

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(7) Advances To and From Other Funds, (Continued)

Discretely Presented Component Units

Long-term interfund advance balances between the primary government and discretely presented component units as of June 30, 2005 are as follows:

<u>Advances To Component Units</u>	<u>Advances From Primary Government</u>	<u>Amount</u>
General Fund	Pasadena Center Operating Company	<u>\$1,140,709</u>

**Outstanding at
June 30, 2005**

General Fund

On September 17, 1999, PCOC borrowed \$1,400,000 from the City to fund necessary maintenance of the Conference Center. The loan carries an interest rate of 5%. PCOC anticipates that the loan repayment will be from the share of Transient Occupancy Tax (TOT). The agreement provides for a schedule of repayment payable within a 40-year period.

\$1,140,709

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(8) Capital Assets – Primary Government

Capital asset activity for the year ended June 30, 2005 is as follows:

Governmental activities:	<u>Balance at June 30, 2004⁽¹⁾</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
Buildings and improvements	\$ 144,128,137	4,141,800	-	148,269,937
Machinery and equipment	47,280,313	2,692,792	(2,086,300)	47,886,805
Infrastructure	<u>182,976,602</u>	<u>4,359,749</u>	<u>(199,177)</u>	<u>187,137,174</u>
Total cost of depreciable assets	<u>374,385,052</u>	<u>11,194,341</u>	<u>(2,285,477)</u>	<u>383,293,916</u>
Less accumulated depreciation:				
Buildings and improvements	(64,691,855)	(3,771,802)	-	(68,463,657)
Machinery and equipment	(31,230,208)	(3,387,669)	1,819,275	(32,798,602)
Infrastructure	<u>(91,519,045)</u>	<u>(3,126,405)</u>	<u>138,693</u>	<u>(94,506,757)</u>
Total accumulated depreciation	<u>(187,441,108)</u>	<u>(10,285,876)</u>	<u>1,957,968</u>	<u>(195,769,016)</u>
Net depreciable assets	186,943,944	908,465	(327,509)	187,524,900
Capital assets not depreciated:				
Land	54,229,664	-	-	54,229,664
Construction in progress	<u>56,071,322</u>	<u>39,573,917</u>	<u>(7,907,304)</u>	<u>87,737,935</u>
Capital assets, net	<u>\$ 297,244,930</u>	<u>40,482,382</u>	<u>(8,234,813)</u>	<u>329,492,499</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

General government	\$4,164,896
Public safety	993,994
Transportation	4,317,309
Health	102,745
Culture and leisure	466,297
Community development	<u>240,635</u>
	<u>\$10,285,876</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(8) Capital Assets, (Continued)

Primary Government, (Continued)

(1) Beginning balances have been increased by \$33,085,281 to reflect the accumulated depreciation understated in prior years.

Business-type activities:	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
Buildings and improvements	\$ 106,170,291	936,671	-	107,106,962
Utility Lines, machinery and equipment	<u>493,301,944</u>	<u>29,453,752</u>	<u>(1,666,509)</u>	<u>521,089,187</u>
Total cost of depreciable assets	<u>599,472,235</u>	<u>30,390,423</u>	<u>(1,666,509)</u>	<u>628,196,149</u>
Less accumulated depreciation:				
Buildings and improvements	(13,694,604)	(2,169,477)	-	(15,864,081)
Utility Lines, machinery and equipment	<u>(240,054,157)</u>	<u>(16,337,900)</u>	<u>429,646</u>	<u>(255,962,411)</u>
Total accumulated depreciation	<u>(253,748,761)</u>	<u>(18,507,377)</u>	<u>429,646</u>	<u>(271,826,492)</u>
Net depreciable assets	345,723,474	11,883,046	(1,236,863)	356,369,657
Capital assets not depreciated:				
Land	5,277,653	-	(40,724)	5,236,929
Construction in progress	<u>31,141,041</u>	<u>29,973,934</u>	<u>(28,158,034)</u>	<u>32,956,941</u>
Capital assets, net	<u>\$ 382,142,168</u>	<u>41,856,980</u>	<u>(29,435,621)</u>	<u>394,563,527</u>

Depreciation expense was charged in the following programs of the primary government:

Light and Power	\$13,857,995
Water	2,544,644
Refuse	690,779
Parking	<u>1,413,959</u>
	<u>\$18,507,377</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(8) Capital Assets, (Continued)

Component Units

Capital asset activity for the Rose Bowl Operating Company for the year ended June 30, 2005 is as follows:

	<u>Balance at June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
Buildings and improvements	\$ 44,417,774	2,309,621	-	46,727,395
Machinery and equipment	<u>3,986,602</u>	<u>24,536</u>	<u>-</u>	<u>4,011,138</u>
Total cost of depreciable assets	<u>48,404,376</u>	<u>2,334,157</u>	<u>-</u>	<u>50,738,533</u>
Less accumulated depreciation:				
Buildings and improvements	(10,373,171)	(1,760,935)	-	(12,134,106)
Machinery and equipment	<u>(2,583,591)</u>	<u>(117,093)</u>	<u>-</u>	<u>(2,700,684)</u>
Total accumulated depreciation	<u>(12,956,762)</u>	<u>(1,878,028)</u>	<u>-</u>	<u>(14,834,790)</u>
Net depreciable assets	35,447,614	456,129	-	35,903,743
Capital assets not depreciated:				
Construction in progress	<u>2,129,810</u>	<u>2,008,972</u>	<u>(2,322,119)</u>	<u>1,816,663</u>
Capital assets, net	<u>\$ 37,577,424</u>	<u>2,465,101</u>	<u>(2,322,119)</u>	<u>37,720,406</u>

Depreciation expense for the year was \$1,878,028.

