APPENDIX A

THE CITY OF PASADENA

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APPENDIX A

THE CITY OF PASADENA

General

The City of Pasadena, California (the "City") was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City.

The City covers nearly 23 square miles and is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains.

In addition to general governmental services such as fire and safety, the City provides its approximately 140,000 residents with power, water and refuse services.

While the City consistently receives international recognition for the Rose Parade and Rose Bowl events, the City has achieved significant success in blending urban amenities with suburban neighborhoods. Engineering, finance and health care comprise the primary industry sectors. In addition, the academic and research pursuits of the California Institute of Technology, the Jet Propulsion Laboratory and the Art Center College of Design bring a unique combination of resources to the City. The City's downtown continues to serve as the corporate and entertainment center for the San Gabriel Valley's 1.8 million residents.

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 33 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

City Council

All powers of the City are vested in the City Council which is empowered to carry out the provisions of the City Charter and perform all duties and obligations of the City as imposed by State law. The City has an eight-member City Council comprised of members elected in seven City Council districts and a citywide elected mayor. Each Council Member and the Mayor are elected for four-year staggered terms. The Council Members elect the Vice-Mayor from their membership, who traditionally serves two consecutive one-year terms. The names, occupations and term expirations of the current members of the City Council are as follows:

Name	Occupation	Term Expiration
Bill Bogaard, Mayor	Attorney	May 2015
Jacque Robinson (District 1)	Labor Community Organizer	May 2015
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2015
Chris Holden (District 3)	Commercial Real Estate Broker	May 2013
Gene Masuda (District 4)	Business Owner	May 2015
Victor Gordo (District 5)	Attorney	May 2013
Steve Madison (District 6)	Attorney	May 2015
Terry Tornek (District 7)	Real Estate Developer	May 2013

City Staff

Michael J. Beck, City Manager, has been the Pasadena City Manager since October 2008. His responsibilities include the overall operation of the City's government, including development of the annual operating and capital budget, which was over $776 million in Fiscal Year 2012. Mr. Beck also manages 14 departments within the City, including Pasadena Water and Power, full service police and fire departments, a Department of Health and management of almost 2,000 employees. He is also a member of the Rose Bowl Operating Company. Mr. Beck's initiatives have included the development of a five-year fiscal program to resolve a General Fund deficit brought on by the recent economic downturn with cumulative savings of more than $150 million; streamlining the City's governmental functions and processes; increasing the use of technology to better serve residents; developing a financial solution to an unfunded liability in the closed Fire and Police Retirement System; creating a strategic investment plan to fund at least $100 million in renovations to public facilities; and implementing a strategic planning process for the City. In addition, he has provided leadership to Pasadena's General Plan update and the Rose Bowl Stadium renovation project. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire with a population of more than 300,000 and a nearly $1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the city departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. He developed the financial plan and implementation of the $1.8 billion Riverside Renaissance program – 30 years of public infrastructure investment in just five years. Before working for the City of Riverside, he was Director of Economic Development and Real Estate Services for the University of California, Riverside, where he developed public/private partnerships to foster expansion of academic and research opportunities; and was instrumental in developing a regional economic development agenda that advanced managerial and technical job creation. He holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration, both from the University of California, Riverside.

Andrew Green, Director of Finance, joined the City in January 2009. His responsibilities include management of the financial affairs of the City and the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report; purchasing; collections; workers' compensation; general liability; payroll; employee benefits; information technology; internal audit; investments; debt management and financing of major City and Community Development Commission capital improvements. Prior to his current position, he served as the Finance Director for the City of Reno, Nevada; Director of Administrative Services and Director of Finance for the City of Rialto, California, where he also served as acting City Administrator on various occasions; and as the Director of Finance for the City of San Bernardino, California. Mr. Green received his MBA from the University of Phoenix in 2003 and his Bachelor of Arts degree in Accounting from the University of LaVerne (California) in 1979. He also holds an Associate's Degree in Business Administration from San Bernardino Valley College and a Certificate from the Accounting for Governmental and Non-Profit Organizations program at the University of California at Riverside, California. While in Reno, Nevada, Mr. Green was member of the Nevada Committee on Local Government Finance representing the Nevada League of Cities and a member of the Board of Directors of

the Health Access of Washoe County Community Health Center organization, which provides healthcare to low-income residents in the Washoe County area of northern Nevada. Mr. Green has been a guest lecturer on governmental finance on a number of occasions for the University of California, San Bernardino's master's program. Mr. Green is also a member of numerous national and state municipal finance organizations.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May, 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September, 1999 when she became the in-house City Attorney for the City of Pasadena. She currently serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

The following table presents a ten-year history of the population of the City since 2002. The population estimate for 2010 and 2011 incorporates 2010 US Census information as the benchmark and, as a result, the population for 2010, published in 2011, was noticeably lower from prior year estimates provided by the State Department of Finance. The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance to transmit an estimated of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2011, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2011-2012.

The population certification program applies only to cities and counties. The Federal 2010 Census population counts for cities and counties have been certified to the State Controller's Office. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceed the current certified population with the State Controller's Office.

POPULATION
For Years 2002 through 2011

Year (as of January 1)	Population
2002	138,728
2003	141,949
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,915

Source: State of California, Department of Finance

Employment

No annual information is regularly compiled on employment and unemployment in the City alone. The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2006 through 2011.

LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
Averages for Calendar Years 2006 through 2011
(in thousands)

	2006	2007	2008	2009	2010	2011
County Employment	4,641	4,714	4,515	4,329	4,272	4,302
County Unemployment	246	254	374	568	637	564
County Civilian Labor Force	4,886	4,960	4,989	4,895	4,908	4,865
County Unemployment Rate	4.2%	5.1%	9.5%	11.6%	13.0%	11.6%
State Unemployment Rate	4.8%	5.4%	9.1%	11.4%	12.4%	11.1%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment updated July, 2009; 2010; 2011 data as of August. Los Angeles-Long Beach Metropolitan Statistical Area.

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2011 are listed below.

MAJOR EMPLOYERS
2011

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	4,887	Aerospace Research
Kaiser Permanente	4,500	Health Care
California Institute of Technology-Campus	3,700	Education
Huntington Memorial Hospital	3,300	Hospital
Pasadena City College	3,465	Education
Pasadena Unified School District	2,665	Education
SBC/ATT	2,525	Communications
Bank of America	2,500	Financial
The City of Pasadena	1,967	Government
Art Center College of Design	897	Education
Parsons Corporation	717	Engineering/Construction
Hathaway-Sycamores	550	Social Services
Pacific Clinics Administration	550	Medical Clinics
The Langham Huntington Hotel (Ritz-Carlton)	550	Hotel
Avon Products	400	Cosmetics
East West Bank	400	Financial
Western Asset	400	Financial
Rusnak Pasadena	300	Auto Dealer

Source: Municipal Information Services, Pasadena Public Library and Pasadena Chamber of Commerce.

Housing

The following table presents a ten-year history of total available housing units within the City, from 2002 through 2011.

HOUSING UNITS[(1)]
For Fiscal Years 2002 through 2011

Fiscal Year Ended June 30	Housing Units
2002	54,770
2003	55,521
2004	55,791
2005	56,255
2006	56,520
2007	56,753
2008	57,274
2009	58,135
2010	58,590
2011	60,178

(1) As of year end. Includes single family dwellings and multifamily units, including rental units and condominiums.
Source: City of Pasadena, Department of Planning and Permitting.

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council. The Land Use and Mobility Elements of the General Plan were updated in 2004 at the same time the City's Zoning Code was updated.

The following table shows the value of building permits issued in the City for the fiscal years 2006 through 2011. Based on the data, building permit activity appears to have stabilized in FY2010 and increased 13% in FY2011.

BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years 2006 through 2011
(Valuation in Millions)
Fiscal Year Ended June 30,

	2006	2007	2008	2009	2010	2011
Building Permit Valuations						
Nonresidential	$72.3	$ 91.4	$ 98.2	$ 73.9	$ 50.8	$ 56.3
Residential	45.0	46.7	55.5	23.6	23.4	24.4
Residential New Construction	79.3	80.4	76.2	52.2	11.5	9.8
Total	$196.6	$218.5	$229.9	$149.7	$ 85.7	$ 90.5
Number of Permits Issued						
Non Residential	728	702	715	601	592	619
Residential	2,645	2,454	2,195	1,865	1,780	2,077
Residential New Construction	73	77	59	28	32	39
Total	3,446	3,233	2,969	2,494	2,404	2,735

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business from 2006 through 2011.

TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
($ in Millions)

	Twelve Month Periods Ended September 30				Nine months ended June 30	
Type of Business	**2007**	**2008**	**2009**	**2010**	**2010**	**2011[1]**
Apparel Stores	$ 214.3	$ 205.0	$ 176.0	$ 198.8	152.5	$ 152.2
General Merchandise Stores	332.8	285.8	228.3	317.7	244.7	163.1
Food Stores	145.7	180.5	150.8	136.7	105.1	126.8
Eating & Drinking Places	488.5	466.5	395.1	418.4	318.9	332.0
Home Furnishings & Appliances	170.9	197.2	177.8	179.3	130.5	136.2
Bldg. Material & Farm Implements	139.6	107.7	80.4	93.4	68.9	74.6
Auto Dealers & Auto Supplies	474.0	451.0	313.0	354.0	260.5	265.0
Service Stations	138.9	154.4	107.7	123.9	90.2	122.4
Other Retail Stores	304.9	313.4	368.2	242.0	184.1	248.4
Retail Stores Total	2,409.6	2,362.4	1,997.3	2,064.2	1,555.4	1,620.7
All Other Outlets	718.8	710.2	650.3	555.1	417.3	388.4
Total All Outlets	$3,128.4	$3,072.6	$2,647.6	$2,619.3	1,972.7	$2,009.1

[1] Most recent data available.

