CITY OF

PASADENA

GLOSSARY OF TERMS

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A

ACCURAL BASIS OF ACCOUNTING

A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

AD VALOREM TAX

(which means "accounting to its value"). A state or local government tax based on the value of real property as determined by the county tax assessor. In the State of California, Proposition 4 limits Ad Valorem taxes. Proposition 13 limits property tax to 1.0 percent of the assessed valuation of the property.

ADOPTED BUDGET

The City Council approved annual budget establishing the legal authority for the expenditure of funds as set forth in the adopting City Council budget resolution.

AFFILIATED AGENCY

A legally separate entity which, because its operations are substantively part of the City's mission and operations, and because the City bears responsibility and accountability for fiscal matters of the entity, is budgeted for and reported on by the City in its budgetary and financial statements.

AGENCY FUND

See Fund, this section.

APPROPRIATION

An authorization by the City Council to make expenditures/ expenses and to incur obligations for a specific purpose within a specific time frame.

ASSESSED VALUATION

A dollar value placed on real estate or other property by Los Angeles County as basis for levying property taxes.

ASSETS

Physical items owned by the City for which a value has been attached.

AUDIT

An examination and evaluation of the City's records and procedures to ensure compliance with specified rules and regulations, and best practices. The City Charter requires a yearly independent financial audit, by an independent certified public accountant that forms an audit opinion regarding the legitimacy of transactions and internal controls. The City complies with provisions of the Single Audit Act of 1984 and US Office of Management & Budget (OMB) Circular A-128, which review federal financial assistance, internal controls, and compliance with federal laws and regulations. Ongoing internal audits are performed to ensure conformity to the City's investment and other corporate policies. Management audits and evaluations of managerial efficiency and effectiveness are also ongoing. (See also CAFR)

B

BALANCED BUDGET

When the total of revenues and other financing sources is equal to or greater than the total of expenditures and other financing uses, the budget is balanced.

BASIS OF ACCOUNTING

The timing of recognition, that is, when the effects of transactions of events are recognized for financial reporting or budgeting purposes. The three basis of accounting for governmental agencies are: (1) cash basis (when cash is received or paid), (2) accrual basis (when the underlying transaction or event takes place), and (3) modified accrual basis (revenues are recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which they become available and measurable and expenditures are recognized in the accounting period in which the fund liability occurred).

BOND

A written promise issued by the City to pay a specific sum of principal amount, at a specific date(s) in the future, together with periodic interest at a special rate to raise capital, usually to pay for the construction of long-term infrastructure projects. Two major

types of bonds include General Obligation Bonds and Revenue Bonds.

BOND PROCEEDS

Funds received from the sale or issuance of bonds.

BONDED DEBT

The amount at which a bond or note is bought or sold above its par value or face value without including accrued interest.

BUDGET

A plan of financial operation comprised of estimated expenditures for a given period (usually a single fiscal year) and the proposed means of financing the expenditures (through revenues).

BUDGET PREPARATION

Process by which the annual fiscal spending plan is prepared by City staff for presentation as the City Manager's recommended budget to the City Council. City Charter requires presentation of the City Manager's recommended budget occur on or before the third Monday in May.

BUDGET REVIEW PROCESS

Process by which the recommended budget is discussed and finalized by the City Manager and City Council in a public hearing.

C

CERTIFICATES OF DEPOSIT (CD)

Investment vehicles issued by nationally or state charted banks or state or federal savings institutions.

CAPITAL BUDGET

A financial plan showing planned expenses, and revenues associated with those expenses, for purchase or construction of capital improvements which have a useful life of over a year. The City of Pasadena prepares a five-year plan called the Capital Improvement Program (CIP) Budget. Appropriations are added to projects each fiscal year as the CIP is adopted.

CAPITAL EXPENDITURES

Money spent to purchase or construct capital improvement projects.

CAPITAL IMPROVEMENTS

A permanent physical addition to the City's assets including the design, construction, and/or purchase of land, buildings, facilities, or major renovations.

CAPITAL OUTLAY

A budget appropriation category for equipment having a unit cost of more than $10,000 and an estimated useful life of over one year.

CAPITAL PROJECTS FUND

See Fund, this section.

CASH BASIS ACCOUNTING

A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CERTIFICATES OF PARTICIPATION (COPS)

Debt instruments used to raise revenue for the City to fund items or activities such as equipment purchases or capital projects. Specific City assets or operating revenues are pledged to guarantee payment of the certificates.

CHARGES FOR SERVICES

Reimbursement for services rendered to the public or to some other program/fund in the City.

CITY CHARTER

The legal authority granted by the State of California establishing the entity known as the City of Pasadena and giving it the ability to provide services and collect revenue to support those services.

