CITY INVESTMENTS, OBLIGATIONS AND DEBT



ADOPTED OPERATING BUDGET FISCAL YEAR

2009

City Investments

The City seeks to efficiently manage its cash and liquid assets to make sure the assets are not idle, and earn investment income to enhance the economic position of the City. The manner in which the City invests must comply with the law, and must ensure sufficient readiness of cash to meet current obligations.

The City's responsibility for acting in the public good also means that some of its goals, and the investment policies and practices it employs to achieve those goals, are sometimes different than those employed by private business. The City has carefully developed its investment goals and policies, having reviewed: the goals and policies of other local governments; sample policies provided by the Government Finance Officers Associations and the California Municipal Treasurers' Association; and all relevant local, state, federal and tax laws.

City Goals and Practices

The City invests in full compliance with all governing laws and its own investment policy adopted by the City Council (copies available from the City Treasurer, 744-4422). It ensures that all investments are safe by preserving the principal of the investment. It seeks to maximize the amount of cash on hand, which is invested, but only after assuring adequate liquidity (accessible cash or other readily marketable assets), which allows the City to properly satisfy its short-term liabilities when they are due. Furthermore, the City seeks to maximize investment yield (the potential dollar earnings an investment provides) within full compliance to laws, and in accordance with the "prudent person rule" which governs the standard of care of trustee of cash investments.

The City's goal is to protect its assets and meet all of its numerous obligations. Only surplus cash and idle debt proceeds from bonds issued to complete a public interest project are invested. All moneys are invested safely, placed in investments, which have a stated maturity date and maturity amount. The City always purchases securities with a maturity of five years of less, unless specifically authorized by the City Council.

When investing funds for specific purposes or bond issues, the funds are invested separately so as to meet the specific investment objective and conditions imposed. Unlike private businesses, Pasadena does not leverage any securities in its portfolio, despite having the legal authority to do so with some securities. The City has no investments in Reverse Repurchase Agreements that expose the portfolio to market risk.

The City has no authority to invest in derivative products such as interest rate swaps, futures, or options. The City does not invest in inverse floaters, range notes, interest only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

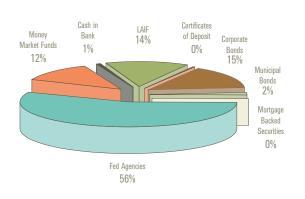
The City audits its portfolio's compliance with State Government Code and the City Investment policy, and has charged its Certified Public Auditor with annually reviewing the portfolio for compliance with the City's Investment policy.

Total Funds under management as of 06/30/08 (market values in thousands \$):

Pooled Investment Portfolio	\$288,562
Capital Endowment Portfolio	8,122
Stranded Investment Reserve Portfolio	137,526
Special Funds	95,722
Investments held with Fiscal Agents	116,837
Total Funds under Management	\$646,769

A look at the City's Investment Portfolios

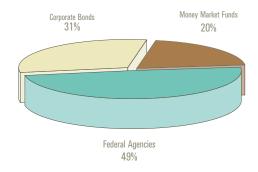
The following figures illustrate how the City invests surplus fund moneys in each of its pooled investment portfolios. The information provided is as of June 30, 2008. The amount of total excess funds held by the City changes daily based upon City revenue deposits, purchase orders, expenditures and other obligations which affect current liabilities and the liquidity needs of the City, and the timing of the maturity of held securities.



POOLED INVESTMENT PORTFOLIO

Market Value \$288,562,041 - Weighted Average Maturity 2.69 years.

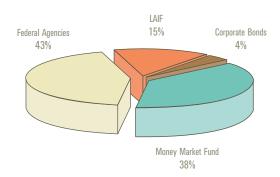
Money Market Funds	\$35,495,157	Corporate Bonds	\$42,874,630
Certificates of Deposit	\$560,000	Federal Agencies	\$160,531,280
LAIF	\$40,000,000	Mortgage Backed Securities	\$1,125
Municipal Bonds	\$5,018,225	Cash in Bank	\$1,452,087



THE CAPITAL ENDOWMENT PORTFOLIO

Market Value \$8,122,141 - Weighted Average Maturity 2.32 years.