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(8) Capital Assets, (Continued)

Component Units, (Continued)

Capital asset activity for the Pasadena Center Operating Company for the year ended June 30, 2005 is as follows:

	<u>Balance at</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2005</u>
Buildings and improvements	\$ 12,783,845	-	-	12,783,845
Machinery and equipment	438,587	16,840	-	455,427
Furniture and fixtures	<u>174,787</u>	<u>-</u>	<u>-</u>	<u>174,787</u>
Total cost of depreciable assets	<u>13,397,219</u>	<u>16,840</u>	<u>-</u>	<u>13,414,059</u>
Less accumulated depreciation:				
Buildings and improvements	(8,766,975)	(344,004)	-	(9,110,979)
Machinery and equipment	(387,232)	(19,001)	-	(406,233)
Furniture and fixtures	<u>(116,217)</u>	<u>(14,118)</u>	<u>-</u>	<u>(130,335)</u>
Total accumulated depreciation	<u>(9,270,424)</u>	<u>(377,123)</u>	<u>-</u>	<u>(9,647,547)</u>
Net depreciable assets	4,126,795	(360,283)	-	3,766,512
Capital assets not depreciated:				
Land	2,423,473	-	-	2,423,473
Construction in progress ⁽¹⁾	<u>1,594,207</u>	<u>3,436,735</u>	<u>-</u>	<u>5,030,942</u>
Capital assets, net	<u>\$ 8,144,475</u>	<u>3,076,452</u>	<u>-</u>	<u>11,220,927</u>

(1) Construction in progress consists of accumulated costs for the preliminary design of the convention center expansion project.

Depreciation expense for the year was \$377,123.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(9) Unearned Revenue

Unearned revenue consists of the following at June 30, 2005:

	Project				Component	
	General Fund	Management Capital Project	Light and Power	Water	Non-Major Governmental	Unit RBOC
(a) Community Development Block Grant Assistance	\$ -	-	-	-	70,000	-
(b) Revenues not "available"	68,670	3,670,887	-	-	1,577,016	-
(c) Rental income	1,011,501	-	-	-	-	-
(d) Miscellaneous revenue collected	735,990	-	14,364	59,980	176,152	-
(e) Interest Rate Swap	5,665,910	-	-	-	-	-
(f) Press box seating	-	-	-	-	176,152	935,589
	<u>\$ 7,482,071</u>	<u>3,670,887</u>	<u>14,364</u>	<u>59,980</u>	<u>1,823,168</u>	<u>935,589</u>

Primary Government

- (a) The Housing and Community Development Fund has \$70,000 in unearned revenue. This fund has respective loans outstanding with various qualifying businesses and individuals. The loans are long-term and will be paid off at various times. As the loans are paid off, the revenue will be recognized.
- (b) As a result of GASB 33 revenue recognition, \$68,670 of Office of Criminal Justice and Planning, \$964,898 of Health Fund grants and \$612,118 of U. S. Department of Homeland Security grant revenues were deferred since reimbursement of the grant funding would not be realized until after 60 days. Similarly, \$700,000 of Federal Surface Transportation, \$725,269 of Federal Emergency Management Agency, \$256,880 of Federal Traffic Mitigation, \$250,548 of Department of Transportation, \$175,850 of Proposition 12, \$106,872 of Environmental Enhancement and Mitigation, \$193,588 of Proposition 40, \$13,971 of San Gabriel River and Mountain Conservancy, \$716,081 of Los Angeles County Proposition A Parks, and \$531,828 of Los Angeles County Metropolitan Transit Authority grants funding in the Capital Projects Fund totaling \$3,670,887 was not available at year-end and therefore was deferred in accordance with GASB 33.
- (c) In fiscal year 1986, the Old Pasadena Parking Facility Fund pre-paid rent to the General Fund for the rent of land used to house the parking facility. The General Fund deferred rental income and is amortizing it over the life of the bonds.
- (d) Miscellaneous unearned revenue consists of other miscellaneous revenue collected of which revenue recognition criteria have not been met.

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(9) Deferred Items, (Continued)

Primary Government, (Continued)

- (e) In fiscal year 2003, the city received \$6,925,000 in interest from an interest rate swap. \$629,545 was amortized in both fiscal year 2004 and 2005, leaving a balance of \$5,665,910.

Discretely Presented Component Units

- (f) The Rose Bowl sells press box tickets at the beginning of each season. Revenue is deferred and recognized as the press box seating is used at each event throughout the event seasons.

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CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(10) Changes in Long-Term Debt

Primary Government

Changes in general long-term debt for the year ended June 30, 2005 are as follows:

Governmental Activities:	Balance at June 30, 2004	Additions	Reductions	Balance at June 30, 2005	Due Within One Year
Notes payable	\$10,088,812	-	(2,277,679)	7,811,133	933,888
Pension bonds:					
1999 Taxable Pension Funding Bonds	97,850,000	-	(2,010,000)	95,840,000	2,445,000
2004 Taxable Pension Funding Bonds	-	40,750,000	(1,000,000)	39,750,000	1,523,375
Total Pension Bonds	<u>97,850,000</u>	<u>40,750,000</u>	<u>(3,010,000)</u>	<u>135,590,000</u>	<u>3,968,375</u>
General obligation bonds:					
1993 Police Building and Jail Refunding General Obligation Bonds	4,425,000	-	(1,400,000)	3,025,000	1,475,000
Tax allocation bonds:					
1991 Tax Allocation Bonds, Low Moderate Housing	2,209,606	-	(263,242)	1,946,364	279,036
1993 Tax Allocation Bonds (Villa-Parke Redevelopment Project)	965,000	-	(75,000)	890,000	80,000
1993 Tax Allocation Bonds (Fair Oaks Refunding & Public Improvement Program)	2,765,000	-	(90,000)	2,675,000	95,000
1993 Tax Allocation Bonds (Lake/Washington Refunding & Public Improvement Program)	955,000	-	(45,000)	910,000	45,000
1996 Tax Allocation Bonds (Housing Set-Aside Revenue-Townhouse Project)	2,510,000	-	(170,000)	2,340,000	180,000
2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project)	2,169,000	-	(163,000)	2,006,000	172,000
2000 Tax Allocation Refunding Revenue Bonds (Villa-Parke Redevelopment Project)	1,404,000	-	(106,000)	1,298,000	112,000
Total tax allocation bonds	<u>12,977,606</u>	<u>-</u>	<u>(912,242)</u>	<u>12,065,364</u>	<u>963,036</u>
Certificates of participation:					
1993 Certificates of Participation (Refunding and Capital Projects)	24,855,000	-	-	24,855,000	-
1996 Certificates of Participation (Multi-Purpose Projects)	1,176,732	-	(572,824)	603,908	603,908
2001 Certificates of Participation (Refunding)	15,346,587	-	(1,914,040)	13,432,547	2,007,050
2003 Certificates of Participation (City Hall and Park Improvement)	73,790,000	-	-	73,790,000	-
2004 Auction Certificates of Participation Series A and B	39,178,025	-	(2,825,000)	36,353,025	2,522,025
Total certificates of participation	<u>154,346,344</u>	<u>-</u>	<u>(5,311,864)</u>	<u>149,034,480</u>	<u>5,132,983</u>
Capitalized lease obligations	4,051,253	5,843,536	(275,854)	9,618,935	290,312
Compensated absences	7,632,374	7,600,658	(8,030,455)	7,202,577	7,202,577
Net pension obligation	55,032,710	7,284,021	(26,293,453)	36,023,278	-
Total governmental activity long-term liabilities	<u>\$346,404,099</u>	<u>61,478,215</u>	<u>(47,511,547)</u>	<u>360,370,767</u>	<u>19,966,171</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(10) Changes in Long-Term Debt, (Continued)