Source: State Board of Equalization, City of Pasadena: MBIA MuniServices Company.

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 35 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride bus services for the elderly and disabled which is available for a nominal usage fee.

The nearest port facilities are Los Angeles and Long Beach harbors which are approximately 30 and 35 miles away, respectively. The $1 billion Alameda Corridor East project, being undertaken by the Alameda Corridor East Construction Authority, consists of safety upgrades, traffic signal control measures, road widening and grade separation projects to improve traffic conditions along the railroad facilities connecting the Ports of Los Angeles and Long Beach with the transcontinental rail network through the San Gabriel Valley, creating a faster more efficient method of distributing trade.

In addition the Gold Line of the Metro Line light rail system runs from Union Station in the City of Los Angeles, through the City and terminates in the City of Sierra Madre. The Gold Line began operations in 2003.

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 30, 2011, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

EMPLOYEE UNION REPRESENTATION

Name of Union	Number of Employees Represented As of June 30, 2011	Expiration of Contract
American Federation of State, County and Municipal Employees	273	July 2, 2013
International Brotherhood of Electrical Workers	107	June 30, 2013
International Union of Operating Engineers	25	March 27, 2012
Service Employee International Union	24	April 26, 2013
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	317	September 30, 2010[(1)]
Pasadena Fire Fighters Association	143	August 28,2011[(1)]
Pasadena Police Officers Association	182	April 24, 2013
Pasadena Police Sergeant Association	33	April 24, 2012
Pasadena Fire Fighters Management Association	4	June 30, 2012
Pasadena Management Association	451	March 17, 2014

(1) Currently being renegotiated.
Source: City of Pasadena, Human Resources Department.

In recent contract negotiations employees represented by Pasadena Management Association and American Federation of Sate, County and Municipal Employees have agreed to pay the full 8% contribution to CalPERS, and employees represented by all other non-identified unions have agreed to pay 3.6% of the 8% required contribution. These concessions represent approximately $7 million in overall annual savings to the General Fund; 40% of these savings (approximately $2.8 million) accrues to the benefit of the General Fund. The City is currently negotiating with the safety employee unions to bear a portion the 9% contribution to CalPERS, which is currently entirely borne by the City. In addition most bargaining units have agreed to a zero cost-of-living increase on their contracts. See "Retirement Systems-California Public Employees' Retirement System" below.

Retirement Systems

Pasadena Fire and Police Retirement System. Police and Fire personnel hired prior to July 1, 1977 are covered by the City's Fire & Police Retirement System (the "FPRS"). The FPRS was originally established by the City Charter in 1919. The FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. The FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System (CALPERS) when the FPRS closed. The FPRS is managed by a five-member retirement board. One of the features of the FPRS is that beneficiaries receive post-retirement cost of living increases reflecting the full adjustment to the cost of living. In 1981, the City sought to impose a limit on this by a voter-approved ballot measure but in 1983 an appellate court ruled that the ballot

measure was unenforceable. There were 269 participants in the FPRS as of June 30, 2011. See "Background" in the forepart of this Official Statement.

The last actuarial valuation (the "Report") for the FPRS was completed as of June 30, 2011. According to the Report, as of June 30, 2011, the FPRS had actuarial assets valued at $105.81 million and total actuarial liabilities for current retirees and others having a present value at June 30, 2011 of $179 million. The difference, $73.47 million is the accrued unfunded actuarial liability herein referred to as the "unfunded liability." The actuarial value of the FPRS assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. Had the Report used the market value of the assets held by the FPRS, as of June 30, 2011, the unfunded liability would have been decreased by approximately $1.64 million to $71.83 million.

The table set forth below sets forth the funding status for FRPS for the past five years.

CITY OF PASADENA
FPRS
($ in Millions)

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2006	$184,852	$127,841	$57,011	69%	141	40.416%
2007	183,046	131,137	51,909	72	146	35.607
2008	178,748	131,321	47,427	73	179	26.506
2009	177,803	119,551	58,252	67	-	N/A
2010	166,096	109,740	56,356	66.1	-	N/A
2011	179,284	105,811	73,473	59.0	-	N/A

Source: FPRS actuarial valuations through June 30, 2010.

In calculating the unfunded liability, a number of assumptions are made. In the case of the Report, current key assumptions include an investment return on assets of the FPRS of 8% per annum (against an actual return averaged over the last ten years of 2.8% per annum) and an assumed cost of living increase of 3.8% per annum.

As described in the forepart of the Official Statement, the City and the FPRS have entered into a Amended Contribution Agreement. The City is required to make Supplemental Payments to the FPRS to ensure that all benefits are paid for purposes of determining Supplemental Payments required to be made in the future. In calculating the assets and liabilities of the FPRS, the FPRS will annually review and adopt an assumed interest rate and inflation assumption. Such assumptions shall be based on analysis performed by the FPRS' Actuary and shall be approved by the FPRS after consultation with the City and the City's professional investment advisors. In the past, FPRS has been required to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties"). The Amended Contribution Agreement permits the FPRS to use, in its actuarial calculations, the rates of investment and cost of living increases recommended by the FPRS's actuary and approved by the FPRS after consultation with the City and the City's consultants. Pursuant to the Contribution Agreement, the FPRS Board has approved the use of an average investment rate of 6% and a cost-of-living adjustment factor of 3% to calculate the June 30, 2012 actuarial liability for FPRS.

Set forth below is a table showing annual City Supplemental Payments to the FPRS for the past five fiscal years. All of these payments are made from the City's General Fund.

Fiscal Year	Supplemental Payments to FPRS (in thousands)
2006	$1,427
2007	3,839
2008	3,193
2009	956
2010	4,981
2011	8,036

As of June 30, 2011 the FPRS' investment assets were allocated as follows:

CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
Portfolio Information
as of June 30, 2011

Description of Assets	Market Value	Percentage of Portfolio
Cash and cash equivalents	5,234,332	4.87%
Interest Receivable	200,421	.19%
Government and agencies	22,206,282	20.65%
Domestic corporate obligations	15,235,215	14.17%
International corporate obligations	1,283,168	1.19%
Real estate (REITS)	9,660,250	8.99%
Domestic corporate stocks	33,204,990	30.88%
International corporate stocks	20,488,520	19.06%
TOTAL	$107,513,178	100.00%

The FPRS has a number of investment objectives. The primary goals are to provide participants with scheduled retirement benefits and meet or exceed the rate of inflation in its investments, as measured against the consumer price index. In addition, its objective is to achieve a higher rate of return over a three to five year period with less than average volatility, with enhanced return over a longer period, such as five years, being more important than the preservation of capital during a one-year period of time.

Under its investment guidelines, the FPRS must maintain sufficient liquidity to meet the FPRS' cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or better by nationally recognized rating agencies. The assets of the FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

The City is responsible for paying benefits to the FPRS, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS – Amended Contribution Agreement." A variety of factors will affect the extent of the City's liability to the FPRS, over and above the proceeds of the 2012 Bonds, including actual investment performance of the FPRS' assets, actual changes in the consumer price index, the FPRS' actual mortality and benefit payment experience, all as compared with the assumptions,

and changes in actuarial assumptions and methods, including the assumed rate of investment return. In fact, the payment of the 2011 Bond proceeds to the FPRS may not result in achieving the targeted funding level of 85% for the system. Further continued market volatility and the possibility of a "double dip" recession may require substantial additional contributions to the FPRS over time.

As previously, noted, the City has previously issued $142.6 principal amount of pension obligation bonds to fund the FPRS, of which $103.9 million were outstanding as of June 30, 2011. $77,960,000 million of these pension bonds (excluding the 2012 Bonds) are scheduled to mature or are subject to mandatory tender on or May 15, 2015. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS—Outstanding Pension Obligation Bonds.

California Public Employees' Retirement System. *The following information concerning the California Public Employees' Retirement System ("CalPERS") is excerpted from publicly available sources, which the City believes to be accurate. CalPERS is not obligated in any manner for payment of debt service on the 2012 Bonds and the assets of CalPERS are not available for such payment. CalPERS should be contacted directly at CalPERS, Lincoln Plaza Complex, 400 Q Street, Sacramento, California 95811, Telephone: 888-225-7377 or online at www.calpers.ca.gov for other information, including information relating to its financial position and investments.*

The City Contributes to the CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from its executive office (listed above), or at www.calpers.ca.gov

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different labor unions have different reimbursement rates ranging from the full 8% to 3.6%. Benefit provisions and all other requirements are established by state statute or through collectively bargaining agreement with employee bargaining groups. A recent Los Angeles County grand jury report (described below) recommended that the City negotiate reductions in the amount of the employee contributions "picked up" by the City.

In the report received on October 2011 (being the most recent report available from CalPERS), as of June 30, 2010, the actuarial staff of CalPERS reported unfunded liability of $138.0 million for the City's miscellaneous employees as compared to an underfunding of $125 million the previous year and an unfunded liability of $66.6 million for Safety employees compared to $68.7 million previous year. Based upon this report for June 30, 2010 from CalPERS staff, the City reported that its CalPERS obligation was 82.2% actuarially funded with respect to the City's miscellaneous employees and 82.2% for Safety employees.