Federal Agencies	\$4,012,919
Corporate Bonds	\$2,472,552
Money Market Funds	\$1,636,670



POWER RESERVE PORTFOLIO

Market Value \$137,525,756 - Weighted Average Maturity 2.59 years.

Money Market Funds	\$52,131,945	Federal Agencies	\$59,390,599
Corporate Bonds	\$4,961,254	LAIF	\$20,125,555

City Debt

When the City of Pasadena initiates a long-term capital project, it carefully considers whether to make this investment by expending current revenues or by borrowing. If the City utilizes current revenues, it conserves its debt capacity for harder times when borrowing may be necessary. However, if current revenues are used to fund large, long-term projects, funding for current services may be impacted. It is often equitable to spread the cost of a project over time, thereby sharing the cost burden for the project with both current and future taxpayers who will benefit from the project. For such long-term investments, borrowing is the most appropriate means for the City to maintain its assets and build for the future.

Examples of projects which are of long-term public interest and which enhance the community's quality of life, include:

- Creating or purchasing and maintaining the City's streets, parks, and public buildings;
- Developing City-owned properties with projects which provide public good and generate revenue;
- Funding asset acquisition for utilities, enterprises and affiliated agencies; and,
- Financing redevelopment and commercial revitalization.

Prior to borrowing, the City also considers the availability of capital project funding from other sources such as federal aid, redevelopment tax increment, and public/private partnerships. Other governmental entities may be encouraged to share the burden of creating a public good when its impact extends beyond the City's boundaries. It is the City's policy to issue bonds only after identifying revenue sources to service the debt of the bonds.

Additional factors that influence City borrowing included the amount of outstanding debt, the opportunity cost of borrowing, and the cost of borrowing in the credit markets. Part of the City's strategy in managing its debt is to ensure that the size of the

City's outstanding debt is reasonable and enhances the City's ability to issue bonds at a favorable rate.

Pasadena's bond rating reflects a strong financial management, healthy fund balances, stable revenues and predictable budgets. The City's current credit rating was upgraded from AA to AAA which is the highest rating given by Standard and Poor's.

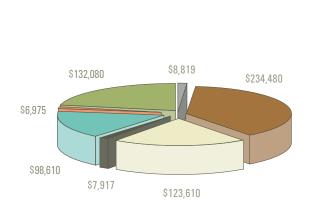
The current level of outstanding debt is well below that which is allowed by law. The City Charter, in section 910, establishes a legal debt limit. In total, this limit cannot exceed 15 percent of the assessed value of all real and personal property (homes, businesses, land, etc.) subject to taxation for municipal purposes.

In addition to being well below the legal debt limit, current debt service is reasonable in relation to the total expenditures of this operating budget; for fiscal year 2008 the percentage of debt service to total operating budget was 9.76% and for fiscal year 2009 the amount is projected at 9.31%.

Types of City Debt

The City utilizes various types of debt instruments, including those described below, to finance its long-term projects.

Bonds have been issued by the City for its general governmental capital projects, for the Water and Power Utilities, Pasadena Community Development Commission (PCDC), Pasadena Conference Center Corporation and for the Rose Bowl. Agencies affiliated with the City, including the Civic Center West Special Tax District have also issued bonds. Figure 1 below shows outstanding debt for the general government, PCDC and self-supporting (Proprietary) funds like Enterprises, the Utilities, and the Internal Services Funds as of June 30, 2008.