Primary Government, (Continued)

Business-Type Activities:	<u>Balance at</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
Notes payable	\$ 2,216,898	-	(97,482)	2,119,416	102,435
Revenue bonds:					
1998 Electric Revenue/Refunding Bonds	59,300,000	-	(3,275,000)	56,025,000	2,305,000
2000 Paseo Colorado Taxable Revenue Bonds	31,035,000	-	(745,000)	30,290,000	790,000
2002 Electric Revenue Bonds	74,195,000	-	(3,925,000)	70,270,000	4,040,000
2003 Electric Revenue Bonds	9,455,000	-	(375,000)	9,080,000	395,000
2003 Water Revenue Bonds	46,235,000	-	(1,385,000)	44,850,000	1,450,000
Total revenue bonds	<u>220,220,000</u>	<u>-</u>	<u>(9,705,000)</u>	<u>210,515,000</u>	<u>8,980,000</u>
Certificates of participation:					
1987 Certificates of Participation (Los Robles Avenue Parking Facility)	14,100,000	-		13,100,000	1,100,000
1993 Refunding Certificates of Participation (Old Pasadena Parking Facilities Projects)	20,310,000		(945,000)	19,365,000	1,015,000
1996 Certificates of Participation (Multi- Purpose Project)	148,268	-	(72,176)	76,092	76,092
2004 Auction Rate Certificates of Participation	1,146,975	-	-	1,146,975	27,975
Total certificates of participation	<u>35,705,243</u>	<u>-</u>	<u>(2,017,176)</u>	<u>33,688,067</u>	<u>2,219,067</u>
Capitalized lease obligations	<u>3,437,886</u>	<u>656,464</u>	<u>(846,445)</u>	<u>3,247,905</u>	<u>894,737</u>
Total business-type activity long-term liabilities	<u>\$ 261,580,027</u>	<u>656,464</u>	<u>(12,666,103)</u>	<u>249,570,388</u>	<u>12,196,239</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the totals for governmental activities. At year-end, \$3,830,467 of internal service funds capitalized lease obligations are included in the governmental activities schedule.

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(10) Changes in Long-Term Debt, (Continued)

Discretely Presented Component Units

Changes in discretely presented component unit's long-term debt for the year ended June 30, 2005 are as follows:

Discretely Presented Component Units	Balance at June 30, 2004	Additions	Reductions	Balance at June 30, 2005	Due Within One Year
Certificates of participation:					
1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects)	\$ 7,400,000	-	(700,000)	6,700,000	700,000
1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects)	16,000,000	-	(900,000)	15,100,000	1,000,000
2001 Certificates of Participation (Refunding and Capital Projects)	<u>328,413</u>	<u>-</u>	<u>(40,959)</u>	<u>287,454</u>	<u>42,951</u>
Total certificates of participation	<u>23,728,413</u>	<u>-</u>	<u>(1,640,959)</u>	<u>22,087,454</u>	<u>1,742,951</u>
Unamortized issuance premium (discount)	<u>(486,253)</u>	<u>48,418</u>	<u>-</u>	<u>(437,835)</u>	<u>-</u>
Compensated absences	<u>77,354</u>	<u>26,712</u>	<u>-</u>	<u>104,066</u>	<u>-</u>
Total discretely presented component units long-term liabilities	<u>\$ 23,319,514</u>	<u>75,130</u>	<u>(1,640,959)</u>	<u>21,753,685</u>	<u>1,742,951</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(11) Notes Payable

Primary Government

**Outstanding at
June 30, 2005**

The Fair Oaks Shopping Center issued notes payable to the Federal Financing Bank (authorized by the Housing and Community Development Act of 1974, Public Law 93-383), with an interest rate ranging from 1.21% to 4.83%. Principal and interest is payable in annual installments from \$297,000 to \$358,000 through August 1, 2013.

\$2,535,000

On August 18, 1999, the City entered into a twenty-year promissory note with City National Bank to provide for financing the costs of constructing certain public parking improvements (Marriott Garage). The terms of the note require semi-annual principal and interest payments from \$104,000 to \$208,000 with a rate of 4.95% per annum, maturing on December 19, 2019.

2,119,416

On July 11, 2001, the City entered into a nine-year note agreement with the Federal National Mortgage Association to provide financing for new construction, homebuyers assistance, rental rehabilitation and other special needs by soliciting funding proposals from nonprofit and for-profit developers in order to address the low-income affordable housing needs of the City. The terms of the note require semi-annual principal and interest payments between \$312,300 and \$930,000 with a rate of 5.2% per annum, maturing on July 1, 2010.

4,276,133

On September 18, 2001, the City entered into a ten-year note agreement with the California Housing Finance Agency for the acquisition, predevelopment, rehabilitation and financing of affordable multi-family developments within the City. The terms of the note require annual interest payments with a rate of 3.00% per annum on funds drawn, maturing on September 18, 2011.