The City provides pension benefits for employees not covered by CalPERS or the FPRS through the Public Agency Retirement System (PARS), a defined contribution plan. The City's payroll for employees covered by PARS for the year ended June 30, 2010 was $3,083,374. Both the City and the covered employees made the total required 7.5% contributions of $123,335 from the City and $107,918 from the covered employees.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the

plan as of June 30, 2010. The contribution rate indicated for the period is 25.621% of payroll for the safety plan and 16.227% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012 to June 30, 2013.

Among the assumptions used to determine the ARC include entry age actuarial cost method, an amortization method including a level percent of payroll over an average remaining period of 18 years (miscellaneous) and 23 years (Safety), a 15-year smoothing methodology for asset valuation, and an assumed investment return (net of administrative expenses) of 7.75% and an inflation rate of 3%.

Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The tables below summarize the funded status of the City's CalPERS retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 24 to the City's audited financial statements attached as Appendix B hereto.

PERS - MISCELLANEOUS EMPLOYEES
($ in Thousands)

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	$485,657	$463,019	$22,632	95.3%	$86,571	26.1%
2006	534,487	496,180	38,307	92.8	93,252	41.1
2007	585,908	539,717	46,191	92.1	102,135	45.2
2008	638,095	579,068	59,027	90.7	111,486	53.1
2009	732,713	607,710	125,003	82.9	116,951	106.9
2010	773,303	635,455	137,847	82.2	115,289	119.6

Source: CalPERS annual valuation report dated October, 2011.

PERS - SAFETY EMPLOYEES
($ in Thousands)

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	$227,202	$190,415	$36,787	83.8%	$33,934	108.4%
2006	247,233	211,753	35,480	85.6	35,030	101.3
2007	285,822	238,041	47,781	83.3	40,138	119.0
2008	317,140	262,817	54,323	82.9	42,996	126.3
2009	352,610	283,880	68,730	80.5	45,516	151.0
2010	373,670	307,056	66,614	82.2	45,643	145.9

Source: CalPERS annual valuation report dated October, 2011.

Set forth below is a summary of the City's history of annual payments to CalPERS since 2005, as well as the City's projection of future payments through fiscal year 2013-2014. The City has always contributed the full amount of the annual contribution recommended by CalPERS. The City's projection of future payments based on future contribution rates on CalPERS actuarial report dated October 2010. Changes by CalPERS in their contribution rate calculations and underlying assumptions will alter these future contributions. Approximately 35% (on average) of the contributions to the Miscellaneous Plan and approximately 97% of the contributions to the Safety Plan have been or are expected to be made from the General Fund, as shown below. Market volatility and the possibility of a "double dip" recession may substantially increase the City's required contributions to CalPERS in the future.

ANNUAL PAYMENTS TO CalPERS RETIREMENT PLANS BY CITY
($ in Thousands)

	PERS Misc Employees		PERS Safety Employees	
Fiscal Year Ended June 30	**Total Contribution Misc Employees**	**General Fund Contribution Misc Employees**	**Total Contribution Safety Employees**	**General Fund Contribution Safety Employees**
2005	$8,274	$ 3,144	$11,030	$10,699
2006	7,402	2,887	6,936	6,728
2007	10,056	3,295	8,671	8,498
2008	12,228	3,435	9,283	9,097
2009	12,580	3,768	9,916	9,718
2010	12,566	3,765	10,459	10,250
2011	12,518	4,381	10,346	10,139
2012*	13,666	4,783	11,644	11,411
2013*	14,322	5,013	11,233	11,008
2014*	16,769	5,869	12,416	12,168

TOTAL EMPLOYER CONTRIBUTION RATE TO PERS

	Actual % of Payroll	
Fiscal Year Ended June 30	**Total Misc Employees**	**Total Safety Employees**
2006	8.313%	19.648%
2007	8.331%	21.321%
2008	8.625%	22.048%
2009	10.644%	21.898%
2010	10.855%	22.977%
2011	11.422%	23.599%
2012	15.484%	26.559%
2013	16.227%	25.621%

*Projected annual payment to retirement plan based on future contribution rates on CalPERS actuarial report dated October 2011.

Post-Retirement Medical Benefits (OPEB)

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or the FPRS for medical post-retirement benefits. Benefit provisions are established and amended through negotiations between the City and the respective unions. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered.

The City contribution requirements have been established at the individual retiree levels of $112 or $33.60 per month, depending on bargaining unit membership and policy enacted by CalPERS pursuant to State Law. These minimum requirements may be increased through future negotiations between the City and respective unions.

The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For fiscal year 2012-13, the annual contribution was approximately $455,000. As described below, a recent grand jury report recommended that the City prefund its OPEB liability. FY 2009-10 was the first year of implementation of GASB Statement 45. As of June 30, 2010, the unfunded actuarial accrued OPEB liability was approximately $30.8 million.

Grand Jury Report on Public Pensions in LA County—Including Pasadena FPRS

On June 30, 2011 the Los Angeles County Civil Grand Jury released a report (available as part of the Final Report 2010-2011 at Grandjury.co.la.ca.us/gjreports.html) following an investigation into a number of public pension plans for agencies located within the County. The Grand Jury selected five agencies for in-depth review including the Pasadena Fire and Police Retirement System (FPRS).

Although the investigation focused on FPRS, the final Grand Jury report commented on the City's CalPERS pension plan as well as CalPERS post retirement health benefit program. Specifically, the Grand Jury made three recommendations:

1. The City Council endorse the recommendations being made by management staff regarding actuarial assumptions, cost stabilization, administrative restructuring and funding for the FPRS.

2. The City Council direct the City Manager to negotiate reductions in the amount of employee contribution picked up by the City for its CalPERS pension plans, up to the full amount of 8% for Miscellaneous and 9% for Safety employees.

3. The City Council adopt a policy to fully fund the OPEB actuarially determined annual required contribution each year, to build reserves toward future benefit obligations and earn investment income that can reduce the amount of the ARC in future years.

The California Government Code requires a response to the recommendations of a Grand Jury within 90 days of release of the report. When the City responds, it will report that on March 28, 2012 the City Council unanimously approved the staff recommendations associated with the FPRS; hence, the recommendation of the Grand Jury is consistent with action already being taken by the City.

In regard to decreasing the City's contribution towards the employee portion of CalPERS pension costs, the City will be able to report that it is moving in this direction as part of the overall strategy towards compensation and benefits. See "Employee Relations" above.

As to the final recommendation, pre-funding the City's obligation related to the CalPERS health program, the City's independent auditor has recently recommended that the City pursue such an approach. Accordingly, during the 2012-13 fiscal year, staff will be working on a plan that addresses this liability. The City historically made all required payments (calculated on a "pay-as-you-go" basis) which total approximately $455,000 annually. Further, the Adopted 2012-13 Budget as well as the City's five year financial forecast is premised on a "pay-as-you-go" basis. The City is contemplating gradually increasing its annual contribution to the actuarially required amounts per year.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. On liability claims losses and expenses paid averaged about $1,653,950 per year for the past 10 years and, when existing "reserves" are added, averaged around

$2,611,691 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. Since 2008 the City has carried a liability policy of $20 million excess of $5 million self-insurance retention. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of the fiscal years ended June 30, 2000 through 2011 are reflected in the following table:

CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2000 through 2011
(Unaudited)

Fiscal Year[1] Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims[1]
2000	$ 403,997	$ 511,683	$ 915,680	$ 190,764
2001	1,132,093	1,123,095	2,255,188	0
2002	830,199	216,976	1,047,175	0
2003	1,619,698	341,655	1,961,353	0
2004	3,190,864	627,493	3,818,357	0
2005	1,046,266	875,675	1,921,941	0
2006	314,867	440,187	755,054	0
2007	646,367	133,156	779,523	53,439
2008	553,300	1,239,857	1,790,157	1,431,058
2009	3,086,889	435,948	3,522,837	5,007,684
2010	234,676	9,502	244,178	2,013,343
2011	92,641	5,041	97,682	2,029,626

(1) Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.

The City maintains commercial property insurance and boiler and machinery insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of $1 billion per occurrence per location subject to a $25,000 deductible. Exclusions include earthquake, corrosion, sabotage, terrorism, electronic data processing electronic erasure, asbestos and mold. There are various sub-limits and/or higher deductibles on specified types of properties. The City's insurance policies are renewed annually and the current policies expire on July 1, 2012.

CITY FINANCIAL INFORMATION

Certain statements included or incorporated by reference in the discussion below constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

Budget Preparation and Approval Process

No later than January of each year, the Mayor must present a thematic budget message for the upcoming fiscal year to the City Council and the community. The City Council must establish procedures whereby public suggestions and comments on the Mayor's budget proposals may be received and considered prior to the preparation and submission of budget requests by the City Departments to the City Manager.

On or before the third Monday in May of each year, the City Manager must submit to the City Council the recommended balanced budget for the following fiscal year, as required by the City Charter. Also at this time, a public hearing is opened for residents and businesses to make any comments or suggestions regarding the recommended budget. Copies of the recommended budget are available for inspection by the public in the office of the City Clerk and at the City's libraries at least ten days prior to the hearing.

At the conclusion of the public hearing, the City Council further considers the recommended budget and makes any revisions. On or before June 30, the City Council adopts a balanced budget with revisions, if any, by the affirmative vote of at least five members of the City Council.

From the effective date of the budget, funds become appropriated to City Departments for the objects and purposes named. At any subsequent City Council meeting following the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of a minimum of five members of the City Council.

The Director of Finance prepares the City's financial statements and submits them to the City Council within four months after the close of each fiscal year. The City Council employs an independent certified public accounting firm to review the City's financial statements for conformity with generally accepted accounting principles for municipal governments and issues an opinion letter regarding the accuracy and fairness of the financial information presented in the City's Comprehensive Annual Financial Report.

