

# **CITY OF PASADENA**

## **Principal City Officials**

### **CITY COUNCIL**

Mayor	Bill Bogaard
Vice-Mayor	Steve Madison (District 6)
Council Member	Paul Little (District 2)
Council Member	Joyce Streater (District 1)
Council Member	Chris Holden (District 3)
Council Member	Steve Haderlein (District 4)
Council Member	Victor Gordo (District 5)
Council Member	Sidney F. Tyler, Jr. (District 7)

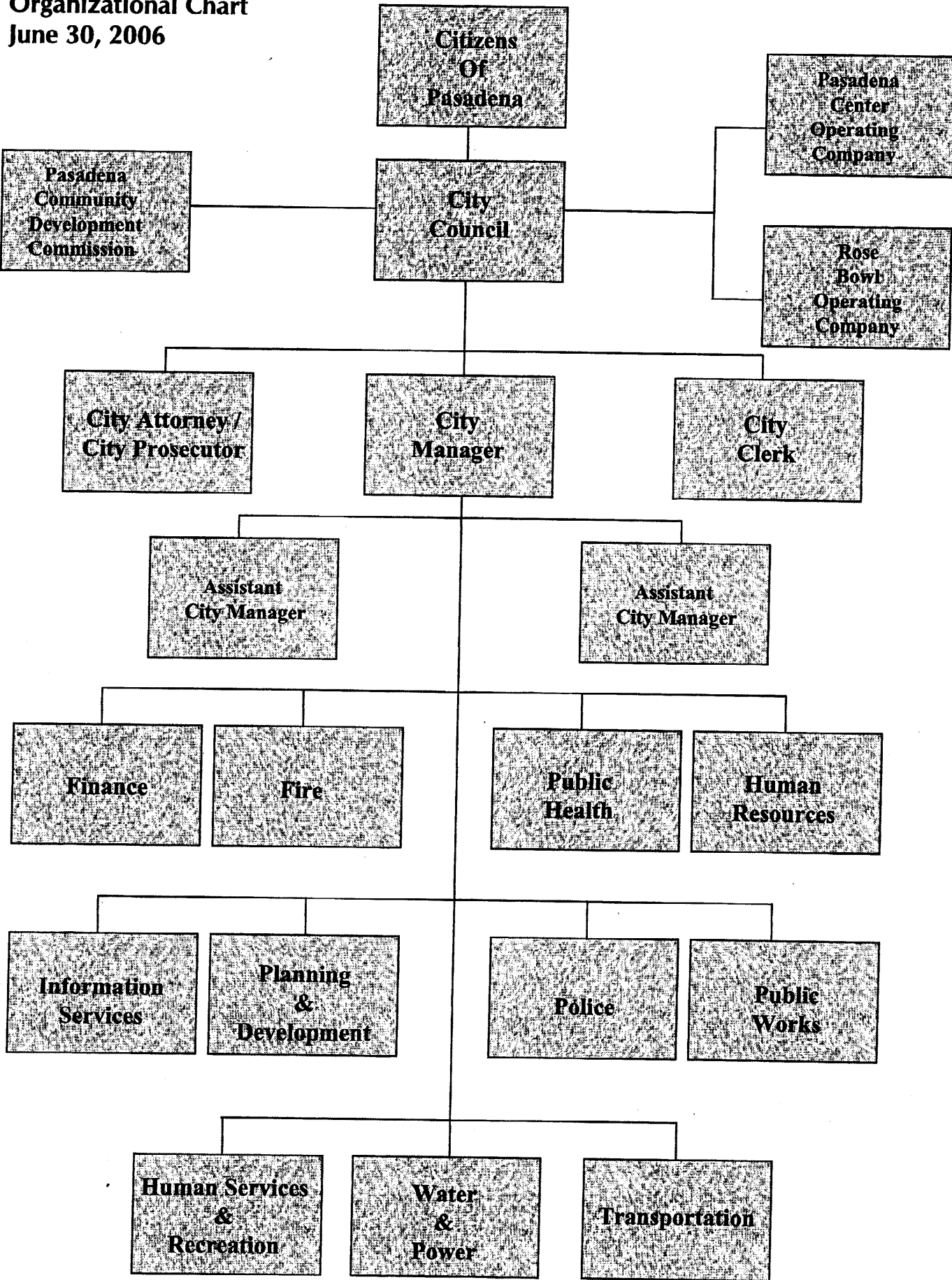
### **APPOINTED OFFICIALS**

City Manager	Cynthia J. Kurtz
City Attorney / City Prosecutor	Michele Beal Bagneris
City Clerk	Jane L. Rodriguez