1,000,000

Total primary government notes payable

\$9,930,549

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(11) Notes Payable, (Continued)

Primary Government, (Continued)

The annual requirements to amortize notes payable as of June 30, 2005 are as follows:

Year Ending June 30	Primary Government			
	Governmental		Business Type	
	Principal	Interest	Principal	Interest
2006	\$ 933,888	339,561	102,435	105,106
2007	982,031	296,732	107,640	99,900
2008	1,042,212	250,067	112,856	94,686
2009	1,094,540	199,464	118,846	88,695
2010	1,159,129	144,963	124,885	82,656
2011-2015	2,599,333	169,830	726,106	311,602
2016-2020	-	-	826,648	107,289
Total Notes Payable	<u>\$7,811,133</u>	<u>1,400,617</u>	<u>2,119,416</u>	<u>889,934</u>

(12) Pension Bonds – Primary Government

On August 5, 1999, the City issued \$101,940,000 in Taxable Pension Funding Bonds, Series 1999. The proceeds of the pension bonds were used to fund the obligation of the City to the FPRS. Pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code, the City is obligated to appropriate and make payments to FPRS arising as a result of retirement benefits accruing to members of FPRS. The City's obligation includes, among others, the requirement to amortize the unfunded accrued actuarial liability over a multi-year period. On August 6, 1999, the City contributed \$100,000,000 of the bond proceeds to FPRS to fund a portion of the unfunded liability. Interest is payable from the escrow account semi-annually on May 15 and November 15 commencing May 15, 2000. The rate of interest varies from 6.26% to 7.28% per annum. Principal is payable in annual installments ranging from \$470,000 to \$8,955,000 commencing May 15, 2001 and ending May 15, 2022.

On December 22nd of each year, the City is required to deposit with the trustee the amount equal to the next year's debt service payment in lieu of a reserve requirement. The balance outstanding at June 30, 2005 was \$95,840,000.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(12) Pension Bonds – Primary Government, (Continued)

On August 1, 2004, the City issued \$40,750,000 in Taxable Pension Funding Bonds, Series 2004. The proceeds of the pension bonds were used to fund the net pension obligation of the City to the Fire and Police Retirement System as required by the City Charter and the Pasadena Municipal Code. Interest is payable from the trustee’s Bond Fund monthly commencing on September 1, 2004. The rate of interest varies from 2.0% to 4.687% per annum. Principal is payable in annual installments of \$1,000,000 commencing February 1, 2005 and ending May 15, 2015.

On December 22nd of each year, the City is required to deposit \$2,500,000 with the trustee for debt service payments. Any amounts on deposit in the Bond Fund at the end of each calendar year following payment in full of all debt service for such calendar year, shall remain in the Bond Fund and be credited against the payment required to be made next calendar year.

The annual requirements to amortize pension bonds as of June 30, 2005 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,968,375	7,926,529
2007	4,288,751	7,907,448
2008	4,849,964	7,663,643
2009	5,452,413	7,380,744
2010	6,106,135	7,055,374
2011-2015	59,719,362	28,584,130
2016-2020	33,905,000	14,146,900
2021-2022	<u>17,300,000</u>	<u>1,924,491</u>
Total Payments	<u>\$135,590,000</u>	<u>82,589,259</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(13) General Obligation Bonds - Primary Government

General obligation bonds outstanding at June 30, 2005 are direct obligations and pledge the full faith and credit of the City. Revenues for retirement of the bonds are provided from ad valorem taxes on real property within the City. These bonds consist of the following as of June 30, 2005:

1993 Police Building and Jail Refunding General Obligation Bonds

On November 1, 1993, the City issued the 1993 Police Building and Jail Refunding General Obligation Bonds in the amount of \$11,105,000 to defease a portion of the outstanding 1987 Police Building and Jail General Obligation Bonds. Interest on the bonds is payable semi-annually on June 1 and December 1 commencing June 1, 1994.

The rate of interest varies from 3.00% to 5.00% per annum. Principal is payable in annual installments ranging from \$120,000 to \$1,550,000 commencing June 1, 1994 and ending June 1, 2007. The outstanding balance at June 30, 2005 is \$3,025,000.

The annual requirements to amortize general obligation bonds as of June 30, 2005 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$1,475,000	149,775
2007	<u>1,550,000</u>	<u>77,500</u>
Total Payments	<u>\$3,025,000</u>	<u>227,275</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(14) Tax Allocation Bonds - Primary Government

**Outstanding at
June 30, 2005**

1991 Tax Allocation Bonds, Low Moderate Housing

On July 16, 1991, PCDC issued \$4,540,000 of Tax Allocation Bonds, Low Moderate Housing for the rehabilitation of the Centennial Place, formerly the Pasadena YMCA. Interest on the bonds is payable annually on June 1, commencing June 1, 1992. The rate of interest is 6% per annum. Principal is payable in annual installments ranging from \$123,417 to \$373,413 commencing June 2, 1992 and ending June 1, 2011. A letter of credit has been obtained to satisfy the legal reserve requirement.

\$1,946,364

1993 Tax Allocation Bonds (Villa-Parke Redevelopment Project)

On June 1, 1993, PCDC issued \$1,620,000 of Tax Allocation Bonds, Series 1993 (Villa-Parke Redevelopment Project) for the refunding of the outstanding 1985 Tax Allocation Bonds and to finance redevelopment activities in the Villa-Parke Project Area. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing December 1, 1994. The rate of interest varies from 3.250% to 6.125% per annum. Principal is payable in annual installments ranging from \$55,000 to \$120,000 commencing June 1, 1994 and ending July 1, 2014. The legal reserve requirement is \$138,894. The balance held in the reserve account as of June 30, 2005 was \$138,478.

890,000

1993 Tax Allocation Bonds (Fair Oaks Refunding and Public Improvement Program)

On July 1, 1993, PCDC issued \$3,435,000 of 1993 Tax Allocation Bond (Fair Oaks Refund and Public Improvement Program) for the refunding of the outstanding 1985 Tax Allocation Bonds and to finance redevelopment activities within the Fair Oaks Project Area. Interest on the bonds is payable semi-annually on January 1 and July 1, commencing January 1, 1994. The rate of interest varies from 3.250% to 6.125% per annum. Principal is payable in annual installments ranging from \$50,000 to \$245,000 commencing July 1, 1994 and ending July 1, 2021. The legal reserve requirement is \$262,794. The balance held in the reserve account as of June 30, 2005 was \$325,702.