Budgetary Principles and Financial Planning and Forecasting

Budgetary Principles and Policies. In preparing the City's budget, City staff is guided by certain principles and goals set by the City Council. Among them, staff has been directed to match revenues with expenditures when developing a balanced operating budget, and minimize reliance on "carry-forward" fund balances from previous years to fund expenditures in future years.

General Fund Five Year Financial Plan. In mid-2009 as the realities and depth of the recession were becoming clear, the City Council adopted 5-year plan to address the growing structural deficit in the General Fund. The Plan takes a measured approach to reducing expenditures to minimize the impacts on services and programs. The Plan utilizes over $25 million in undesignated General Fund reserves to offset the devastating programmatic reductions that would have otherwise been necessary to eliminate the structural deficit earlier. The most significant factor in eliminating the growth in expenses has been the willingness of City employees to forego salary increases. Personnel-related expenses account for more than 75% of all General Fund operating expenditures. Since the beginning of FY 2009 the city has cut nearly 300 positions, most of which were achieved through voluntary separations, elimination of vacant positions, and a limited number of layoffs. Additionally, the City has now gone three years without across the board cost of living increases for staff. Selected labor groups have received salary increases; however, each of these increases was paid for through other negotiated labor cost reductions. For example, recent

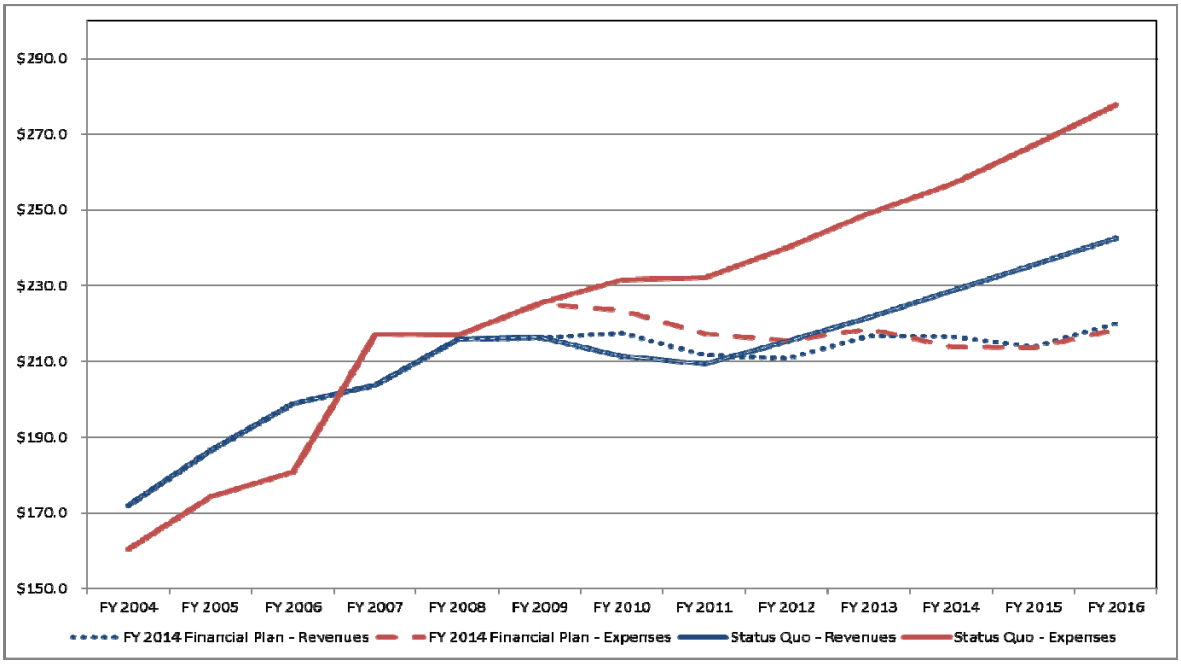
negotiations with some labor groups have eliminated the City's partial payment ("pick up") of the employee's share of PERS pension costs. See "Employee Relations" above.

Additional deficit reductions actions have included:

- Reductions to discretionary spending on consultants and material supplies;
- Reductions to police overtime;
- Civilianization of fire building inspectors;
- Temporary closure of fire station 39 for seismic retrofit;
- Reductions to maintenance cycles at City parks and public buildings.

As shown on the pictorial forecast below, if actions had not been taken, the City projected in its financial forecast that the General Fund would face a widening gap between projected baseline revenues and expenses, with the City's annual deficit in the General Fund projected to grow to more than $28.5 million by FY 2014. Cost reductions began to be implemented in mid-FY 2009 and have continued in each succeeding fiscal year. Through the actions already taken and those incorporated into the FY 2012 Budget, the City is on track to eliminate over $150 million in baseline cumulative costs between FY 2009 and FY 2016 in the General Fund. It is noteworthy that cost reductions (over and above those originally forecast) of approximately $4.5 million were included in the FY 2012 Adopted Budget to offset the significant increases to the City's pension contribution rates. As shown below, the City has forecasted that it will eliminate its structural deficit by end of FY13 (instead of FY14 as originally forecasted in 2009).

General Fund 5-Year Financial Plan Forecast
(Updated with projections through FY 2016)
($'s in Millions)



Source: City of Pasadena Finance Department

. In preparing its financial forecasts reflected in the graph above and the table below, City staff made a variety of assumptions, including, among others: :

1 The City will continue to make annual transfer from its Water and Power Fund including; including a 6% transfer from the Water Fund and a 9% transfer from the Light & Power Fund through FY15 and 8% thereafter. (See "Transfers from the General Fund to the Utility Funds" below);

2 The City will continue to receive SB481 tax increment revenues until 2014. (See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS-Historic and Projected Tax Increment" in the forepart of this Official Statement);

3 CalPERS contributions will be as shown on the most recent CalPERS actuarial valuation report and based on CalPERS' projections. (See "Retirement Systems-California Public Employees' Retirement System" above);

4 The City will continue to make contributions to its OPEB liability on a "pay-as-you-go basis." (See "Post Retirement Medical Benefits" above);

5 The issuance of the 2012 Bonds; and

6 The City will continue to obtain concessions for minimal cost of living adjustments (COLA) from its employees.

There can be no assurance that the assumptions described above will be realized. Accordingly, there can be no assurance that the City's financial forecasts as shown in the graph above and in the table below will correspond with its actual financial results.

The table below shows estimated operating projections for the five-year forecast period based upon actions previously taken and those recommended in the FY 2012 Adopted Budget The five-year financial forecast presentation differs from the City's presentation of its financial results; among other differences it is calculated on a cash basis and line items will not correspond to audited financial or budget presentations. The City's financial forecast is reviewed monthly and updated no less often than quarterly. It was last updated as of January 31, 2012.

General Fund 5-Year Financial Plan
($ in thousands)

	Year Ending June 30,				
	2012	**2013**	**2014**	**2015**	**2016**
Beginning Total General Fund Balance[1]	$ 46,565	$ 42,453	$ 42,641	$ 43,016	$ 43,127
Revenues					
Tax Revenues	$123,826	$126,838	$130,657	$136,422	$141,355
Other Revenues	86,223	87,848	80,109	72,779	72,893
TOTAL REVENUES	$210,049	$214,686	$210,766	$209,201	$214,248
Operating Expenditures					
Personnel	$127,117	$128,633	$130,904	$133,564	$136,750
Debt Service	31,811	32,683	23,175	17,557	18,076
Contributions to other funds/misc purposes	13,393	12,887	14,683	15,032	15,391
Other Expenditures	41,840	40,295	41,629	42,937	43,493
TOTAL EXPENDITURES	$214,161	$214,498	$210,391	$209,090	$213,710
Net Income/(Loss)[2]	$ (4,112)	$ 188	$ 375	$ 111	$ 538
Total Ending General Fund Balance[3]	$ 42,453	$ 42,641	$ 43,016	$ 43,127	$ 43,665

(1) Includes City 10% Unrestricted Reserves per its General Fund Cash Reserve Policy.
(2) Calculated on a cash flow basis.
(3) Excludes balance in SB481 Fund.

Source: City Finance Department.

General Fund Cash Reserve Policy. Beginning in FY 2011, the City instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current operating reserve is approximately $23.0 million. Under current City policy, only under emergency conditions does the City use this operating reserve. Cash reserves may be in the form of cash or other legal investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Set forth below is a summary of the condition of the City's General Fund reserves for the past five years. Until FY 2010, the City's 10% operating reserve was identified as "Designated for-General Fund Reserve;" however, in FY 2011, accounting changes resulted in the operating reserve being divided between that line item and the line item "Reserve Balance."

	As of June 30,				
	2007	**2008**	**2009**	**2010**	**2011**
Reserved Balance	6,971,067	7,126,932	11,981,577	7,996,500	39,373,296
Designated for:					
General Fund Reserve	15,065,942	15,984,369	22,788,068	22,594,334	8,582,519
Budget Stabilization Reserve	–	–	–	–	–
Utility Users Tax Reserve	6,206,318	6,559,898	–	–	–
City Hall Seismic Retrofit	12,044,942	5,793,420	5,603,009	5,618,447	–
Retirement System	–	–	–	–	–
Future Projects – Rose Bowl	–	68,035	–	–	–
Designated balance	33,317,202	28,405,722	28,391,077	28,212,781	8,582,519
Unreserved Fund Balance	26,199,444	30,392,479	20,010,389	16,967,906	(1,390,808)
Total Fund Balance[(1)]	66,487,713	65,925,133	60,383,043	53,177,187	46,565,007

(1) Excludes balance in SB481 Fund.

