CITY OF PASADENA

FINANCIAL STATUS REPORT

FISCAL YEAR 2011

THROUGH DECEMBER

This forecast reflects financial activity through December 31, 2010. Based on General Fund financial activity through December, the anticipated revenue shortfall of $4.1 million will be offset by anticipated expense budget savings of $4.5 million. With the exception of Health Fund and the Building Services Fund, financial activity in other City funds appears to be on target with budget estimates. A more detailed discussion of these funds and the General Fund is included later in this report.

Per special legislation, costs associated with the FPRS pension are covered per a reimbursement agreement with the Pasadena Community Development Corporation. Annual FPRS costs fluctuate greatly from year to year. The FPRS revenue and expense amounts for FY 2011 are approximately $8 million compared to $5 million in FY 2010. This results in skewing the financial analysis for General Fund revenues and expenses. Consequently, costs and revenues related to the FPRS pension have been excluded from the various tables in this report.

Prepared by:
City of Pasadena
Finance Department – Budget Division

CITY OF PASADENA

FINANCIAL STATUS REPORT

GENERAL FUND REVENUE FORECAST

General Fund revenues are forecast to be approximately $4.1 million below budget. Property and sales taxes which make up approximately one-third of General Fund revenues are on target with the budget. The projected revenue shortfall is primarily the result of lower than anticipated revenues in the following three areas:

- Taxes (primarily the Utility Users Tax)
- Fines and Forfeitures
- Use of Money and Property

FY 2011 Utility User Tax (UUT) revenues to the General Fund are projected to end FY 2011 approximately $2.2 million below budget. Pasadena Water & Power (PWP) accounts for approximately 50 percent of the City's UUT revenues and is reporting a slight reduction in both electricity and water sales. The other 50 percent of UUT revenues are generated by cable television, telephone, and other non-City operated public utilities. These non-City operated utilities are also generating lower than anticipated UUT revenues.

Fiscal Year 2011 General Fund Forecast

General Fund	Forecast	Adopted Budget	Projected Variance Amount	%
Expense				
Personnel	$124,735,732	$127,917,934	$3,182,202	2.5%
Supplies, Services and Miscellaneous	24,429,676	25,709,355	1,279,679	5.0%
Internal Service	14,600,305	14,600,305	0	0.0%
Transfers Out	49,052,098	49,052,093	(5)	(0.0%)
Expense Total	**$212,817,811**	**$217,279,687**	**$4,461,876**	**2.1%**
Revenue				
Property Tax	$38,500,000	$38,300,000	$200,000	0.5%
Sales Tax	30,000,000	30,000,000	0	0.0%
Transient Occupancy Taxes	7,457,770	7,300,000	157,770	2.2%
Utility Taxes	29,525,466	31,732,000	(2,206,534)	(7.0%)
Other Taxes	17,161,015	16,635,000	526,015	3.2%
Licenses and Permits	2,373,201	2,574,088	(200,887)	(7.8%)
Charges For Services	25,342,124	25,078,540	263,584	1.1%
Fines and Forfeitures	4,495,237	6,311,000	(1,815,763)	(28.8%)
Intergovernmental	13,714,189	12,853,000	861,189	6.7%
Use of Money & Property	20,591,303	21,824,153	(1,232,850)	(5.6%)
Miscellaneous Revenue	1,204,807	1,054,395	150,412	14.3%
Operating Transfers In	17,233,851	18,074,581	(840,730)	(4.7%)
Revenue Total	**$207,598,963**	**$211,736,757**	**($4,137,794)**	**(2.0%)**
General Fund Surplus/(Deficit) Total	**($5,218,848)**	**($5,542,930)**	**$324,082**	**5.8%**

The revenue category "Other Taxes" is one area of improved financial performance since the last Financial Status Report. Other Taxes – which includes Franchise Fees, Business Licenses, Construction, and Street Light and Traffic Signal taxes – was projected to experience an unfavorable shortfall of $635,000. Based on additional revenue data, it appears that the previous forecast was too conservative. The current forecast now projects that revenues from Other Taxes will be higher than budgeted by only $526,000 (3.2 percent).