2,675,000

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(14) Tax Allocation Bonds - Primary Government, (Continued)

**Outstanding at
June 30, 2005**

1993 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program)

On July 1, 1993, PCDC issued \$1,285,000 of 1993 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program) for the purpose of reimbursing City Advances, financing certain redevelopment activities and refunding of the outstanding 1985 Tax Allocation Bonds. Interest on the bonds is payable semi-annually on January 1 and July 1, commencing January 1, 1994. The rate of interest varies from 3.375% to 6.500% per annum. Principal is payable in annual installments ranging from \$25,000 to \$100,000 commencing July 1, 1994 and ending July 1, 2017. The legal reserve requirement is \$106,188. The balance held in the reserve account as of June 30, 2005 was \$110,075.

910,000

1996 Tax Allocation Bonds (Housing Set-Aside Revenue - Townhouse Project)

On August 1, 1996, PCDC issued \$3,480,000 of 1996 Tax Allocation Bonds (Housing Set-Aside Revenue-Townhouse Project) for the financing of residential housing redevelopment. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing February 1, 1998. The rate of interest varies from 4.125% to 6.000% per annum. Principal is payable in annual installments ranging from \$120,000 to \$300,000 commencing August 1, 1998 and ending August 1, 2014. The legal reserve requirement is \$313,235. The balance held in the reserve account as of June 30, 2005 was \$331,710.

2,340,000

2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project)

On October 17, 2000, PCDC issued \$2,801,000 of 2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project) for the refunding of 1985 Tax Allocation Refunding Bonds and 1989 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$137,000 to \$282,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$300,795. The balance held in the reserve account as of June 30, 2005 was \$283,961.

2,006,000

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(14) Tax Allocation Bonds - Primary Government, (Continued)

**Outstanding at
June 30, 2005**

2000 Tax Allocation Refunding Revenue bonds (Villa-Parke Redevelopment Project)

On October 17, 2000, PCDC issued \$1,814,000 of 2001 Tax Allocation Refunding Bonds Series B (Villa Parke Redevelopment Project) for the refunding of 1985 subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$89,000 to \$182,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$181,400. The balance held in the reserve account as of June 30, 2005 was \$183,866.

Total tax allocation bonds

1,298,000
\$12,065,364

The annual requirements to amortize outstanding tax allocation bonds as of June 30, 2005 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 963,036	738,150
2007	1,023,778	680,744
2008	1,084,525	618,767
2009	1,147,336	552,260
2010	1,224,277	481,437
2011-2015	4,907,412	1,331,652
2016-2020	1,240,000	348,613
2021-2022	<u>475,000</u>	<u>29,550</u>
Total Payments	<u>\$12,065,364</u>	<u>4,781,173</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(15) Revenue Bonds - Primary Government

**Outstanding at
June 30, 2005**

1998 Electric Revenue/Refunding Bonds

On August 24, 1998, the City issued \$70,635,000 of Electric Revenue/Refunding Bonds 1998 Series. The proceeds of the refunding bonds were used to advance refund the 1990, 1992, 1993, and 1994 Series Revenue Bonds of the Light and Power Fund's outstanding revenue bonds that were originally issued to finance costs of acquisition and construction of certain improvements to the electric system of the City. Interest on the 1998 Bonds is payable semi-annually on February 1 and August 1, commencing February 1, 1999. The fixed rates of interest vary from 3.464% to 4.075% per annum.

The City has entered into an interest rate swap agreement for \$69,045,000 of these 1998 Electric Revenue/Refunding Bonds. Based on the swap agreement, the City owes interest calculated at a variable rate to the counterparty to the swap. Interest on the swap is based on the Bond Market Association (BMA) index. In return, the counterparty owes the City at a fixed rate of 5.473%. Only the net difference in interest payments is actually exchanged with the counterparty. The \$56,025,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The City continues to pay interest to the bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the City effectively pays a variable rate on the debt. Principal is payable in annual installments ranging from \$1,590,000 to \$3,395,000 commencing August 1, 1999 to August 1, 2024. The legal recurring reserve requirement is \$5,301,000. A surety bond has been purchased to satisfy the reserve requirement. The City is in compliance with the revenue rate covenant requiring net income of the electric system to be at least equal to 1.10 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

56,025,000

2000 Paseo Colorado Taxable Revenue Bonds

On July 20, 2000, the City issued \$32,385,000 of Taxable Variable Rate Demand Revenue Bonds. Of the proceeds, \$26,000,000 was used for renovation of Paseo Colorado project and \$6,385,000 was used to cover debt service prior to operations of the Paseo Colorado parking facilities. Parking revenue from the parking facility will be used for debt service on

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(15) Revenue Bonds - Primary Government, (Continued)

**Outstanding at
June 30, 2005**

the bonds. If the parking revenue is not sufficient, the City has agreed to cover the debt service until parking revenue is available. Interest on the bonds is due monthly at a variable rate not to exceed 12% per annum. Principal is payable in annual installments ranging from \$655,000 to \$2,560,000, commencing June 1, 2003 and ending June 1, 2025. The legal reserve requirement is \$2,715,000. One half of the legal reserve requirement, in the form of a surety bond, is credited to the reserve fund. The balance held in the reserve account as of June 30, 2005, including the surety bonds, was \$2,746,256.