Source: City Finance Department

Capital Budgeting. The City prepares a 5-year capital improvement program (CIP) budget, which is adopted yearly as part of the budget process. The CIP includes projects that have no funding sources. The most current 5-year CIP budget includes approximately $955.5 million including all enterprise funds (Water & Power, Rose Bowl, and Pasadena Conference Operational Center) in total estimated project cost for 207 active projects. In FY 2012 $154.6 million was appropriated to 88 projects. Implementation of the CIP is discretionary and will depend upon City resources. The City does not intend to issue general fund indebtedness in the near future to fund the CIP.

Adopted General Fund Budgets for Fiscal Year 2010-11 and 2011-12.

The budget preparation process for fiscal year ending June 30, 2012 began in October 2010. In February and March 2011, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for fiscal year ended June 30, 2012. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council for a public hearing from which to obtain comments from the City's residents.

The City Council adopted the budget for fiscal year ending June 30, 2012 on June 27, 2011. The General Fund portion of the appropriation budget for fiscal year ending June 30, 2012 is $215.8 million.

Set forth below is the City's adopted General Fund budgets for 2010-11 and 2011-12. The budget for 2010-11 shows the budget as adopted, the actual budget results and the variance for the fiscal year.

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual For Fiscal 2011 and Budget for 2012

	Fiscal Year Ended June 30, 2011			Fiscal Year Ended June 30, 2012	
	Budget	**Actual**	**Variance**	**Adopted**	**Revised**
Revenues					
Taxes	$116,845,801	113,809,641	(3,036,160)	128,447,351	128,507,351
Licenses and permits	2,660,160	2,471,544	(186,616)	2,550,240	2,550,240
Intergovernmental revenues	14,146,734	14,570,521	423,787	14,371,083	14,775,392
Charges for services	33,194,497	32,092,354	(1,102,143)	21,577,987	21,677,987
Fines and forfeits	6,311,000	6,362,032	51,032	6,351,000	6,351,000
Investment earnings	21,010,000	22,927,674	1,917,674	19,301,200	19,301,200
Rental income	1,126,773	1,073,420	(53,353)	614,153	614,153
Miscellaneous revenues	2,105,342	2,307,555	202,213	1,199,020	1,299,020
Total Revenues	$197,400,307	195,614,741	(1,785,566)	194,412,034	194,986,343
Expenditures					
General Government	$34,998,010	39,277,386	4,279,376	31,185,873	30,913,960
Public safety	99,696,764	97,209,419	(2,487,345)	97,612,565	97,567,206
Transportation	24,353,258	23,026,269	(1,326,989)	24,187,980	24,200,184
Culture and leisure	13,768,865	13,783,967	15,102	9,022,729	8,960,345
Community development	8,210,177	8,104,996	(105,181)	7,395,111	7,497,163
Total Expenditures	$181,027,074	181,402,037	374,963	169,404,258	169,138,858
Excess of revenues over expenditures	$16,373,233	14,212,704	(2,160,529)	25,007,776	25,847,485
Other financing sources (uses)					
Transfer in	$26,294,197	26,931,281	637,084	16,562,734	19,734,837
Transfer out	$(51,666,438)	(47,756,165)	3,910,273	(46,438,997)	(46,438,997)
Total other financing sources (uses)	$(25,372,241)	(20,824,884)	4,547,357	(29,876,263)	(26,704,160)
Change in fund balances	$(8,999,008)	(6,612,180)	2,386,828	(4,868,487)	(856,675)
Fund balance at beginning of year	$53,177,187	53,177,187	-	46,565,007	46,565,007
Fund balance at end of year	$44,178,179	46,565,007	2,386,828	41,696,520	45,708,332

Source: City of Pasadena 2011 CAFR

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum number of funds is maintained consistent with legal and contractual requirements.

Capital assets (including infrastructure greater than $10,000) are capitalized and recorded at cost or at the estimated fair value of the assets at the time of acquisition where complete historical records have not been maintained. Contributed capital assets are valued at their estimated fair market value at the date of the contribution. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians and sewer and storm drains.

The City's funds and capital assets are classified for reporting purpose as follows:

Government Funds	**Fiduciary Funds**
General Fund	Trust and Agency Funds
Special Revenue Funds	
Debt Services Funds	
Capital Projects Funds	
Proprietary Funds	**Capital Assets**
Enterprise Funds	Capital Assets used in the Operation of Governmental Funds
Internal Service Funds	

The City follows the modified accrual method of accounting for governmental, expendable trusts and agency funds. Under the modified accrual method of accounting, revenues are susceptible to accrual when they become both measurable and available. Expenditures are recorded when a current liability is incurred. Liabilities are considered current when they are normally expected to be liquidated with expendable available financial resources. The proprietary, nonexpendable trust and pension trust funds are accounted for using the accrual method of accounting.

The City's Director of Finance maintains the accounting system and records of accounts for all City funds. The City Charter requires an independent audit of the financial statements of all accounts of the City by an independent certified public accountant. All audits are reviewed by the Finance Committee of the City Council, which is comprised of four members of the City Council.

Tax Revenue Sources

The City relies on a number of revenue sources, including, among others, sales and use taxes, property taxes and motor vehicle license fees that have in recent years been affected by the State's budgetary difficulties. The State has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. For example, on March 2, 2004, California voters approved Proposition 57, a bond act authorizing the issuance of up to $15.0 billion of economic recovery bonds to fund the accumulated State budget deficit. These bonds (issued in an aggregate amount of $14.2 billion) are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent. The share of the tax allocated to local governments was reduced by the same amount and, in exchange, local governments now receive an increased share of the local property tax (and K-12 school districts and community colleges receive a reduced share) until the economic recoveries are repaid. Although the final maturity of the economic recoveries is in 2023, they may be repaid by the State in advance of that date. All education agency property tax reductions are offset by increased State aid. This shift in revenues between the State and local governments is known as the "Triple Flip." As a result of a separate action, the State now supplements the City's property tax by an amount intended to backfill a portion of motor vehicle license fees ("VLF") lost as a result of the State's reduction in the fee's rate. These various reallocations have affected the timing of the receipt of the impacted revenues.

The State's fiscal year 2009-10 budget act also included a diversion of a portion of the share of property tax revenues allocated by the State to cities, counties and local agencies.

Constitutional amendment Proposition 1A, passed by statewide voters in 2004, and Proposition 22 passed by the voters in 2010 limits the State's ability to divert or borrow these revenues in the future. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" herein.

Listed below is a historical summary of the City's five largest revenue sources resulting from taxes.

GENERAL TAX REVENUES
Fiscal Years 2006 through 2011
($ in Thousands)

	Fiscal Year Ended June 30,					
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Tax						
Property [1]	$ 51,116	$ 61,763	$63,480	$ 69,062	$ 68,648	$ 68,607
Sales	33,992	34,634	36,519	31,941	28,949	26,419
Utility Users	26,766	28,063	29,640	31,162	29,520	26,792
Street Light & Traffic Signal	5,480	6,352	6,779	7,051	6,565	5,989
Transient Occupancy	10,246	10,358	10,731	7,382	8,406	8,987
Total	$127,600	$141,170	$147,149	$146,598	142,088	136,794

[1] Includes assessments and reallocation of revenues under the "Triple Flip" and various State replacements.
Source: City of Pasadena, Department of Finance.

Property taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which a lien on real property is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. If such taxes remain unpaid as of June 30 of the fiscal year in which the tax is levied, the property securing the taxes may only be redeemed by payment of the delinquent payment, plus a redemption penalty of 1½% per month from the original June 30 date to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the County Treasurer and Tax Collector, as provided by law.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property of the unsecured roll, and an additional penalty of 1½% per month begins to accrue commencing on November 11 of the fiscal year. Collection of delinquent unsecured taxes is the responsibility of the County of Los Angeles which may utilize any of several means legally available to it.

The tax roll for fiscal year ended June 30, 2011, reflected a total assessed valuation of approximately $20.9 billion for the City, of which $2.8 billion reflects the redevelopment project areas incremental assessed valuations of which the payable taxes are due to its redevelopment agency. As

described under "RISK FACTORS–Redevelopment Agency Dissolution" in the forepart of this Official Statement, redevelopment agencies in the State have been dissolved but tax increment continues to flow to the payment of "enforceable obligations", such as tax allocation bonds. Assessed net valuation for revenue purposes increase by approximately 1.13% for the fiscal year ended June 30, 2011, over the assessed net valuation for fiscal year ended June 30, 2010, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2000 and the fiscal year ended June 30, 2011 was approximately 7.5%.

ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2001 through 2012
($ in thousands)

Fiscal Year Ended June 30	Secured Valuations	Homeowner Exemption	Net Secured Valuations	Unsecured Valuations	Total Assessed Valuation	Less PCDC[1] Increment	Net Valuation
2002	10,781,460	(133,467)	10,647,993	577,896	11,225,889	(1,386,579)	9,839,310
2003	11,537,408	(132,466)	11,404,942	606,087	12,011,029	(1,552,121)	10,459,277
2004	12,667,923	(131,710)	12,536,213	587,938	13,124,151	(1,786,002)	11,338,149
2005	13,672,183	(134,055)	13,538,128	564,808	14,102,936	(1,946,336)	12,156,600
2006	15,071,976	(134,404)	14,937,572	598,396	15,535,968	(2,097,532)	13,438,436
2007	16,759,246	(133,112)	16,626,134	620,524	17,246,658	(2,522,337)	14,724,321
2008	18,339,519	(134,380)	18,205,139	607,779	18,812,938	(2,405,375)	16,407,563
2009	20,237,173	(136,262)	20,100,911	651,375	20,752,286	(2,799,791)	17,952,495
2010	20,204,880	(138,630)	20,066,250	644,888	20,711,138	(2,828,387)	17,882,751
2011	20,481,388	(138,275)	20,343,113	605,404	20,948,517	(2,829,885)	18,118,632
2012	20,969,532	(137,842)	20,831,690	567,527	21,399,217	(2,988,477)	18,410,740

[1] Pasadena Community Development Commission, the former redevelopment agency for the City. See "RISK FACTORS—Redevelopment Agency Dissolution" herein.

Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.

ASSESSED VALUATION OF TAXABLE PROPERTY
(Per Capita)

Year	Assessed Valuation	Population	AV Per Capita
2002	$11,225,889,000	138,728	$ 80,920
2003	12,011,029,000	141,949	84,615
2004	13,124,151,000	143,616	91,384
2005	14,102,936,000	145,219	97,115
2006	15,535,968,000	145,695	106,634
2007	17,246,658,000	146,051	118,087
2008	18,812,938,000	147,293	127,725
2009	20,752,286,000	150,185	138,178
2010	20,711,138,000	136,769	151,432
2011	20,948,517,000	138,915	150,801
2012	21,399,216,000	140,326	152,496

Source: Los Angeles County Auditor-Controller and State of California, Department of Finance

The following two tables reflect the typical property tax rate per $100 of assessed value in various jurisdictions and the ten largest secured taxpayers in the City.

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years 2001 through 2011
(unaudited)

Fiscal Year	General City	City Debt Service*	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
2001	1.000000	0.016731	0.001314	0.067891	0.000000	0.001552	0.008800	1.096288
2002	1.000000	0.015297	0.001128	0.090396	0.000000	0.001073	0.007700	1.115594
2003	1.000000	0.014611	0.001033	0.070304	0.000000	0.000811	0.006700	1.093529
2004	1.000000	0.012515	0.000992	0.088903	0.006814	0.000462	0.006100	1.115786
2005	0.340900	0.000000	0.333200	0.331600	0.101900	0.000300	0.005800	1.113700
2006	0.340500	0.000000	0.322500	0.355500	0.096400	0.000100	0.005200	1.120200
2007	0.369100	0.000000	0.306700	0.284700	0.112200	0.000000	0.004700	1.077400
2008	0.337300	0.000000	0.327700	0.299300	0.110300	0.000000	0.004500	1.079100
2009	0.332800	0.000000	0.363500	0.276500	0.010180	0.000000	0.004300	1.078900
2010	1.000000	0.000000	0.000000	0.108364	0.023002	0.000000	0.004300	1.135666
2011	1.000000	0.000000	0.000000	0.101949	0.019864	0.000000	0.003700	1.125513

Source: County of Los Angeles Tax Assessor and California Municipal Statistics, Inc.
* In 2004, the City paid off its outstanding general obligation debt.

TOP TEN PROPERTY TAXPAYERS
AS OF JUNE 30, 2011

Property Owner	Primary Land use	June 30, 2011 Assessed Valuation	% of Total
Marangi Leonard M Les	Office Building	$ 460,181,952	1.94
Kaiser Foundation Health Plan Inc.	Office Building	218,417,684	1.04
Paseo Colorado Holding LLC	Shopping Center	190,750,405[(1)]	0.91
Pacific Huntington Hotel Corp	Office Building	154,489,387[(1)]	0.74
Wells Reit II Pasadena Corp	Office Building	137,317,976[(1)]	0.66
Maguire Partners Wap LLC	Office Building	128,823,529	0.61
Equity Office Properties Trust	Office Building	127,400,000[(1)]	0.61
Tishman Speyer Archstone Smith	Apartments	119,186,722	0.57
SSR Paseo Colorado LLC	Apartments	109,888,463[(1)]	0.52
Pasadena Towers LLC	Office Building	108,116,048[(1)]	0.51
Total principal property taxpayers gross assessed value		$1,754,572,166	8.38%
Total city assessed value		$20,948,384,608	100.00%

(1) Assessment appeal pending. In the aggregate, approximately $851 million of value is under appeal.
Source: California Municipal Statistics, Inc.

Transfers to General Fund from Utility Funds

Pursuant to City Charter Sections 1407 and 1408 the City makes annual transfers from the City's Water Fund (the "Water Fund") and from the City's Light and Power Fund (the "Light and Power Fund") to

the General Fund. The amount transferred from the Water Fund may not exceed 6% of gross income received by that Fund during the preceding fiscal year and may not exceed net income to the Fund for that year. This transfer to the General Fund may be used for any municipal purpose. The amount transferred from the Light and Power Fund may not exceed 16% of gross income received during the preceding fiscal year and may not exceed net income to the Fund for that year. Of the total 16% which may be transferred, up to 8% may be used for any municipal purpose and the remaining 8% is restricted for municipal improvements and bond redemption.

Set forth below is a table indicating the amount transferred from the Light and Power Fund and the Water Fund to the City's General Fund during each of the last four fiscal years and the amount budgeted for the current fiscal year, expressed in dollars and as a percentage of each Fund's prior year's gross income.

TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND TO GENERAL FUND
Fiscal Years 2008 through 2012
($ in Thousands)

	Fiscal Year Ended June 30,				
	2008[2]	**2009[2]**	**2010[2]**	**2011**	**2012[4]**
Light and Power Fund					
Amount Transferred	$11,341	$12,922	$15,475	$13,899	$12,636
Amount a Percentage of Prior Year's Gross Income[1]	8.0%	8.0%	9.2%	8.0%	8.0%
Water Fund					
Amount Transferred	$2,923	$2,872	3,066	$3,104	$3,395
As a Percentage of Prior Year's Gross Income[1]	6.0%	6.0%	6.0%	6.0%	6.0%

(1) Reflects percentage of prior fiscal year's gross revenue of the Water Fund and the Light and Power Fund, respectively.
(2) Includes Public Benefit Charge Contribution to City Hall Retrofit of $1.1 million.
(3) Budgeted.

As discussed under "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution," there is a risk that the legality of the transfers from the Light and Power Fund and the Water Fund could be judicially challenged under Article XIII C and D of the State Constitution. The City cannot provide assurances that Articles XIII C and D will not materially and adversely impact the City's ability to transfer surplus moneys from the Light and Power Fund and from the Water Fund to the General Fund.

General Fund Comparative Financial Statements

The following two tables describe the financial condition of the City's General Fund by showing a three-year history of the City's Comparative Balance Sheet and a three-year history of the City's Statement of Revenues, Expenditures and Changes in Fund Balances.

GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2009 through 2011

	As of June 30,		
Assets	**2009**	**2010**	**2011**
Cash and investments	$48,512,851	$36,887,035	$27,561,067
Accounts receivable	17,135,513	21,367,164	17,132,926
Less allowance for uncollectible amounts	(1,346,986)	(3,624,251)	-
Notes receivable	398,403	404,403	52,397
Due from other funds	4,781,495	4,794,116	8,582,519
Prepaids and other assets	25,042	723,380	26,833
Advances to other funds	15,878,806	14,476,596	15,332,198
Advances to component units	902,624	835,384	764,740
Allowance uncollectible for long term receivables	(8,151,520)	(8,556,376)	(10,000,845)
Total assets	$78,136,228	$67,307,451	$59,451,835
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	$11,565,569	$8,609,063	$8,062,810
Deposits	1,885,384	1,911,281	1,984,321
Due to other governments	28,787	83,291	50,234
Deferred revenue	4,273,445	3,526,629	2,789,463
Total liabilities	$17,753,185	$14,130,264	$12,886,828
Fund Balances:			
Reserved for:			
Encumbrances	$2,928,222	113,113	
Notes receivable	398,403	404,403	
Prepaids and other assets	25,042	723,380	
Advances to other funds	8,629,910	6,755,604	
Unreserved:			
General Fund	48,401,466	45,180,687	
Total Fund balances	$60,383,043	$53,177,187	
Total liabilities and fund balances	$78,136,228	$67,307,451	
*Fund Balances:			
Nonspendable			52,397
Committed			39,320,899
Assigned			8,582,519
Unassigned			(1,390,808)
Total Fund balances			46,565,007
Total liabilities and fund balances			59,451,835

Source: City of Pasadena, Department of Finance

*Fund balances are reported in the aggregate in the classifications defined by Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which commenced for FY 2011.

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2009 through 2011

	Fiscal Year Ended June 30,		
Revenues:	**2009**	**2010**	**2011**
Taxes	$119,771,602	$112,030,511	$113,809,641
Licenses and permits	2,360,182	2,640,177	2,471,544
Intergovernmental revenues	13,745,985	14,004,673	14,570,521
Charges for services	34,523,301	32,734,949	32,092,354
Fines and forfeits	8,844,377	5,135,244	6,362,032
Investment earnings	21,922,550	24,136,783	22,927,674
Net changes in fair value of investments	167,106	278,208	-
Rental income	1,425,723	1,010,973	1,073,420
Miscellaneous revenue	2,394,249	2,441,828	2,307,555
Total revenues	$205,155,075	$194,413,346	$195,614,741
Expenditures:			
Current:			
General government	$ 34,809,501	$ 36,864,197	$ 39,277,386
Public Safety	99,457,043	98,167,257	97,209,419
Transportation	26,337,739	22,370,798	23,026,269
Culture and leisure	14,228,573	13,288,417	13,783,967
Community development	9,990,270	9,531,323	8,104,996
Capital outlay		3,230,000	-
Total expenditures	$184,823,126	$183,451,992	$181,402,037
Excess (deficiency) of revenues over (under) expenditures	$ 20,331,949	$ 10,961,354	$ 14,212,704
Other financing sources (uses):			
Issuance of long-term debt	$ 331,944	–	–
Transfers in	18,007,072	30,055,525	26,931,281
Transfers out	(48,213,053)	(48,222,735)	(47,756,165)
Total other financing sources (uses)	(29,874,037)	(18,167,210)	(20,824,884)
Change in fund balances	(9,542,088)	(7,205,856)	(6,612,180)
Fund balances at beginning of year, as restated	69,925,131	60,383,043	53,177,187
Fund balances at end of year	$ 60,383,043	$ 53,177,187	$ 46,565,007

Source: City of Pasadena, Department of Finance

Investment Practices

General. The City Treasurer is responsible for investing City funds pursuant to an Investment Policy (the "Investment Policy") established by the City Council.