Current Outstanding Debt by Category (In thousands \$)

Tax Allocation Bonds - PCDC	\$8,819
Utility Revenue Bonds	\$234,480
Pension Obligation Bonds	\$123,610
General Government Notes Payable	\$7,917
Self-supporting Units COPs, Notes Payable & Taxable Revenues Bonds, Capital Leases	\$98,610
General Government Capitalized Leases	\$6,975
General Government COPs	\$132,080

The City of Pasadena has debt service obligations for the following funds:

DEBT SERVICE OBLIGATIONS

General City	General (Funds 901, 902, 903) Capital Projects (Funds 982, 983, 984, 985, 986, 987)
Enterprise Funds	Light and Power (Fund 401)
	Water (Fund 402)
	Plaza Las Fuentes Parking (Fund 405)
	Old Pasadena Parking (Fund 407) Paseo Colorado Parking Structures (Fund 409)
Redevelopment Agency	Downtown Project Area (Fund 846)
	Fair Oaks Project Area (Fund 847)
	Orange Grove Project Area (Fund 848)
	Villa Parke Project Area (Fund 849)
	Lake/Washington Project Area (Fund 850) Affordable Housing (Fund 851)
Operating Companies	Pasadena Center
	Rose Bowl

Current Outstanding Debt by Category

- Utility Revenue Bonds Bonds issued by the City's Water and Power Enterprises. The Utilities do not have taxing authority but can instead pay bond debt with restricted revenues and user fees generated.
- Certificates of Participation The most frequently used form of
 City-issued debt, the Certificates of Participation offer the
 investor an opportunity to participate in the future income
 stream of a City property or asset, which is being built or
 renovated. Certificate proceeds from issuance are used to build the
 project, and leases generated from the project provide for the debt
 payments. General governmental units and Self-supporting units,
 like the Old Pasadena Parking Fund, issue this kind of bond.
- Tax Allocation Bonds (TABS) (Bonds issued by PCDC), TABS
 are repaid by property tax increment revenues, which are
 additional tax earnings from appreciating value of properties in
 redevelopment areas. PCDC uses the financing to develop and/
 or renovate commercial and low to moderate-income residential
 projects that will revitalize the community and create jobs.

In August 1999 and August 2004 the City issued pension obligation bonds to meet the unfunded liability of the City's Fire and Police Retirement System (FPRS). The City has issued one Special Tax bond in 1993 for the Civic Center West project, secured by special tax assessments. The special tax bond (CFD #1) was refunded in 1997. The City's debt portfolio also includes a Section 108 HUD loan, secured by Community Development Block Grant entitlements.

In addition to Bonds, the City's debt portfolio includes a Capital Lease Obligation and Notes Payable. A Capital Lease Obligation is a leased asset for which title will be gained at the end of the lease period. Only long-term Notes Payables are listed here.

Joint Ventures

As mentioned above, when a project serves the public interest beyond Pasadena's boundaries, the City seeks out joint venture arrangements where other governmental bodies share the burden of debt needed. Joint ventures have been used to fund, and are shared with:

- Developing power resources with Palo Verde, a 3,810 megawatt nuclear fuel generation plant in Arizona which as been generating power since 1986 - Southern California Public Power Authority (SCPPA), a consortium of several Southern California cities and the Imperial Irrigation District;
- Developing power resources with the coal-fired Intermountain Power Project near Delta, Utah, a 1900 megawatt generation plant of which 106 megawatts are reserved for the City's use.

Joint ventures are funded through revenues generated from the project; the City is only contingently liable for a portion of potential liability due to lack of future revenue streams. Innovations in power-generation technology have greatly decreased the revenues realized from generations of electrical power. The Utility continually reviews its contingent liability relative to the projected revenue stream from its Delta, Utah power generation joint venture.

