.

# Questions

Thank You!

**FY 2026-2027 Proposed Budget**

www.southpasadenaca.gov/Your-Government/Department-Service-Areas/Finance/Budget-ACFR

**Roads & Infrastructure Information**

www.southpasadenaca.gov/Your-Government/Department-Service-Areas/Finance/Infrastructure-Financing