CITY MANAGER'S TRANSMITTAL LETTER

A general discussion of the budget. The letter contains an explanation of principal budget items and summaries.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

A federal intergovernmental transfer program to state and local governments which provides minimally - restricted grant moneys for the provision of local health, human service, housing, education, and public welfare needs. The grants are minimally restricted in that the federal government allows the local government to determine the grant uses.

Pasadena makes this determination by performing a needs assessment and then conducting public grant award hearings.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

A yearly report published by the Director of Finance in accordance with Section 907.5 of the City Charter. It provides the Council, residents and other interested parties with information on the financial position of the City and its various agencies and funds. Report contents include a statement of the financial position of the City, a summary of adopted, amended, and previous fiscal years, tabulations of unfunded obligations; amounts paid to retirement systems, and all available reports by the City's independent auditors.

CONSUMER PRICE INDEX (CPI)

A statistical description of price levels provided by the US department of Labor. The change in this index from year to year is used to measure the cost of living and economic inflation.

CORP BOND OR CORPORATE BOND

Debt issued by corporations.

D

DEBT SERVICE

The payment of principal and interest on an obligation resulting from the insurance of bonds, notes, or certificates of participation. Details of expenditures can be found in the Non-Departmental section of the published FY 2018 Adopted Operating Budget.

DEBT SERVICE REQUIREMENTS

The amount of money required to pay interest on outstanding debt and required contributions to accumulate moneys for future retirement of bonds.

DEFICIT

An excess of expenditures or expenses over revenues (resources) during a single accounting period.

DEPARTMENT

A major organizational group of the City with overall management responsibility for an operation or a group of related operations within a functional area.

DEPARTMENTAL EXPENDITURES

Planned spending by individual departments in the City associated with the provision of services and programs to the public.

DEPRECIATION

(1) Expiration in the service life of capital outlay assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy or obsolescence. (2) The portion of the cost of a capital asset that is charged as an expense during a particular period.

DIRECT COSTS

Expenses associated with the actual provision of a service or program.

DIVISION

An organizational subgroup of a department.

E

ENCUMBRANCE

A legal obligation or commitment to expend resources in the future for a service or item, such as a long-term contract or purchase order. The use of encumbrances helps prevent overspending and provides officials with information on the amount of money remaining to be spent.

ENTERPRISE

Governmental entities that operate in a manner similar to, and provide services competitive with, those of private business enterprises. Enterprises are self-supporting service fees rather than taxes or transfers and are used to fund the business on a continuing basis.

ENVIRONMENTAL ADVISORY COMMISSION

The Commission provides policy advice for promoting environmental stewardship and urban sustainability in accordance with the United Nations Urban Environmental Accords.

EXPENDITURES

Decreases in net financial resources. Expenditures include current operating expenses, which require the current or future use of net current assets, debt service and capital outlays.

EXPENSES

Decreases in net total assets. Expenses represent the total cost of operations during a period regardless of the timing of related expenditures.

F

FED AGENCIES

Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by the federal agencies or United States government-sponsored enterprises.

FIDUCIARY

See Fund, this section.

FIRE & POLICE RETIREMENT SYSTEM (FPRS)

A City retirement system which is no longer available to new employees, but continues to pay out money to a small number of beneficiaries.

FISCAL YEAR

A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position, the results of its operations, and adopts a budget for the coming year. The City of Pasadena's fiscal year is July 1 to June 30.

FULL TIME EQUIVALENT (FTE)

The conversion of part-time employee hours to an equivalent of a full-time position. For example: one person working half time would count as 0.50 FTE.

FUND

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Pasadena uses the following fund types and account groups:

FUND BALANCE

The amount of financial resources immediately available for use. Generally, this represents the excess of unrestricted current assets over current liabilities.

Governmental Fund Types

- General Fund is the general operating fund of the City and accounts for all unrestricted financial resources except those required to be accounted for in another fund.
- Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are restricted by law or administrative action to expenditures for specified purposes.
- Debt Service Funds account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt and related costs.
- Capital Project Funds account for financial resources segregated for the acquisition, construction, and renovation of major capital projects or facilities (other than those financed by proprietary fund types).

Proprietary Fund Types

- Enterprise Funds account for operations in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.
- Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governmental units on a cost-reimbursement basis.

Fiduciary Fund Types

- Agency Funds account for assets held by the City as trustee or

agent for individuals, private organizations, other governmental units, and /or other funds. These funds are custodial in nature (assets correspond with liabilities) and do not involve measurement of results of operations.

Account Groups

- General Fixed Asset Group accounts for and controls all City general fixed assets, other than those in the proprietary funds, of long-term character such as land, buildings and structures, and major equipment.
- General Long-Term Debt Account Group accounts for the City's outstanding long-term liabilities that are expected to be paid from future revenues of the governmental funds.