### **EXECUTIVE STAFF**

Assistant City Manager	Julie Gutierrez
Assistant City Manager	Brian K. Williams
Director of Finance	Stephen C. Stark
Fire Chief	Dennis J. Downs
Director of Human Resources	Karyn S. Ezell
Director of Human Services and Recreation	Patricia Lane
Director of Information Services	Jan Sanders
Chief Information Technology Officer	John Pratt
Chief Prosecutor	Constance Orozco-Morgan
Director of Planning and Development	Richard J. Bruckner
Police Chief	Bernard K. Melekian
Director of Public Health	Wilma Allen
Director of Public Works	Martin Pastucha
Director of Transportation	Joyce Amerson
General Manager of Water and Power	Phyllis Currie
Chief Executive Officer of Pasadena Center Operating Company	Michael Ross
General Manager, Rose Bowl Operating Company	Darryl Dunn

**CITY OF PASADENA  
Organizational Chart  
June 30, 2006**



**CITY OF PASADENA**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2006**

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Pasadena,  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Carla E. Perry*

President

*Jeffrey R. Emery*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Pasadena for our Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.

In order to be awarded a certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

**CITY OF PASADENA**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2006**

*California Society of  
Municipal Finance Officers*

**Certificate of Award**

***Outstanding Financial Reporting 2004-05***

**Presented to the**

***City of Pasadena***



*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***February 24, 2006***

*William A. Thomas*

**Bill Thomas, Chair  
Professional & Technical Standards Committee**

***Dedicated to Excellence in Municipal Financial Management***

---

On February 24, 2006, the California Society of Municipal Finance Officers (CSMFO) awarded the City of Pasadena its Award for Outstanding Financial Report, for the fiscal year ended June 30, 2005. To qualify for this award, a governmental unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to award program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

---

Financial  
Section



**Mayer Hoffman McCann P.C.**

An Independent CPA Firm

**Conrad Government Services Division**

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

City Council  
City of Pasadena  
Pasadena, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pasadena, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Pasadena. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Fire and Police Retirement System Pension Trust Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that fund, is based solely on the report of the other auditors. The prior year summarized comparative financial information has been derived from the City's 2005 financial statements which were audited by Conrad and Associates, L.L.P., who merged with Mayer Hoffman McCann P.C. as of January 1, 2006, and whose report dated October 5, 2005 expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pasadena, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of the City of Pasadena, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City Council  
City of Pasadena  
Pasadena, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pasadena's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Angus Hoffman Malcom P.C.*

Irvine, California  
September 28, 2006

**(This page intentionally left blank)**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pasadena, we offer readers of the City of Pasadena's financial statements this narrative overview and analysis of the financial activities of the City of Pasadena for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found on pages 1-10 of this report.

## FINANCIAL HIGHLIGHTS

- The primary government assets of the City of Pasadena exceeded liabilities at the close of fiscal year 2006 by \$ 760,113,593 (*net assets*). Of this amount, \$135,634,318 (*unrestricted net assets*) is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The primary government's total net assets increased by \$50,790,635. Approximately 95.1 percent of this increase is attributable to the increase of the Governmental Activities.
- As of the close of fiscal year 2006, the City of Pasadena's governmental funds reported combined ending fund balances of \$231,637,967 a decrease of \$18,331,913 in comparison with the prior year. Approximately 63.54 percent of the total amount, \$146,911,007 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of 2006, unreserved fund balance for the General Fund was \$72,400,797 or 46.9 percent of total general fund expenditures.
- The City of Pasadena's total debt had a net decrease of \$12,646,818 or 2.1 percent during fiscal year 2006.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Pasadena's basic financial statements. The City of Pasadena's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pasadena's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Pasadena's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Pasadena is improving or deteriorating.

The *statement of activities* presents information to show how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Pasadena that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Pasadena include general government, public safety, transportation, sanitation, health, culture and leisure, and community development. The business-type activities of the City of Pasadena include electric, water, refuse, parking, and telecommunication operations.