30,290,000

2002 Electric Revenue Bonds

On July 15, 2002, the City issued \$82,320,000 of 2002 Electric Revenue Bonds to finance the costs of the 2002 Project which consists of two parts: Re-powering Project and the construction and installation of the San Rafael transmission line. Interest is payable semi-annually on December 1 and June 1 commencing June 1, 2003. The rate of interest varies from 3.0% to 4.75% per annum. Principal is payable in annual installments ranging from \$3,060,000 to \$5,535,000 commencing June 1, 2002 and ending June 1, 2022. The legal reserve requirement is \$6,906,624. The balance held in the reserve account as of June 30, 2005 was \$6,906,624. The City is in compliance with the revenue rate covenant requiring net income of the electric system to be at least equal to 1.10 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

70,270,000

2003 Electric Revenue Bonds

On August 11, 2003, the City issued \$9,905,000 of 2003 Electric Revenue Bonds to finance the costs of the Local Generation Re-powering Project (the "2003"). Interest is payable semi-annually on December 1 and June 1, commencing June 1, 2004. The rate of interest varies from 1.0% to 4.92% per annum. Principal is payable in annual installments ranging from \$450,000 to \$730,000 commencing June 1, 2004 and ending June 1, 2022. The legal reserve requirement is \$701,325. The balance held in the reserve account as of June 30, 2005 was \$701,325. The City is in compliance with the revenue rate covenant requiring net income of the

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(15) Revenue Bonds - Primary Government, (Continued)

**Outstanding at
June 30, 2005**

electric system to be at least equal to 1.10 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

9,080,000

2003 Water Revenue Bonds

On August 4, 2003, the City issued \$47,425,000 of 2003 Water Revenue and Refunding Bonds to finance the costs of acquisition and construction of certain capital improvements to the Water System; refund all of the City's outstanding 1993 and 1994 Water Revenue. The 2003 Water Revenue and Refunding Bonds include the following: 1993 Water Bonds - \$20,815,000; 1994 Farecal - \$1,610,000 and 2003 Water revenue for \$25,000,000 for a total of \$47,425,000. The aggregate difference between the 1993 refunded debt and refunding debt is \$450,000 whereas \$10,000 for the 1994 farecal bonds. The net present value benefit for the 1993 bonds is \$585,587 and likewise \$31,507 for the 1994 Farecal issue. Interest is payable semi-annually on December 1 and June 1 commencing June 1, 2004. The rate of interest varies from 1.01% to 5.08% per annum. Principal is payable in annual installments ranging from \$1,190,000 to \$2,480,000 commencing June 1, 2004 and ending June 1, 2023. The legal reserve requirement is \$3,390,132. The balance held in the reserve account as of June 30, 2005 was \$3,390,132. The City is in compliance with the revenue rate covenant requiring net income of the electric system to be at least equal to 1.10 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

44,850,000

Total revenue bonds

\$210,515,000

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(15) Revenue Bonds - Primary Government, (Continued)

The annual requirements to amortize outstanding business-type activity revenue bonds as of June 30, 2005 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 8,980,000	9,319,891
2007	9,300,000	8,969,783
2008	9,695,000	8,572,640
2009	8,770,000	8,166,724
2010	9,170,000	7,778,896
2011-2015	51,880,000	32,394,705
2016-2020	60,690,000	19,518,101
2021-2025	42,005,000	6,596,640
2026-2030	5,980,000	1,911,250
2031-2033	<u>4,045,000</u>	<u>411,000</u>
Total payments	<u>\$210,515,000</u>	<u>103,639,630</u>

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CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(16) Certificates of Participation

The certificates of participation outstanding at June 30, 2005 are as follows:

	Primary Government		Discretely Presented Component Units
	Governmental Activities	Business- type Activities	
1987 Certificates of Participation (Los Robles Avenue Parking Facilities)	\$ -	13,100,000	-
1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects)	-	-	6,700,000
1993 Refunding Certificates of Participation (Old Pasadena Parking Facilities Project)	-	19,365,000	-
1993 Certificates of Participation (Refunding and Capital Projects)	24,855,000	-	-
1996 Certificates of Participation (Multi-Purpose Projects)	603,908	76,092	-
1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Project)	-	-	15,100,000
2001 Certificates of Participation (Refunding and Capital Projects)	13,432,547	-	287,453
2003 Variable Rate Demand Certificates of Participation (City Hall and Park Improvements)	73,790,000	-	-
2004 Auction Variable Certificates of Participation – Series A and B	<u>36,353,025</u>	<u>1,146,975</u>	-
Total Certificates of Participation	<u>\$149,034,480</u>	<u>33,688,067</u>	<u>22,087,453</u>

1987 Certificates of Participation (Los Robles Avenue Parking Facilities)

On December 2, 1987, the Authority issued the 1987 Certificates of Participation (Los Robles Avenue Parking Facilities) in the amount of \$20,300,000 to finance the construction of a parking facility. Interest on the certificates is payable monthly on the first day of month commencing November 1, 1990. The rate of interest varies, but it is not to exceed 15% per annum. Principal is payable in annual installments ranging from \$200,000 to \$2,100,000 commencing November 1, 1990 and ending November 1, 2013. The legal reserve requirement is \$2,030,000. The balance held in the reserve account as of June 30, 2005 was \$2,635,060.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(16) Certificates of Participation, (Continued)

1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects)

On December 2, 1991, PCIC issued the 1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects) in the amount of \$12,700,000 to finance certain construction projects and infrastructure improvements in the City of Pasadena, including improvements to the City's Rose Bowl Stadium. Interest on the certificates is payable monthly on the first day of month commencing December 1, 1992. The rate of interest varies weekly, but it is not to exceed 12% per annum. Principal is payable in annual installments ranging from \$300,000 to \$1,200,000 commencing December 1, 1992 and ending December 1, 2011. The legal reserve requirement is fully funded. The balance held in the reserve account as of June 30, 2005 was \$636,000.

1993 Refunding Certificates of Participation (Old Pasadena Parking Facilities Project)

On July 1, 1993, PCIC issued the 1993 Refunding Certificates of Participation (Old Pasadena Parking Facilities Project) in the amount of \$28,050,000 to defease the 1986 Certificates of Participation. Interest on the certificates is payable semi-annually on January 1 and July 1 commencing January 1, 1994. The rate of interest varies from 2.75% to 5.25% per annum. As with all serial bonds, the rate of interest varies according to the maturity date. Principal is payable in annual installments ranging from \$460,000 to \$2,085,000 commencing January 1, 1994 and ending January 1, 2018. The legal reserve requirement is \$2,225,000. The balance held in the reserve account as of June 30, 2005 was \$2,302,763.