The Treasurer invests temporarily idle cash for the City as part of a pooled investment program which combines general receipts with special funds for investment purposes. The City's accounting division then allocates interest earnings on a *pro rata* basis when the interest is earned and distributes interest receipts based on the previously established allocations. All funds of the City, other than bond

proceeds, the investment assets formerly belonging to the Commission, the City's Capital Endowment Fund and the Stranded Investment Reserve Fund, are invested pursuant to this pooled investment program. Funds formerly belonging to the Commission are invested pursuant to the Investment Policy, but are kept separate from other City funds. The Treasurer does not invest funds of any other governmental entities as part of its pooled investment program. All bond proceeds are invested in accordance with the permitted investments described in the applicable trust indenture.

***Pooled Investment Portfolio*.** As of June 30, 2011, the funds invested pursuant to the pooled investment program had a market value of $306,851,206. The City Treasurer prices the pooled portfolio and all other funds and investments under management on a monthly basis. The market values are obtained from Interactive Data Corporation ("IDC") and Bloomberg Financial Systems. The modified duration of the City's Pooled Investment Portfolio as of June 30, 2011 was 2.21 years. Of the investments on that date, approximately 31.40% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2011 are shown in the following table:

POOLED INVESTMENT PORTFOLIO

	Market Value	Percentage of Total[1]
Money Market Fund	$ 15,121,197	4.94%
Money Market FDIC Insured	5,245,000	1.71
Money Market-Collateralized	14,017,323	4.58
LAIF	49,384,769	16.14
Municipal Bonds	14,092,434	4.61
Corporate Bonds	40,998,746	13.40
Mortgage Backed Securities/GNMAs	202	0.00
Federal Agencies	150,323,876	49.13
Certificates of Deposit	1,000,000	0.33
Repurchase Agreements	10,043,077	3.28
Cash in Bank	5,716,488	1.87
Total	$305,943,113	100.00%
Accrued Interest Receivable	908,093	
Grand Total	$306,851,206	

(1) At market value.
The Weighted Average Maturity of the above portfolio is 2.21 years.
Source: City of Pasadena.

The Investment Policy. The City's treasury operations are managed according to the Investment Policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturities. The Investment Policy is reviewed and authorized by the City Council on an annual basis. The City Council approved the Investment Policy for fiscal year ending June 30, 2011 on September 27, 2010.

The Investment Policy establishes three primary objectives, in the following order of priority, for the City's investment activities.

1. *Safety of Principal*. The City will seek to preserve principal by mitigating credit risk and market risk (by structuring the portfolio so that securities mature at the same time as major cash outflows occur and by prohibiting the taking of short positions).

2. *Liquidity*. The City will maintain sufficient liquidity in the investment portfolio to enable the City to meet all operating requirements which might be reasonably anticipated and investments will be authorized only in securities that are actively traded in the secondary market. The City operates its own electric and water utility and bills monthly for these services. The utility billing program generates significant cash flow on a daily basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

3. *Return on Investment*. The City will design its investment portfolio to attain a "market average rate of return" through economic cycles and, whenever possible, consistent with risk limitations and prudent investment principles, to augment returns above the market average rate of return.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to earn the highest yield obtainable while keeping within the investment criteria established by the Investment Policy for the safety and liquidity of public funds.

To meet its short-term cash flow needs, the City typically maintains an average investment balance of about $40 million in securities with a maturity of 30 days or less.

Authorized Investments. Funds are invested only in those securities authorized by the various sections of the California Government Code and the City's Investment Policy, which include obligations of the United States Treasury, agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium-term corporate bonds, shares of beneficial interest in diversified management companies (mutual funds), and asset-backed (including mortgage-related) and pass-through securities.

The City does not invest funds in any security that could result in a zero interest accrual if held to maturity, and has no investments in derivative products such as interest rate swaps, futures, options or reverse purchase agreements in connection with its investments. The City has entered into interest rate swap agreements in connection with certain of its obligations. The City does not have any investments which are reverse repurchase agreements. A reverse repurchase agreement is a transaction in which a holder of securities, such as the City, sells the same to a third party and agrees to repurchase them at a later date. The proceeds received by the seller can in turn be invested in additional securities, thus producing "leverage."

The Government Code stipulates that no investments may be made in securities with maturities in excess of five years without express authority from the City's legislative body.

None of the moneys on deposit in the City's investment portfolio is currently invested in leveraged products or inverse floating rate bonds. The City has no investments in outside investment pools except for the State's Local Agency Investment Fund (LAIF). The City does not have a practice of lending its portfolio's securities to others in return for a fee, although it is not prohibited from doing so.

STATE OF CALIFORNIA BUDGET

A number of the City's revenues are collected and subvened by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately 21.97% of the City's General Fund revenues are collected by the State and allocated by State law. During prior State

fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing, although recent Constitutional initiatives passed in 2004 and 2010 limit the State's ability to divert revenues from localities (including the City) in the future.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's General Fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making final budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.govbud.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

On June 30, 2011, Governor Brown signed into law the Fiscal Year 2012 State budget (the "Fiscal Year 2012 State Budget"). The Fiscal Year 2012 State Budget attempted to close a $26.6 billion budget gap. However, the Fiscal Year 2012 State Budget recognized the potential risk if revenues might fall short of the forecast and established automatic mid-year expenditure reductions ("trigger cuts") that would go into effect in that event.

On December 13, 2011, the State Department of Finance issued a revenue forecast indicating that the "trigger cuts" would occur. As a result, the Department of Finance called for a combination of reductions and adjustments to certain expenditures, totaling approximately $1 billion. The City does not anticipate any material changes to its revenues as a result of these trigger cuts.

On January 5, 2012, Governor Brown proposed a budget for Fiscal Year 2012-13 (the "2012-2013 Governor's Budget"), which attempts to address the State's continued structural deficit, then estimated at approximately $15 billion. The cornerstone of the Governor's 2012-2013 Budget was its assumption that the voters will approve temporary increases in personal income and sales taxes through an initiative that the Governor has proposed to be on the November 2012 ballot. If approved, the estimated $6.9 billion of additional annual revenues would be used to pay for Proposition 98 school funding obligations and to help balance the budget by paying for other state programs, including funding for public safety at the local level. In addition, the Governor's 2012-2013 Budget proposed significant reductions to social services and child care programs and additional state borrowing. In the event the Governor's proposed tax increase fails to pass, the Governor's 2012-2013 Budget specifies approximately $5.4 billion in expenditure reductions in, among other things, education (accounting for 90% of the targeted reductions) and judicial branch appropriation.

While the City does not anticipate significant impact from the State's Budget challenges, given the current state of the State's economy, the challenges of reaching legislative consensus, and the projected imbalance in the State's budget, the City cannot anticipate the final resolution of the State's budget challenges and its impact on the revenues or expenditures of the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution – Proposition 13

Section 1(a) of Article XIII A of the State Constitution ("Article XIII A") limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (i) *ad valorem* taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (iii) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the City may appeal the determination of the Los Angeles County Assessor of the Full Cash Value of their property. At any given point in time, appeals are pending in the City. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the City.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State have approved amendments to Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Another amendment permits the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Another amendment permits the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In 1990, the voters approved a further amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose "special taxes."

Article XIII B of the State Constitution – Gann Limit

State and local government agencies in the State are each subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. The base year for establishing such appropriations limit is fiscal year 1978-79. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service", (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters, or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, an agency's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If an agency's revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, *et seq.* of the State Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The City's appropriations limit for fiscal year ended June 30, 2011 was $203 million. The City estimates that its appropriations limit for the fiscal year ending June 30, 2012 is 211.3 million.

Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C of the State Constitution ("Article XIII C") requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote, and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D of the State Constitution ("Article XIII D") contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and

programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has three enterprise funds that are self-supporting from fees and charges (refuse, water and electricity), two of which (water and refuse) have been judicially determined to be property-related for purposes of Article XIII D. As a result, the City has since 2000 followed the notice and public hearing requirements of Section 6 of Article XIII D before imposing or increasing any water or refuse service fees or charges.

However, California courts have held that property-related fees which are used by a city for general fund purposes and which are not compensation to the city for the costs of providing the related service are an impermissible tax under Article XIIID. Under Section 1408 of the City Charter, last approved by the voters in 1993, the City annually transfers up to 6% of the gross revenue of the water enterprise fund to the General Fund. No assurance can be given that future water enterprise transfers to the General Fund will not have to be reduced or eliminated under Article XIIID.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C, so it was unclear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. The issue was clarified in 2006, when the California Supreme Court held that the Article XIII D definitions do not limit the scope of Article XIII C initiative powers. Accordingly, the Article XIII C initiative power could potentially apply to non property related revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does

not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID.