The basic government-wide financial statements can be found on pages 34-37 of this report.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The City of Pasadena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Pasadena can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Pasadena maintains forty three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Project Management Capital Project Fund, and the Community Development Commission Debt Service Fund, all of which are considered to be major funds. Data from the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Pasadena adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 38-44 of this report.

### **Proprietary Funds**

The City of Pasadena maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Pasadena uses enterprise funds to account for its electric, water, refuse, parking, and telecommunication operations. *Internal service* funds are an accounting device used to accumulate and allocate costs internally among the City of Pasadena's various functions. The City of Pasadena uses internal service funds to account for its computing and communication, building maintenance, fleet maintenance, benefits, leasing of equipment, machinery, vehicles and the acquisition and construction of real property from the Pasadena Civic Improvement Corporation, workers' compensation, general liability, printing services, and mail services. Because each of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Light and Power, Water, Old Pasadena Parking, and Paseo Colorado Parking Funds, each of which are considered to be major funds of the City of Pasadena. Conversely, each of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report. Data from the other three proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 46-53 of this report.

### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Pasadena's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 54-55 of this report.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 59-151 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Pasadena's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 153-155 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 158-159 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pasadena, assets exceeded liabilities by \$ 760,113,593 at the close of the most recent fiscal year.

Approximately 55.3 percent of the City of Pasadena's net assets reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Pasadena uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Pasadena's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Pasadena's Net Assets

	Governmental Activities		Business Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 345,880,052	357,714,702	292,554,164	315,152,883	638,434,216	672,867,585
Capital assets	395,703,406	329,492,499	410,150,389	394,563,527	805,853,795	724,056,026
<b>Total Assets</b>	<b>741,583,458</b>	<b>687,207,201</b>	<b>702,704,553</b>	<b>709,716,410</b>	<b>1,444,288,011</b>	<b>1,396,923,611</b>
Long-term debt outstanding	360,049,980	360,370,767	239,717,847	249,570,388	599,767,827	609,941,155
Other liabilities	61,340,974	53,490,500	23,065,617	22,752,848	84,406,591	76,243,348
<b>Total Liabilities</b>	<b>421,390,954</b>	<b>413,861,267</b>	<b>262,783,464</b>	<b>272,323,236</b>	<b>684,174,418</b>	<b>686,184,503</b>
Net assets:						
Invested in capital assets, net of debt	247,551,661	177,709,746	172,776,299	144,993,139	420,327,960	322,702,885
Restricted	13,040,798	11,020,740	191,110,517	184,290,342	204,151,315	195,311,082
Unrestricted	59,600,045	84,615,448	76,034,273	108,109,693	135,634,318	192,725,141
<b>Total Net Assets</b>	<b>320,192,504</b>	<b>273,345,934</b>	<b>439,921,089</b>	<b>437,393,174</b>	<b>760,113,593</b>	<b>710,739,108</b>

An additional portion of the City of Pasadena's net assets \$204,151,315 or 26.9 percent represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$135,634,318 or 17.9 percent is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.

At the end of the 2006 fiscal year, the City of Pasadena is able to report positive balances in all three categories of net assets for the government as a whole.

During the 2006 fiscal year, the primary government's net assets increased by \$50.8 million. Approximately 95.0 percent of this increase is represented in the City's Governmental Activities.

(Balance of page intentionally left blank)