OUTSTANDING BONDED DEBT SERVICE REQUIREMENTS

Issue Date	Description	Average Interest Rate	Final Maturity Date	FY 2008-09 Principal \$	FY 2008-09 Interest \$	FY 2008-09 Total \$	Total Outstanding Principal *	Total Outstanding Interest *	Total Outstanding
7/29/99	TAXABLE PENSION FUNDING BONDS	6.77%	2022	3,995,000	6,338,157	10,333,157	87,045,000	52,759,009	139,804,009
8/5/04	TAXABLE PENSION OBLIGATION BONDS - SERIES 2004	VARIABLE	2015	1,457,413	1,042,587	2,500,000	36,565,000	6,332,630	42,897,630
1/1/94	CERTIFICATES OF PARTICIPATION (REFUNDING AND CAPITAL PROJECTS)	5.35%	2014	0	1,329,743	1,329,743	24,855,000	5,460,477	30,315,477
11/15/01	CERTIFICATES OF PARTICIPATION (REFUNDING AND CAPITAL IMPROVEMENT PROJECTS)	3.25%	2011	2,330,000	285,375	2,615,375	7,280,000	584,375	7,864,375
1/28/03	VARIABLE RATE DEMAND CERTIFICATES OF PARTICIPATION (CITY HALL & PARK IMPROVEMENTS	4.12%	2033	1,635,000	2,978,554	4,613,554	72,295,000	45,337,304	117,632,304
5/15/08	REFUNDING CERTIFICATES OF PARTICIPATION SERIES 2008B	VARIABLE	2019	700,000	827,022	1,527,022	27,650,000	7,617,447	35,267,447
7/16/91	TAX ALLOCATION BONDS (LOW MODERATE HOUSING	G) 6.00%	2011	332,336	63,482	395,818	1,058,026	129,428	1,187,454
6/1/00	TAX ALLOCATION REFUNDING REVENUE BONDS (ORANGE GROVE)	4.93%	2014	206,000	93,329	299,329	1,455,000	345,332	1,800,332
6/1/00	TAX ALLOCATION REFUNDING REVENUE BONDS (VILLA PARKE)	4.93%	2014	134,000	60,358	194,358	941,000	223,214	1,164,214
6/1/06	TAX ALLOCATION REVENUE BONDS (FAIR OAKS)	4.43%	2022	125,000	104,033	229,033	2,350,000	851,250	3,201,250
6/1/06	TAX ALLOCATION REVENUE BONDS (VILLA PARKE)	4.20%	2014	90,000	23,185	113,185	545,000	83,750	628,750
6/1/06	TAX ALLOCATION REVENUE BONDS (LAKE/WASHINGTON)	4.29%	2018	60,000	31,370	91,370	745,000	179,980	924,980
6/1/06	TAX ALLOCATION REVENUE BONDS (HOUSING)	4.03%	2015	215,000	66,051	281,051	1,725,000	262,103	1,987,103
12/2/87	CERTIFICATES OF PARTICIPATION (LOS ROBLES AVENUE PARKING FACILITIES)	VARIABLE	2013	1,500,000	388,550	1,888,550	9,500,000	1,247,450	10,747,450
7/1/93	CERTIFICATES OF PARTICIPATION (OLD PASADENA PARKING FACILITIES)	4.00%	2018	1,210,000	1,008,750	2,218,750	16,140,000	6,048,437	22,188,437
2/1/06	VARIABLE RATE DEMAND LEASE REVENUE BONDS (ROSE BOWL AND IMPROVEMENT PROJECTS	VARIABLE	2024	2,200,000	1,707,530	3,907,530	45,200,000	14,409,652	59,609,652
7/20/00	PASEO COLORADO TAXABLE REVENUE BONDS	VARIABLE	2025	955,000	1,496,803	2,451,803	27,770,000	15,643,369	43,413,369
8/4/03	WATER REVENUE BONDS	3.05%	2033	1,685,000	1,942,600	3,627,600	40,280,000	23,014,050	63,294,050
8/1/03	ELECTRIC REVENUE BONDS	2.96%	2022	445,000	336,933	781,933	7,840,000	2,902,697	10,742,697
8/24/98	ELECTRIC REVENUE BONDS	3.77%	2025	2,625,000	2,287,975	4,912,975	48,875,000	19,310,333	68,185,333
7/15/02	ELECTRIC REVENUE BONDS	3.88%	2022	3,060,000	2,690,000	5,750,000	57,775,000	22,054,000	79,829,000
5/1/07	WATER REVENUE BONDS	4.00%	2036	410,000	918,575	1,328,575	21,155,000	16,040,969	37,195,969
1/28/08	ELECTRIC REVENUE BONDS	4.18%	2037	1,080,000	2,544,278	3,624,278	58,555,000	46,525,898	105,080,898
TOTAL DEB	T SERVICE			26,449,749	28,565,240	55,014,989	597,599,026	287,363,154	884,962,180

*Includes FY 09 in outstanding