1993 Certificates of Participation (Refunding and Capital Projects)

On January 1, 1994, PCIC issued the 1993 Certificates of Participation (Refunding and Capital Projects) in the amount of \$79,835,000 to defease the 1989 Public Facilities Project Certificates of Participation, the 1990 Capital Improvements Project Certificates of Participation, and finance certain improvements and renovations to City owned buildings. On March 25, 2004, these certificates were partially refunded. The rate of interest on the un-refunded balance is 5.35% per annum. Principal is payable in annual installments ranging from \$4,455,000 to \$5,515,000 commencing February 1, 2010 and ending February 1, 2014. The legal reserve requirement is met by the 2004 Certificates.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(16) Certificates of Participation, (Continued)

1996 Certificates of Participation (Multi-Purpose Projects)

On March 1, 1996, PCIC issued the 1996 Certificates of Participation (Multi-Purpose Projects) in the amount of \$14,680,000 to finance the acquisition, construction and installation of certain public facilities and capital improvements. On March 25, 2004, these certificates, which were issued for both general government and proprietary activities, were partially refunded. The rate of interest on the un-refunded balance varies from 5.00% to 5.20% per annum depending on maturity date. Principal is payable in annual installments ranging from \$645,000 to \$680,000 commencing February 1, 2005 and ending February 1, 2006. The legal reserve requirement is met by the 2004 Certificates.

1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects)

On June 25, 1996, PCIC issued the 1996 Variable Rate Demand Certificates of Participation (Rose Bowl Improvement Projects) in the amount of \$21,200,000 to finance certain infrastructure projects and infrastructure improvements in the City, including improvements to the City's Rose Bowl Stadium. Interest on the certificates is payable monthly on the first day of the month commencing December 1, 1998. The rate of interest varies weekly, but it is not to exceed 12% per annum. Principal is payable in annual installments ranging from \$600,000 to \$1,600,000 commencing December 1, 1998 and ending December 1, 2017. The legal reserve requirement is fully funded. The balance held in the reserve account as of June 30, 2005 was \$908,000.

2001 Certificates of Participation (Refunding and Capital Projects)

On November 1, 2001, the City issued the 2001 Certificates of Participation (Refunding and Capital Projects) in the amount of \$21,210,000 to refund the 1992 Certificates of Participation. These certificates were issued for both governmental and component unit activities. Interest on the certificates is payable semi-annually on January 1 and July 1 commencing January 1, 2002. The rate of interest varies from 2.50% to 4.00% per annum depending on maturity date. Principal is payable in annual installments ranging from \$1,835,000 to \$2,525,000 commencing January 1, 2002 and ending January 1, 2011. The legal reserve requirement is \$2,525,000. The balance held in the reserve account as of June 30, 2005 is \$2,575,730.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(16) Certificates of Participation, (Continued)

2003 Variable Rate Demand Certificates of Participation (City Hall & Park Improvements)

On January 1, 2003, the City issued the 2003 Variable Rate Demand Certificates of Participation (City Hall and Park Improvement Projects) in the amount of \$73,790,000. These certificates were issued to provide funds to finance a portion of the cost of the major renovations to the Pasadena City Hall, various park improvements, and to establish a reserve fund for certain outstanding certificates of participation; all which are activities of the governmental unit. Originally the certificates were issued at a variable rate not to exceed 12.20%; however, on January 28, 2003 the City entered into an agreement to convert to a fixed rate of 4.12% per annum for a period of 30 years. Principal is payable in annual installments ranging from \$1,495,000 to \$4,645,000 commencing February 1, 2008 and ending February 1, 2033. The legal reserve requirement is met by the 2004 Certificates.

2004 Certificates of Participation (Auction Rate) Series A & B

On March 25, 2004, the City issued the 2004 Auction Rate Certificates of Participation, Series A & B in the amount of \$40,325,000. These certificates were issued to refund a portion of the 1993 Certificates of Participation (Refunding and Capital Projects), a portion of the 1996 Certificates of Participation (Multi-Purpose Projects) and finance the costs of execution of the 2004 Certificates of Participation. The refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. Interest on Series A is due semi-annually and the rate varies from 1.45% to 3.00%. Principal is payable in annual installments ranging from \$125,000 to \$1,050,000 commencing February 1, 2006 and ending February 1, 2019. Interest on Series B is due weekly and the rate varies from 1.25% to 3.00%. Principal is payable in annual installments ranging from \$2,100,000 to \$5,800,000 commencing February 1, 2005 and ending February 1, 2019. The legal reserve requirement is \$4,032,500. The balance held in the reserve account as of June 30, 2005 was \$9,588,861.

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(16) Certificates of Participation, (Continued)

The annual requirements to amortize outstanding certificates of participation as of June 30, 2005 are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$5,132,983	5,623,199	2,219,067	1,667,054	1,742,950	508,631
2007	4,937,637	5,836,137	2,362,318	1,580,045	1,845,045	467,938
2008	6,620,751	5,666,959	2,532,318	1,470,440	1,946,931	425,096
2009	6,918,271	5,429,662	2,807,913	1,353,131	2,148,817	379,899
2010	9,311,280	5,186,693	3,087,913	958,219	2,250,807	330,188
2011-2015	42,669,978	19,733,984	14,572,120	3,433,479	9,052,903	909,557
2016-2020	26,328,580	12,279,880	6,106,418	764,308	3,100,000	107,160
2021-2025	15,055,000	8,519,336	-	-	-	-
2026-2030	18,710,000	5,129,606	-	-	-	-
2031-2033	<u>13,350,000</u>	<u>1,115,901</u>	-	-	-	-
Total payments	<u>\$149,034,480</u>	<u>74,521,357</u>	<u>33,688,067</u>	<u>11,226,676</u>	<u>22,087,453</u>	<u>3,128,469</u>

(17) Capitalized Lease Obligations

Primary Government

**Outstanding at
June 30, 2005**

Property Lease

In 2001, the City of Pasadena entered into a lease purchase agreement in the amount of \$4,000,000 with Community Bank for the acquisition of the property located at 965 N. Fair Oaks Avenue, a 2.5 acre parcel of improved land. Lease payments are budgeted in the General Fund. Principal and interest are paid semi-annually. The rate of interest varies from 4.95% to 12.00%. Principal installments range from \$59,000 to \$300,053 commencing June 27, 2001, and ending December 27, 2021.