### City of Pasadena's Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 57,822,175	55,590,518	205,862,910	193,174,548	263,685,085	248,765,066
Operating grants and contributions	34,841,585	32,559,574	2,693,420	2,763,877	37,535,005	35,323,451
Capital grants and contributions	16,113,238	22,602,171	-	-	16,113,238	22,602,171
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes, levied for						
general purpose	51,115,947	46,267,839	-	-	51,115,947	46,267,839
Sales taxes	33,992,089	34,025,536	-	-	33,992,089	34,025,536
Utility users' tax	26,766,277	26,638,754	-	-	26,766,277	26,638,754
Transient occupancy tax	8,480,672	7,444,810	1,765,939	1,438,821	10,246,611	8,883,631
Construction tax	3,223,420	3,974,255	-	-	3,223,420	3,974,255
Business license tax	5,288,965	4,147,408	-	-	5,288,965	4,147,408
Franchise taxes	2,193,997	2,078,654	1,658,664	1,109,812	3,852,661	3,188,466
Other taxes	5,721,149	5,475,612	-	-	5,721,149	5,475,612
Other intergovernmental	13,478,384	14,213,101	-	-	13,478,384	14,213,101
Investment earnings	11,285,746	10,090,949	10,059,307	9,895,187	21,345,053	19,986,136
Net change in fair value						
of investments	(2,465,831)	(311,536)	(5,604,708)	906,515	(8,070,539)	594,979
Gain on sale of assets	23,003	-	-	1,105,836	23,003	1,105,836
Miscellaneous revenues	9,428,706	12,094,100	3,905,450	4,244,406	13,334,156	16,338,506
<b>Total revenues</b>	<b>277,309,522</b>	<b>276,891,745</b>	<b>220,340,982</b>	<b>214,639,002</b>	<b>497,650,504</b>	<b>491,530,747</b>
<b>Expenses:</b>						
General government	38,300,960	50,247,744	-	-	38,300,960	50,247,744
Public safety	82,372,339	78,920,431	-	-	82,372,339	78,920,431
Transportation	42,277,246	37,322,322	-	-	42,277,246	37,322,322
Sanitation	3,103,965	2,408,961	-	-	3,103,965	2,408,961
Health	11,547,887	10,833,974	-	-	11,547,887	10,833,974
Culture and leisure	24,725,157	23,378,691	-	-	24,725,157	23,378,691
Community development	33,654,958	31,592,887	-	-	33,654,958	31,592,887
Interest and other fiscal charges	15,978,523	15,739,971	-	-	15,978,523	15,739,971
Electric	-	-	143,062,795	125,858,810	143,062,795	125,858,810
Water	-	-	29,423,662	30,281,320	29,423,662	30,281,320
Refuse	-	-	10,737,103	9,331,267	10,737,103	9,331,267
Parking	-	-	11,292,758	10,727,150	11,292,758	10,727,150
Telecommunication	-	-	382,516	415,503	382,516	415,503
<b>Total expenses</b>	<b>251,961,035</b>	<b>250,444,981</b>	<b>194,898,834</b>	<b>176,614,050</b>	<b>446,859,869</b>	<b>427,059,031</b>
Increase (decrease) in net						
assets, before transfers	25,348,487	26,446,764	25,442,148	38,024,952	50,790,635	64,471,716
<b>Transfers</b>	<b>22,914,233</b>	<b>16,587,550</b>	<b>(22,914,233)</b>	<b>(16,587,550)</b>	<b>-</b>	<b>-</b>
Increase (decrease) in net assets	48,262,720	43,034,314	2,527,915	21,437,402	50,790,635	64,471,716
<b>Net assets at beginning of year,</b>						
<b>as restated</b>	<b>271,929,784</b>	<b>230,311,620</b>	<b>437,393,174</b>	<b>415,955,772</b>	<b>709,322,958</b>	<b>646,267,392</b>
<b>Net assets at end of year</b>	<b>\$ 320,192,504</b>	<b>273,345,934</b>	<b>439,921,089</b>	<b>437,393,174</b>	<b>760,113,593</b>	<b>710,739,108</b>