The lagging economy is the primary cause of the anticipated shortfalls in the Fines and Forfeitures and Use of Money categories. Fines and Forfeiture revenues are projected to be under budget by $1.8 million (28.8 percent). Parking and traffic fines are the principle sources of Fines and Forfeiture Revenues in the General Fund. With the exception of Photo Red Light Traffic Fines, which are tracking at budget, all other fine-related revenues are performing below budget. With a budget of $4.5 million, parking citation fines account for more than

2011 Year-to-Date Actual versus 2010 Year-to-Date Actual

	Fiscal Year 2011			Fiscal Year 2010	
General Fund	**Year-to-Date Actual**	**% of Budget**	**Change From Fiscal Year 2010**	**Year-to-Date Actual**	**% of Budget**
Expense					
Personnel	$63,483,409	49.6%	($871,789)	$64,355,198	47.3%
Supplies, Services & Miscellaneous	11,453,437	44.5%	365,881	11,087,556	31.9%
Internal Service	7,300,555	50.0%	(223,896)	7,524,451	51.4%
Transfers Out	16,799,569	34.2%	(1,040,910)	17,840,479	36.9%
Expense Total	**$99,036,970**	**45.6%**	**($1,770,714)**	**$100,807,684**	**43.1%**
Revenue					
Property Tax	$16,518,127	43.1%	($2,029,295)	$14,488,832	28.0%
Sales Tax	7,435,511	24.8%	($383,885)	7,051,626	21.1%
Transient Occupancy Taxes	3,720,813	51.0%	($151,237)	3,569,576	44.6%
Utility Taxes	13,346,496	42.1%	$291,792	13,638,288	41.2%
Other Taxes	7,990,294	48.0%	($355,247)	7,635,047	45.8%
Licenses and Permits	1,146,259	44.5%	($99,669)	1,046,590	52.0%
Charges For Services	14,626,170	58.3%	($4,975,994)	9,650,176	105.4%
Fines and Forfeitures	2,752,721	43.6%	$381,433	3,134,154	37.5%
Intergovernmental	596,951	4.6%	($279,991)	316,960	17.3%
Use of Money & Property	7,091,054	32.5%	$755,891	7,846,945	31.1%
Miscellaneous Revenue	658,968	62.5%	($133,009)	525,959	54.6%
Operating Transfers In	14,518,907	80.3%	$12,718,880	27,237,787	112.2%
Revenue Total	**90,402,271**	**42.7%**	**$5,739,671**	**$96,141,942**	**44.8%**
General Fund Surplus/(Deficit) Total	**($8,634,699)**		**$3,968,957**	**($4,665,742)**	

70 percent of annual Fine and Forfeiture revenues. Parking citation-related revenues are forecast to be approximately $1.8 million under budget. Other areas within the Fines and Forfeitures revenue category projected to be below budget include Traffic Safety, Bail Forfeitures, and Burglar Alarm Fines.

Use of Money and Property, which includes investment and rental income, is projected to be $1.2 million below budget. This unfavorable variance can be attributed to investment earnings. The shortfall in investment earnings is caused by a combination of decreased idle cash and lower available yields.

GENERAL FUND EXPENSE FORECAST

The forecast of General Fund expenses has improved significantly since the 1st Quarter Financial Status Report. Based on the first three months of the fiscal year, it appeared that General Fund expenses would be $1.8 million under budget. The current projection is that the General Fund will be $4.5 million under budget.

The most significant factor in this revised forecast is related to personnel costs. The prior Financial Status Report projected that personnel-related expenses would be over budget by more than $2.3 million. As stated in the previous update, timing anomalies resulting from payment of payroll expenses would be remedied by the December financial update. Based on data through December, the unfavorable trend has reversed and personnel expenses are forecast to be approximately $3.2 million (2.5 percent) under budget.

Non-labor expenses, primarily in the Supplies and Services category, are forecast to be $1.3 million (5.0 percent) under budget. This favorable variance is $2.8 million lower than last quarter's projection, but continues to reflect a trend of lower-than-budgeted Supplies and Services expenditures. This category of expenses includes most of the City's discretionary spending. As in past years, City management continues to focus on reducing discretionary expenses wherever feasible.

OTHER FUNDS

With the exception of the Health Fund and the Building Services Fund, financial activity in all other City funds appears to be within budget estimates. The Health Fund and the Building Services Fund are reporting expenditures in excess of revenues through the first six months of FY 2011. The Health Fund shortfall reflects timing differences and should be balanced by the end of the fiscal year. The Building Services Fund budget for FY 2011 projected an annual shortfall as a result of recession-related decrease in development activities.

Finance staff continues to monitor all non-General Funds. Future Financial Status Reports will include any significant financial issues in these funds as they are identified.

	Adopted Budget	As of 12/31/2010	% of Budget
Health Fund			
Revenues	$11,545,030	$4,705,538	40.80%
Expenses	$11,545,030	$5,206,987	45.10%
	$0	($501,449)	
Building Services Fund			
Revenues	$4,320,000	$1,868,637	43.30%
Expenses	$5,150,174	$2,160,399	41.90%
	($830,174)	($291,762)	