G

GANN APPROPRIATIONS LIMIT

Article XIII-B of the California State Constitution provides limits regarding the total amount of appropriations in any fiscal year from tax proceeds.

GENERAL FUND

See Fund, this section.

GENERAL OBLIGATION BOND (G.O.)

A bond secured by a pledge of the issuer's taxing powers (limited or unlimited). More commonly the general obligation bonds of local governments are paid from ad valorem property taxes and other general revenues. Considered the most secure of all municipal debt. Limited in California by Proposition 13 to debt authorized by a vote of two thirds of voters in the case of local governments or a simple majority for state issuance.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Uniform minimum standards of/and guidelines for financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations.

GOVERNMENTAL FUND TYPES

See Fund, this section.

GRANT

Contributions, gifts of cash, or other assets from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the Federal Government.

H

HOME PROGRAM

Provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

I

INTERFUND TRANSFERS

These budgetary transactions consist of quasi-external transactions which would be treated as revenues and expenditures if they involved organizations external to the governmental unit, reimbursements of expenditures initially made in one fund which are attributable to another fund, and operating transfers where monies are appropriated from one fund to another fund to reimburse expenses which are of benefit to the first fund.

INFRASTRUCTURE

Physical facilities on which an entire community depends, such as sewers, storm drains, streets, buildings, utility lines and parks.

INTERGOVERNMENTAL REVENUE

Revenue collected by one government and distributed (usually through some predetermined formula) to another level of government(s).

INTERNAL SERVICES CHARGES

Charges used to account for the services provided by one department to another on a cost-reimbursement basis. These charges are accounted for in a separate fund, which is profit and loss oriented.

J

JOINT POWERS AUTHORITY (JPA)

A JPA is formed when it is to the advantage of two or more public entities with common powers to consolidate their forces to acquire or construct a joint-use facility.

L

LOCAL AGENCY INVESTMENT FUND (LAIF)

An investment pool managed by the State of California.

THE LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

LEED Green Building rating System is a voluntary, consensus-based national standard for developing high-performance and sustainable buildings.

LEGAL DEBT LIMIT

In accordance with City Charter section 910, the City is subject to a bonded debt limit, for any amount which, in the aggregate, may not exceed 15.0 percent of the assessed value of all real and personal property in the City subject to taxation for municipal purposes. For purposes of this limit, indebtedness is evidenced by general obligation bonds issued by the City. Each year, the legal debt limit is calculated by the Director of Finance.

M

MBS/GNMA

Mortgage-backed securities including mortgage pass-through securities and collateralized mortgage obligations.

MODIFIED ACCRUAL BASIS

The accrual basis of accounting where revenues are recognized when they become both "measurable" and "available" to finance expenditures of the current period. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting.

MUNI

Municipal securities, bonds, notes, warrants or other vehicle payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a local governmental agency.

MUNICIPAL CODE

A book that contains the City Council approved ordinances currently in effect. The Code defines City policy with respect to areas such as planning, etc.

O

OPERATING BUDGET

A financial, programmatic and organizational plan for furthering the goals of the City Council through the departments of the City, which does not include one-time capital improvements projects.

OPERATING TRANSFERS

Legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended, such as transfers from the General Fund to a Special Revenue or Capital Projects Fund.

ORDINANCE

A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law.

ORGANIZATION CHART

A pictorial representation of the administrative and functional structure of a City unit.

P

PASADENA COMMUNITY DEVELOPMENT COMMISSION (PCDC)

A body succeeding the Pasadena redevelopment Agency in 1981, whose purpose is to revitalize older neighborhoods, stimulate production of additional housing, encourage economic growth and create new jobs for Pasadena residents (see Redevelopment Agency).

PASADENA HOUSING AUTHORITY (PHA)

Formerly known as the Local Housing Authority (LHA), this body administers the City's federally funded housing programs under contract with the United States Department of Housing and Urban Development (HUD).

PERFORMANCE MEASURES

Data collected regarding program results, which indicate the level of achievement of a desired result.

PERFORMANCE TARGET

The level of achievement towards desired program results expected for the stated fiscal year.

PERSONNEL EXPENSES

Compensation paid to, or on behalf of, City employees for salaries and wages, overtime and benefits.

PRINCIPAL

The face value of a bond, exclusive of interest.

PROGRAM BUDGET

A budget organized by programs. A program used in this application is a grouping of related activities, projects and services that are similar in purpose. The expenditure focus of a program budget is related to the nature of work and services performed.

PROGRAM/SECTION

Level at which the City Council appropriates funds within a department. In general, programs refer to distinct work units or service providing groups within departments.

PROPERTY MAINTENANCE ORDINANCE

A program established to address code compliance complaints received on commercial and residential properties.