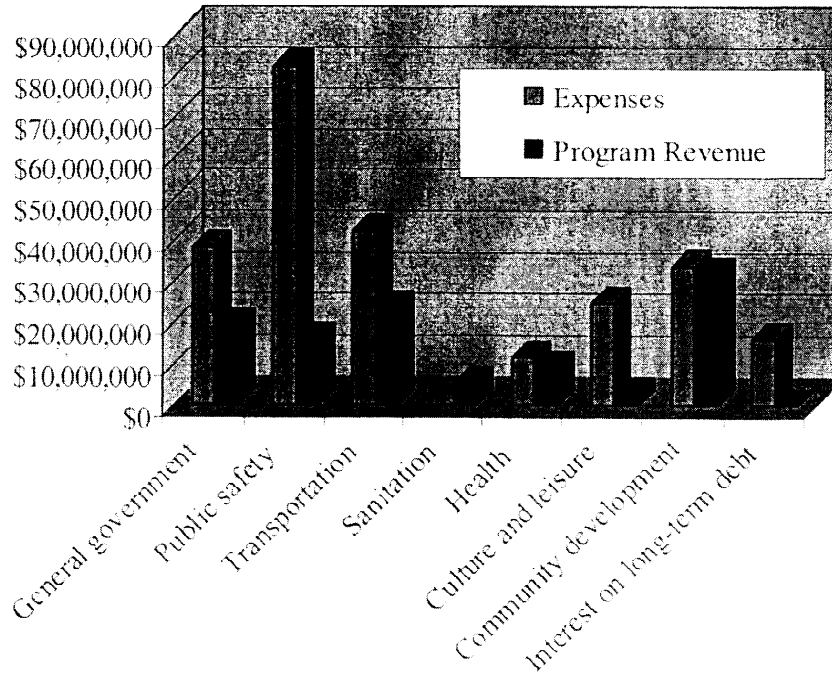
## **Governmental Activities**

Governmental activities increased City of Pasadena's net assets by \$48.3 million. Key elements of this increase are as follows:

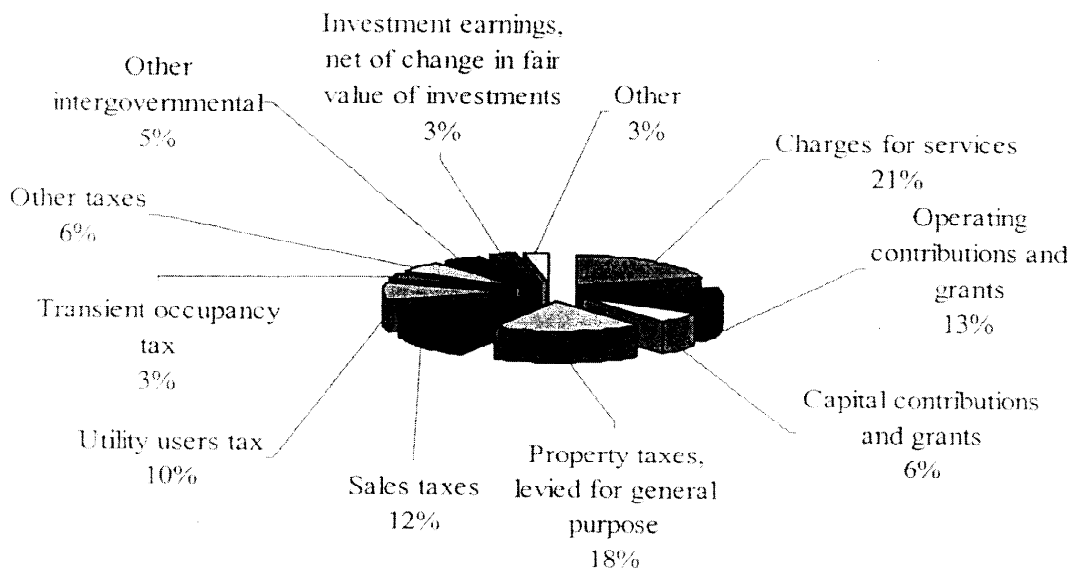
- Total Program Revenues (Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions) decreased by \$2 million or 1.8 percent from the prior year. Capital Grants and Contributions decreased \$6.5 million or 28.7 percent. This decrease was offset by increases in Charges for Services and Operating Grants and Contributions, which increased \$2.2 million or 4.1 percent and \$2.3 million or 7.0 percent, respectively.
- Tax revenue increased by \$6.7 million or 5.2 percent increase from fiscal year 2005. This change was due primarily to an increase in property taxes (\$4.8 million), transient occupancy tax (\$ 1.0 million), and business license tax (\$ 1.1 million).
- Investment earnings increased 12.7 percent from \$10.1 million to \$11.4 million. The main cause for the increase is that short term interest rates rose during FY06. From June 30, 2005 to June 30, 2006, the Federal Reserve raised rates eight times in during the current fiscal year, increasing the rate from 3.25% to 5.25%
- Total expenses increased from fiscal year 2005 by \$1.5 million or .6 percent. This is primarily driven by a decrease in General Government expenses by \$11.9 million or 23.8 percent compared to the prior fiscal year, primarily related to the change in net pension obligations in comparison to the changes in the prior fiscal year. Transportation increased by \$5.0 million or 13.3 percent. Also, Culture and Leisure increased \$1.3 million or 5.8 percent. Sanitation expenses increased \$.7 million or 28.9 percent from the prior year. Public Safety increased by \$3.5 million or 4.4 percent. Community Development increased \$2.1 million or 6.6 percent.