Proposition 26 also provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Since the adoption date of Proposition 26, any new or increased electric rates may not exceed the reasonable cost of providing electric service and the burden of establishing the reasonableness of such rates is placed upon the City. Sections 1407 and 1408 of the City Charter, last approved by the voters in 1993, authorize the City to transfer up to 16% of the gross income from the electric enterprise fund to the General Fund for general municipal purposes. See "CITY FINANCIAL INFORMATION—Transfers to the General Fund from Utility Funds" above. Since Proposition 26 has been recently enacted, there is little caselaw interpreting this Constitutional provision. It is the City's belief that Proposition 26 is not retroactive and, for that reason, it is the City's further belief that transfers from its electric enterprise fund should be unaffected by Proposition 26. Accordingly, in the absence of judicial authority to the contrary, the City intends to continue making these transfers to the General Fund in accordance with its Charter. Nonetheless, there can be no assurance that electric enterprise transfers to the General Fund will not have to be reduced or eliminated in the future under Proposition 26.

Proposition 1A

As part of then-Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004.

Proposition 1A prohibits the State from mandating activities on cities, counties or special districts without providing for the funding needed to comply with the mandates. If the State does not provide funding for the mandated activity, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expanded the definition of what constitutes a mandate on local governments to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A do not apply to schools or community colleges or to mandates relating to employee rights.

Proposition 1A also allowed the State to borrow up to 8% of local property tax revenues, beginning with Fiscal Year 2008-09, but only if the Governor proclaimed such action was necessary due to a severe

State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years. The 2009-10 State budget authorized the State to exercise its Proposition 1A borrowing authority. This borrowing generated $1.998 billion that was used to offset State general fund spending. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was approximately $4.6 million. The City has booked such amount as a receivable.

On November 2, 2010, State voters adopted Proposition 22 ("Proposition 22"), which further restricts the ability of the State to use or borrow money from local governments. Proposition 22 supersedes the provisions of Proposition 1A that allow the State to borrow money from local governments and prohibits any future such borrowings by the State from local government funds. However, the Proposition 1A borrowing completed in 2009 is grandfathered.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in S*anta Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) ("*Santa Clara*"), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a "special tax," as required by Proposition 62. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In deciding the *Santa Clara* case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the State Constitution. The State Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on *Woodlake*. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218,

certain provisions of Proposition 62 (e.g. voter approval of taxes) are now governed by the State Constitution.

Following the *Santa Clara* decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Future Initiatives

Article XIII A, Article XIII B and the propositions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness. The City has never failed to pay principal of or interest on any debt or lease obligation when due.

The Director of Finance serves as the City's debt coordinator. The City Treasurer serves on each financing team, along with other finance staff members. All debt issuance must be approved by the City's Finance Committee and the City Council.

Debt Management Policy

The City has adopted debt management policies to standardize and rationalize the issuance and management of debt by the City. One of the principal objectives of the debt management policies is to maintain the highest possible credit ratings for all categories of short and long term debt that can be achieved without compromising the delivery of basic services by the City.

The City's debt management policy requires the City to develop a multi-year capital improvement program to be considered by the City Council as part of the yearly budget process. The City does not anticipate issuing General Fund indebtedness in the near future.

General Obligation Debt

Under the City Charter, the City may not incur indebtedness by general obligation bonds which would in the aggregate exceed 15% of the total assessed valuation of all the real and personal property within the City subject to assessment for taxation for municipal purposes. In addition, no bonded indebtedness which will constitute a general obligation of the City may be created unless authorized by the

affirmative vote of two-thirds of the electorate voting on such proposition at any election at which the question is submitted. Such bonds are secured by an *ad valorem* property tax assessed against the property owners of the City. The City currently has no general obligation debt outstanding.

Long-Term Debt Obligations Payable from the General Fund

As of June 30, 2011, the City had total long-term debt obligations payable from the City's General Fund of approximately $622.3 million. Of this total, obligations for general government purposes represented approximately 19.33%, pension obligation bonds approximately 16.82% and "self-supporting" obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 63.83%. For the past ten years, the City has made no contribution from its General Fund towards the payment of "self supporting" obligations. Further, the City does not expect to make any contribution to the payment of such "self supporting" obligations in the near future. For Fiscal Years 2010, 2011, and 2012 the City's annual debt service payable from the General Fund are $34,697,156, $34,930,000 and $32,683,159, respectively. Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

Long Term Obligations Payable from City General Fund
as of June 30, 2011
($ in Thousands)

City Issues	Original Par	Outstanding	Final Maturity	Variable/Fixed Synthetic Fixed (SWAP)	Letter of Credit Expiration Date	SWAP Counterparty
Pension Obligation Bonds						
1999 A&B Taxable POBs (1)	$101,940	$ 73,180	2022	Fixed	–	–
2004 Taxable POBs	40,750	30,755	2015	Variable	–	–
Sub-Total Pension Obligation Bonds	**$142,690**	**$103,935**				
City Leases						
1993 COPs	$ 79,835	$ 15,700	2016	Fixed	–	–
2000 Lease Financing	4,000	2,028	2020	Fixed	–	–
2006 VRDBs (City Hall Portion)	10,355	8,405	2023	Variable/SWAP(Synthetic Fixed)	–	–
2006 Equip Lease Financing	180	89	2014	Fixed	–	–
2008 B Refunding COPs	26,759	21,591	2019	~~Variable~~Fixed	–	–
2008 C Refunding COPs	71,450	66,360	2038	~~Variable~~Fixed	–	–
2009 Equip Lease Financing	5,287	4,337	2018	Fixed	–	–
2009 Aircraft Lease Financing	2,122	1,740	2018	Fixed	–	–
Sub-Total City Leases	**$199,988**	**$120,250**				
Self-Supporting Obligations						
1987 VRDB COPs (Los Robles Parking Facility)	$ 20,300	$ 4,400	2012	Variable	11/1/2012	–
1993 Refunding COPs (Old Pasadena Parking)	28,050	12,275	2018	Fixed	–	–
1999 Marriott Garage Lease Financing	2,600	1,422	2019	Fixed	–	–
2006 VRDBs (Rose Bowl)	36,945	29,995	2023	Variable/SWAP(Synthetic Fixed)	–	Deutsche Bank
2006 A CAB COPs (Conference Center)	27,139	30,346	2034	Fixed	–	–
2006 Equip Lease Financing	15,060	111	2014	Fixed	–	–
2008 A COPs (Conference Center)	134,720	134,720	2035	Variable/SWAP(Synthetic Fixed)	4/16/2011	RBC Bank
2008 B COPs (Conference Center)	890	718	2019	~~Variable~~Fixed	–	–
2008 Paseo Colorado Taxable Revenue Bonds	28,800	27,500	2038	Variable	9/1/2011(?)	–
2010 A PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-Exempt	36,808	36,808	2033	Fixed	–	–
2010 B PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-BABS	106,660	106,660	2043	Fixed	–	–
2010 C PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Taxable	5,005	5,005	2020	Fixed	–	–
2010 D PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-RZEDBS	7,400	7,400	2043	Fixed	–	–
Sub-Total Self-Supporting	**$450,377**	**$397,360**				
Total General Fund Obligations	**$793,055**	**$621,545**				

(1) 1999 A&B Taxable POBs subject to mandatory tender on May 15, 2015

Source: City of Pasadena, Finance Department.

Revenue Bonds

The City Charter and State law provide for the issuance of revenue bonds, and the execution of installment purchase contracts that support revenue certificates of participation, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds and certificates of participation have been issued that are secured by electric and water revenue enterprises.

Cash-flow Borrowings

In the past ten years, the City has not recently issued tax and revenue anticipation notes to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received.

Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of June 30, 2011 is shown on the following page.

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CITY OF PASADENA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of June 30, 2011

2010-11 Assessed Valuation:	$21,086,792,638
Redevelopment Incremental Valuation:	2,824,789,269
Adjusted Assessed Valuation:	$18,262,003,369

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 06/30/11
Los Angeles County Flood Control District	2.131%	$1,146,371
Metropolitan Water District	1.024	2,331,341
Pasadena Area Community College District	32.841	37,827,028
La Cañada Unified School District	0.234	74,377
Pasadena Unified School District	71.118	205,939,949
City of Pasadena Community Facilities District No. 1	100.000	8,685,00
Los Angeles County Improvement District No. 2658-M	98.287	3,253,300
Los Angeles County Regional Park and Open Space Assessment District	1.998	3,941,754
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$263,199,120
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Los Angeles County General Fund Obligations	1.998%	$ 29,909,616
Los Angeles County Superintendent of Schools Certificates of Participation	1.998	243,854
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.422-58.097	12,429,181
Pasadena Area Community College District Certificates of Participation	32.841	591,138
City of Pasadena General Fund Obligations	**100.000**	**503,639,935**
City of Pasadena Pension Obligations	**100.000**	**104,825,319**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$651,639,043
COMBINED TOTAL DEBT		$914,838,163[2]

Ratios to 2010-11 Assessed Valuation:
Total Direct and Overlapping Tax and Assessment Debt 1.25%
Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($608,465,254) 3.33%
Combined Total Debt 5.01%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

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(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: MuniServices, LLC

LITIGATION

As of the date of the Official Statement, there is no litigation pending against the City or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2012 Bonds or the Trust Agreement in any way contesting or affecting the validity thereof or the authorizations or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2012 Bonds or the use of the proceeds of the 2012 Bonds.

There are no pending lawsuits as of the date hereof, that the City Attorney believes challenge the validity of the 2012 Bonds or the Trust Agreement, the corporate existence of the City, or the title of the executive officers to their respective offices.

The City also believes that there is no litigation pending or threatened against the City where an unfavorable judgment would have a material adverse effect on the City's financial position.

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Padding cell	

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Moved to	0
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