PROPERTY TAX

A tax levied on real estate and personal property.

PROPERTY TRANSFER TAX

A tax assessed on all real property transfers at the current rate of $.55 per $500 in assessed value, and is collected at the time of the transfer with the County receiving half the collected amount.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Statewide retirement system that covers most City of Pasadena employees.

R

RECOMMENDED BUDGET

The draft financial budget document detailing the City Manager's recommended spending plan for the next fiscal year. The recommended budget is reviewed and modified by the City Council before formal adoption as the Adopted Operating Budget.

REDEVELOPMENT AGENCY

A legislatively established subdivision of government established to revitalize blighted and economically depressed areas of a community and to promote economic growth (see Pasadena Community Development Commission). Tax Allocation Bonds are issued to pay the cost of land and building acquisition and their redevelopment and are repaid by the incremental increase in property tax revenues produced by the increased assessed value of the area after redevelopment. Redevelopment agencies may also sell Housing Mortgage Revenue Bonds to finance housing units within an area, a fixed percentage of which must be for low-cost housing.

REFUNDING BOND

The issuance of a new bond for the purpose of retiring an already outstanding bond issue.

REP OR REPURCHASE AGREEMENTS

A purchase of securities by a local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount.

RESERVES

A portion of the fund balance set aside for a specific purpose.

RESOLUTION

A special order of the City Council which has a lower legal standing than an ordinance.

RESOURCES

Supply of funds to be used in paying for planned expenditures.

RETAINED EARNINGS

An equity account reflecting the accumulated earnings of Proprietary Fund types. For budgeting purposes, the working capital definition of fund balance is used.

REVENUE

Moneys that the City receives as income such as tax payments, fees from specific services, receipts from other governments, fines, forfeitures, grants, rents, and interest income.

REVENUE BOND

A municipal bond whose debt service is payable solely from the revenues received from operating the facilities acquired or constructed with the proceeds of the bonds.

S

SALARY RESOLUTION

Document approved by the City Council detailing employee classifications and associated salary rates.

SENATE BILL 481 (SB481)

A complex bill passed by the California Legislature in FY 1988 allowing the City to divert some funds received from redevelopment areas to fund the Fire and Police Retirement System (FPRS). Provisions require the City to set aside significant funds for the provision of low and moderate income housing.

SECURITIES

A legal document of a financial nature. Securities can be ownership of a company (as in stocks), or statements of indebtedness (as in bonds, notes payable), a right (options), or any other financial arrangement to exchange payment and title or rights for some benefit.

SELF-INSURANCE

A term used to describe the retention of liabilities, arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. The City currently provides self-insurance for workers' compensation, general liability, and unemployment. The City has purchased outside insurance for excess coverage in these areas.

SERVICE LEVEL

Selected level of performance, based upon a performance standard, for a public service, product or outcome.

SERVICES & SUPPLIES

A major expenditure classification detailed in the budget containing items such as consultant services, supplies, and contractual services.

SPECIAL REVENUE FUND

See Fund, this section.

STRANDED INVESTMENT RESERVE

A reserve established prior to deregulation of the California electrical industry, which was intended to offset the cost of long-term purchase power agreements thereby bringing the City's rates for electricity in-line with anticipated market rates.

SUBVENTIONS

Moneys received from the State of California to reimburse the City for the costs associated with state-mandated programs and services as well as the City's allocations of various State collected funds.

SUPPLEMENTAL ROLL PROPERTY TAXES

Assessed on property that changes ownership during the year and is based on the difference between the new and old assessed values.

T

TAX ALLOCATION BOND

Bonds issued in conjunction with a redevelopment project. The taxes pledged to their repayment come from the increase of assessed value over and above a pre-established base. The redevelopment creates this added value, known as the tax increment.

TRANSIENT OCCUPANCY TAX (TOT)

A tax imposed on individuals renting accommodations in hotels, motels, and boarding houses.

U

UTILITY USERS TAX (UUT)

A tax imposed on users for various utilities in the City including Telephone, Gas, Electric and Cable TV services.

UNITED NATIONS URBAN ENVIRONMENTAL ACCORDS

A set of 21 actions for cities to take as first steps in addressing urban sustainability and provide a clean, healthy and safe environment for all members of society.

V

VEHICLE LICENSE FEE

Vehicle License Fee (VLF) is an annual fee on the ownership of a registered vehicle in California. It has been assessed on all privately owned registered vehicles in California in place of taxing vehicles as personal property since 1935. The VLF is paid to the Department of Motor Vehicles (DMV) at the time of annual vehicle registration. The fee is charged in addition to other fees, such as the vehicle registration fee, air quality fees, and commercial vehicle weight fees. VLF revenues are annually distributed to cities and counties.

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