(Balance of page intentionally left blank)

## Expenses and Program Revenues - Governmental Activities



## Revenues by Sources - Governmental Activities





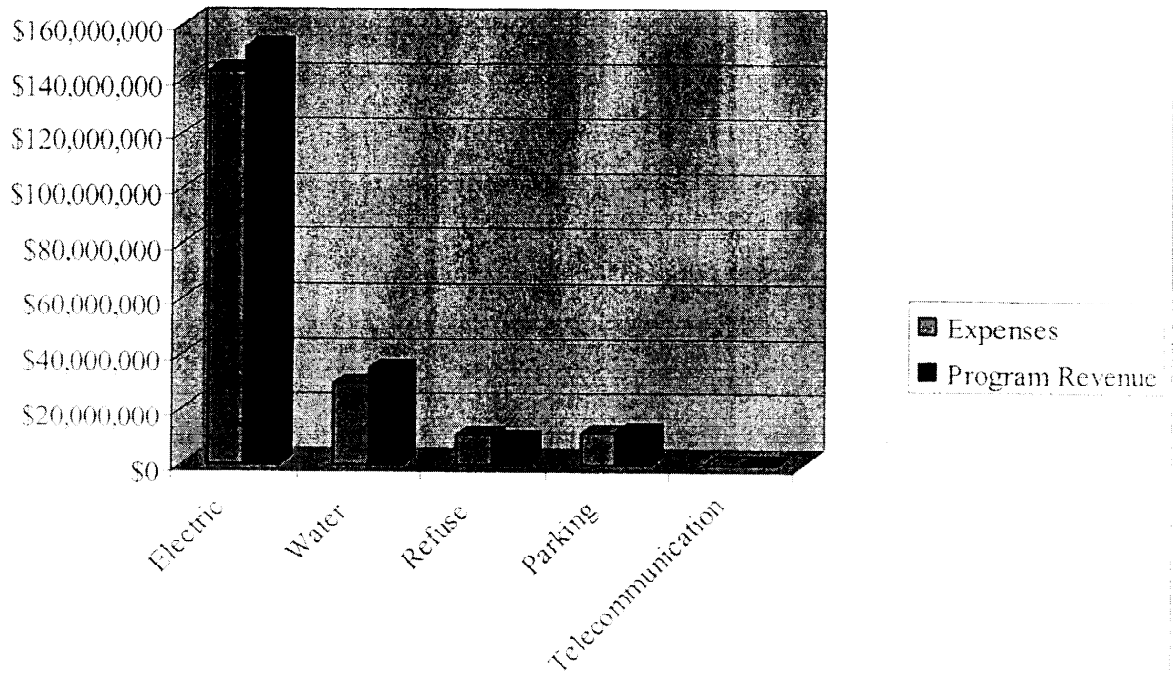
## **Business-Type Activities**

Business-type activities increased the City of Pasadena's net assets by \$2.5 million accounting for 4.3 percent of the total growth in the primary government's net assets. Key elements of this increase are as follows:

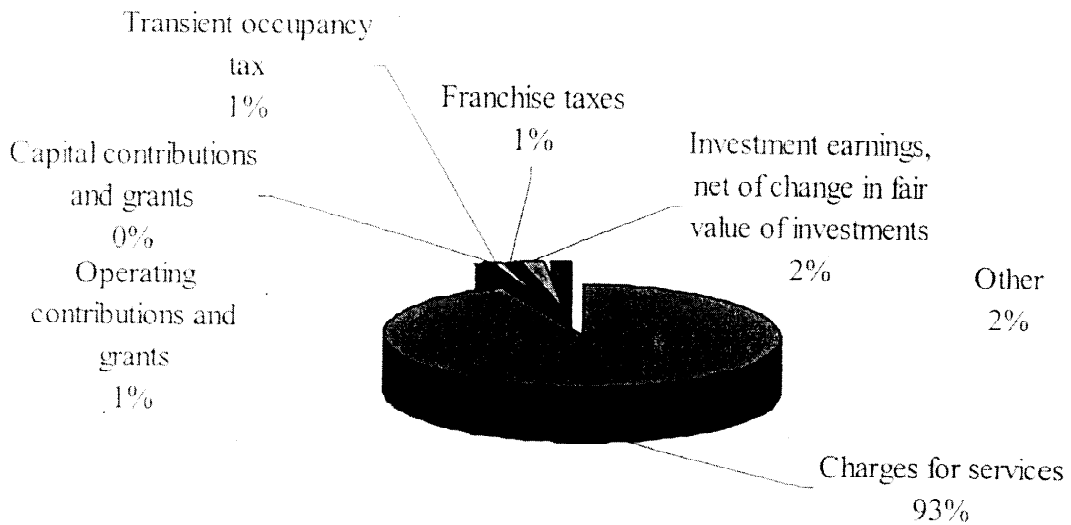
- Total Program Revenues increased from the prior year by \$12.6 million or 6.5 percent. Charges for services revenue comprised the majority of this \$12.7 million or 6.6 percent increase from the prior fiscal year. Of this total increase, Electric revenues increased \$11.3 million or 8.0 percent. As a consequence of Pasadena's turning over operational control of its transmission facilities and entitlements to the California Independent System Operator Corporation (CALISO), the Light and Power Division derived \$10.6M revenue this year, up by \$6.2M. This was effective January 1, 2005 with fiscal year 2006 as a full implementation year. Additionally, due to this year's high energy costs, PWP increased the PCA (Purchase charge adjustment) by .005 per KWH usage beginning October 1, 2005 which brought in \$3M this year. Fiscal year 2006 usage increased by 3% or 30, 781 MWH translating into a \$3M increase in revenue.
- Total business-type activities expenses increased by \$18.2 or 10.3 percent from \$176.6 million for the prior year to \$194.8 million for the current year. The expenses for the Electric function accounted for 94.7 percent of the increase. Electric expenses increased \$17.2 million or 13.7 percent from \$125.9 million to \$143.1 million. The main reason for this increase is due to the increased cost of energy, fuel and purchased power.

(Balance of page intentionally left blank)

### Expenses and Program Revenues - Business-type Activities



### Revenue by Sources - Business-type Activities



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Pasadena uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City of Pasadena's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Pasadena financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2006 fiscal year, the City of Pasadena's governmental funds reported combined ending fund balances of \$231,637,967 a decrease of \$19.7million or 7.9 percent in comparison with the prior year. Approximately 63.4 percent of this total amount, \$146,911,007 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. Of this unreserved fund balance, \$54,847,020 is future capital projects. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) \$13,084,806 to liquidate contracts and purchase orders of the prior period, 2) \$38,780,430 to pay debt service, and 3) \$32,861,724 fund balance reserved for non-current assets, such as notes receivable, prepaid and other assets, advances to other funds, and property held for resale.

The General Fund is the chief operating fund of the City of Pasadena. At the end of the 2006 fiscal year, unreserved fund balance of the General Fund was \$72,400,797, while total fund balance reached \$79,466,412. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46.9 percent of total General Fund expenditures, while total fund balance represents 51.4 percent of that same amount.

The fund balance of the City of Pasadena's General Fund increased by \$10.4 million or 15.1 percent, during 2006 fiscal year. Key factors in this gain are as follows:

- The General Fund had a change in fund balance by about \$.6 million, up from \$9,784,334 for fiscal year 2005 to \$10,384,986 for fiscal 2006. The most significant increase in expenditures from the prior year occurred in General Government, which increased \$3.8 million or 14.5 percent, resulting from increased personnel costs.
- Taxes increased by \$5.0 million or 4.9 percent from the prior year. This increase is comprised mainly of increases in Secured Property Tax of \$3.2 million or 14.7 percent, Transient Occupancy Tax of \$.6 million or 16.3 percent and Business License Tax of \$1.2 million or 30.8 percent from the prior year.
- Intergovernmental Revenues decreased \$.5 million or 4.0 percent from the prior year. The largest decrease in intergovernmental revenue was for the Motor Vehicle In Lieu Tax. The total amount received in fiscal year 2006 was \$10.5 million, a decrease of \$.9 million from the prior year. This decrease was offset by an increase in Emergency Medical Aid Response revenue which was \$3.6 million for 2006 compared to \$3.0 million for 2005, an increase of \$.5 million or 16.3 percent.

- Charges for services increased \$1.7 million or 6.7 percent from the prior year.