\$3,410,194

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(17) Capitalized Lease Obligations, (Continued)

Primary Government, (Continued)

**Outstanding at
June 30, 2005**

Equipment Leases

In 1999, the City of Pasadena entered into a lease-purchase agreement in the amount of \$5,918,500 with City National Bank for the acquisition of equipment, which is then leased to the City of Pasadena. Lease payments are budgeted in the department that purchased the equipment based on their share of the total financing. Principal and interest are paid quarterly. The rate of interest is 5.2%. Principal installments range from \$149,000 to \$224,000 commencing February 4, 2001 and ending November 4, 2007.

2,122,013

In September 2001, the City entered into a seven-year capital lease in the amount of \$1,500,000 with Community Bank to finance the purchase of equipment needed for the operation of the Paseo Colorado Parking Garage. The terms of the lease require semi-annual interest payments from \$4,356 to \$65,259 with a rate of 4.95% per annum, maturing on September 28, 2008.

834,633

In March 2005, the City of Pasadena entered into a lease-purchase agreement in the amount of \$6,500,000 with Community Bank for the acquisition of equipment, which is then leased to the City of Pasadena. Lease payments will be budgeted in the department that purchases the equipment based on their share of the total financing. Principal and interest are due semi-annually. The rate of interest is 3.150%. Principal installments range from \$606,126 to \$688,255 commencing September 30, 2006 and ending March 31, 2011.

6,500,000

Total primary government capitalized lease obligations

\$12,866,840

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(17) Capitalized Lease Obligations, (Continued)

Primary Government, (Continued)

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Land	\$4,000,000	-
Machinery and Equipment	758,621	5,863,134
Furniture and Fixtures	19,030	444,006
Total	<u>\$4,777,651</u>	<u>6,307,140</u>

Future minimum lease payment requirements under capitalized lease obligations as of June 30, 2005 are as follows:

Year June 30	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>Property Lease</u>		<u>Equipment Lease</u>		<u>Equipment Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 149,962	169,299	140,350	200,602	894,737	151,702
2007	157,582	161,679	1,246,300	184,471	1,069,145	99,724
2008	165,175	154,086	1,210,233	142,116	747,093	44,353
2009	173,984	145,277	1,169,256	104,638	262,528	16,111
2010	182,825	136,436	1,206,375	67,517	135,525	7,585
2011-2015	1,062,932	533,374	1,236,227	29,213	138,877	3,283
2016-2020	1,361,976	234,329	-	-	-	-
2021-2025	<u>155,758</u>	<u>3,919</u>	-	-	-	-
Total payments	<u>\$3,410,194</u>	<u>1,538,399</u>	<u>6,208,741</u>	<u>728,557</u>	<u>3,247,905</u>	<u>322,758</u>

CITY OF PASADENA
Notes to the Basic Financial Statements, (Continued)
Year Ended June 30, 2005

(18) Unreserved Fund Balances – Primary Government

Unreserved fund balances for governmental funds at June 30, 2005 consisted of the following:

	<u>General</u>	<u>Project Management</u>	<u>2003 Variable Rate Demand COP</u>	<u>PCDC Debt Service</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Designated for:						
Retirement system contributions	\$ 3,000,000	-	-	-	-	3,000,000
Capital projects	-	-	-	-	29,402,332	29,402,332
Emergency/capital improvement programs	13,879,446	-	-	-	-	13,879,446
City Hall seismic retrofit	22,359,315	-	-	-	-	22,359,315
Permanent Fund purposes	-	-	-	-	970,816	970,816
Total designated	39,238,761	-	-	-	30,373,148	69,611,909
Undesignated:						
General purpose, debt service, and special revenue purpose	22,757,491	6,898,034	59,271,930	(24,786,221)	53,799,296	117,940,530
Total unreserved fund balances	<u>\$ 61,996,252</u>	<u>6,898,034</u>	<u>59,271,930</u>	<u>(24,786,221)</u>	<u>84,172,444</u>	<u>187,552,439</u>

CITY OF PASADENA

Notes to the Basic Financial Statements, (Continued)

Year Ended June 30, 2005

(19) Restricted Net Assets – Proprietary Fund

In 1998, the City Council established a Reserve for Stranded Investment (Reserve) and imposed a Stranded Investment Surcharge (SIS) on all electric utility bills. Several sources of funding along with the SIS, were identified and funding for the Reserve began. As of June 30, 2002, it was determined that the Reserve was fully funded with no additional contributions required and the SIS was discontinued. All funds deposited into the Reserve, including investment earnings, were recorded as income during the year collected or realized. As of July 1, 2004, the market value of the Reserve was \$141,677,594. This amount was reflected on the Statement of Net Assets for the Light and Power Fund as restricted cash. The following chart reflects additions and subtractions from the Reserve that occurred during fiscal year 2005. The withdrawal of \$4.3 million from the Reserve represents an “internal” transfer of cash from the Reserve to unrestricted net assets, all within the Light and Power fund. This also frees up a comparable dollar amount of restricted cash.

From an accounting perspective, this transaction only impacts the Statement of Net Assets and is not reflected on the statement of revenues and expenses. The fact that the cost of purchase power exceeded the revenues associated with purchase power only reduces operating income for the fiscal year. In any given fiscal year, this fact could result in a net operating loss; a fact contemplated at the time the Reserve was established.

As of June 30, 2005, the City has calculated its Stranded Investment to be \$81.3 million, while the market value of the Reserve is \$144.2 million.

Light and Power-Stranded Investments:

Beginning Balance July 1, 2004	\$141,677,594
Interest Earnings	5,712,951
Market gain/losses	1,128,223
Release to unrestricted net assets	<u>(4,330,000)</u>
Ending Balance on June 30, 2005	<u>\$144,188,768</u>