The Project Management Capital Project Fund has a fund balance of \$5,876,712, which is a decrease of \$1.0 million or 14.8 percent from the prior year. The key factors contributing to this decrease are as follows:

- A decrease of \$7.7 million in Intergovernmental Revenues received for the Los Angeles to Pasadena Blue Line Construction Authority. No such funding was received in the current year.
- Total revenues decreased \$9.7 million or 53.8 percent, whereas total expenditures increased \$36.3 million or 93.7 percent.
- Other financing sources increased by \$40.1 million or 156.2 percent from \$25.7 million in 2005 to \$65.8 million in 2006.

The Community Development Commission Debt Service Fund has a total fund deficit of \$25,362,581. The deficit exists since GAAP requires the debt service funds to record advances from other funds as a liability. At June 30, 2006, the balance in advances from other funds is \$32,837,550. The net change in fund balance during the current year in the debt service fund is \$.6 million or 2.4 percent increase from the prior year deficit balance of \$24,786,221.

### **Proprietary Funds**

The City of Pasadena's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Light and Power Fund at the end of the year amounted to \$68,754,287 and those for the Water, Old Pasadena Parking, and Paseo Colorado Parking Funds amounted to \$1,532,071, (\$648,339) and (\$1,413,887); respectively. The total net income (loss) for each fund was (\$5,961,536), \$5,642,356, \$1,827,373, and (\$461,824); respectively.

In the Light and Power Fund, \$1.0 million operating transfer in was reimbursed from the Project Management Fund to pay for all underground projects done by the Power Division. The significant increase in operating expenses from the prior year was the driver in the net loss for fiscal year 2006. Operating expenses increased \$17.6 million or 14.7 percent from \$119,558,593 to \$137,125,392 due to the increase in energy costs, fuel and purchased power, particularly spot market purchases which soared by 20 percent or \$15.4 million due to the aftermath of the hurricanes in the east coast. Other production expenses increased by \$1.6 million.

Water Fund operating expenses decreased by \$.9 million or 3.2 percent from the prior year. The \$1.4 million or 8.8 percent decrease in utility production expenses from the prior year was offset by the \$.6 million or 15.8 percent increase in utility transmission and distribution expenses. The significant increase in this line item was for the maintenance of transmission and distribution main and related maintenance services which included labor, materials, equipment usage and outside services not related to capital projects.

Old Pasadena Parking Fund net income increased \$1.2 million from the prior year or 183.1 percent. The reason for the increase was mainly due to an increase in operating parking revenue resulting from

increased visitors to Old Pasadena, a new flat rate fee after 10 pm and 24 hour operation. Additionally, the number of monthly parking permits sold have also increased.

Paseo Colorado Parking Funds net income decreased \$.7 million or 350.0% from a net income of \$.2 million to a net loss of \$.5 million. Net income decreased due to an increase in interest expense on its variable rate outstanding debt.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Pasadena's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund final budgeted appropriations increased by \$5.9 million from the original budget or 3.9 percent. The primary reason for the increase from the original budget to the final budget came as a result of the City's payment of its pension obligation to the Fire and Police Retirement System of \$1.4 million. In addition, the City purchased various emergency equipments totaling \$1.9 million. Excluding non-departmental expenditures, the Police Department budget had the largest increase which was \$.9 million or 1.8 percent. The driver behind this increase is personnel costs and fuel. The Public Works and Transportation budget increased \$.7 million or 2.7 percent also due to the increased cost of fuel. City Manager's Budget increased approximately \$.3 million or 12.9 percent of which a majority of increase was due to an increase in personnel costs and the task force on Good Governance. Overall, the differences between the original budget and the final amended budget were relatively minor.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$4.2 million or 2.8 percent. The largest negative variance occurred in the Non-departmental expenditures which exceed the final budget by \$1.8 million. Approximately \$1.7 million of the non-departmental expenditures is related to billable projects which do not typically have budgets.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City of Pasadena's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$805,853,795, net of accumulated depreciation. This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the City of Pasadena's investment in capital assets for the current fiscal year was 11.3 percent (a 20.1 percent increase for governmental activities and a 4.0 percent increase for business-type activities).

Major capital asset events during the 2006 fiscal year included the following:

- Improvement and maintenance of city-owned facilities continues to be a priority. The preventive maintenance project provides funding that helps maintain the buildings in their current condition and aids in the prevention of further deterioration. During fiscal year 2006, \$940,683 was spent on