

Condensed Balance Sheet

The following Condensed Balance Sheet has been prepared by the City based upon audited financial statements for the Fiscal Years shown.

TABLE 12
CITY OF PASADENA
ELECTRIC UTILITY FUND
CONDENSED BALANCE SHEET

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Total Current & Non-Current Assets	\$117,672	\$118,783	\$115,787	\$ 94,510	\$112,248
Total Restricted Assets	175,059	154,248	155,299	156,740	155,962
Net Property, Plant and Equipment	221,567	247,748	254,067	262,034	279,742
Total Assets	\$514,298	\$520,779	\$525,153	\$513,284	\$547,952
Total Current Liabilities	18,437	18,283	17,583	18,719	20,249
Net Long Term Liabilities	138,766	139,550	130,397	123,354	116,047
Net Assets	\$357,095	\$362,946	\$377,173	\$371,211	\$411,656

Source: City of Pasadena Department of Finance.

Electric System Initiatives

In addressing the changing legal and business environment resulting from efforts to restructure the electric utility business in California the City undertook a number of strategic efforts to ensure that the Electric System remained competitive. Strategic efforts have been undertaken in the past several years to allow the Electric System to retain customers by maintaining high quality service and competitive rates.

DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS

Background; California Electric Market Deregulation

As a consequence of partial deregulation in 1996, the California investor-owned utilities (the "IOUs") sold a large portion of their generation resources. As a result, three major IOUs in California, "PG&E", San Diego Gas & Electric Co. ("SDG&E") and Edison, were net buyers of electricity. Following the partial deregulation of the California energy markets, the IOUs were purchasing electricity at fluctuating short-term and spot wholesale prices while the retail prices that they could charge their residential and small business customers were capped at specified levels. During portions of 2000 and 2001, the market price of electricity in California significantly exceeded such capped retail prices, resulting in the deterioration of the creditworthiness of PG&E and Edison. Certain other marketers, power suppliers and power plant developers experienced downgrades of their credit ratings. PG&E emerged from bankruptcy on April 12, 2004. The credit ratings of PG&E and Edison have improved since the dislocations of the California energy markets in 2000 and 2001.

State of California and federal authorities have conducted and are continuing investigations and other proceedings concerning various aspects of the California energy markets. These include, for example, investigations by the Federal Energy Regulatory Commission ("FERC") into alleged overcharging for the sale of electricity (including sales by municipal utilities) and alleged manipulation of the electricity market. The City is unable to predict the outcome of remaining investigations and

proceedings regarding California's energy crisis or whether further investigations, proceedings, litigation or other actions will follow.

During 2000 and 2001, California experienced extreme fluctuations in the prices and supplies of natural gas and electricity in much of the State. Licenses for new power plants have been issued by the CEC, construction on several power plants has been completed and construction of additional power plants is underway. Progress on new transmission line projects within California has been slow. There also has been a substantial rise in the cost of natural gas, which is the fuel source for many of California's electric generating units. State agencies have issued warnings that further power shortages are possible for Southern California. As a result of the foregoing and other factors, no assurance can be given that measures undertaken during the last several years, together with measures to be taken in the future, will prevent the recurrence of shortages, price volatility or other energy problems that have adversely affected the project participants, such as the City, and other California electric utilities in the recent past. See, however, "OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY—Recent ISO FERC Filings—Resource Adequacy Filing" hereto.

City's Response to Market Deregulation - Direct Access

A ten-year financial plan, which was first presented to the City Council in September 1996 (the "Power Deregulation Plan") is now prepared on a five year basis and details all operating income and expenses as well as balance sheet items. The Power Deregulation Plan targeted the phase-in of direct access for all customer classes beginning January 1, 2000. Under direct access, customers may choose to purchase electricity from other energy suppliers. In April 1999, the City Council approved a Direct Access Phase-In Schedule, Direct Access Regulation No. 22, a non-bypassable generation related charge and amended the Light and Power Rate Ordinance to establish, among other things, the following two items: (1) a Direct Access Energy Credit, providing that those customers who choose to purchase their power from an energy supplier other than PWP will continue to pay the currently established electric rates, except for the energy supply component of the rate, and (2) a Direct Access Charge, providing that all customers who choose to participate in direct access will be required to pay all incremental and ongoing costs incurred by PWP to implement direct access. The purpose of these actions was to allow PWP to collect any stranded costs which may arise as well as any ongoing incremental costs related to direct access from any customers who choose to leave PWP as a result of direct access. To date PWP has not lost any customers due to the implementation of direct access.

State Legislation

A number of bills affecting the electric utility industry have been introduced or enacted by the California Legislature. In general, these bills provide for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. The following is a brief summary of certain of these bills.

Greenhouse Gas Emissions. In its 2003 Integrated Energy Policy Report, the CEC recommended that utilities account for the cost of greenhouse gas emission reductions in utility procurement decisions. In December 2004, the CPUC also established an \$8-\$25/ton CO₂ fossil fuel adder for the IOUs to reflect the amount of carbon dioxide that would be emitted by a fossil fuel electric generating unit. The adder represents an estimate of future costs associated with the purchase of carbon dioxide offsets and financial risk associated with potential future regulation of greenhouse emissions.

On June 1, 2005, the Governor signed Executive Order S-3-05, which placed an emphasis on such efforts to reduce greenhouse gas emissions by establishing statewide greenhouse gas reduction

targets. The targets are: (i) a reduction to 2000 emissions levels by 2010; (ii) a reduction to 1990 levels by 2020; and (iii) a reduction to 80% below 1990 levels by 2050. The Executive Order also called for the California Environmental Protection Agency to lead a multi-agency effort to examine the impacts of climate change on California and develop strategies and mitigation plans to achieve the targets. On April 25, 2006, the Governor also signed Executive Order S-06-06 which directs the State to meet a 20% biomass utilization target within the renewable generation targets of 2010 and 2020 for the contribution to greenhouse gas emission reduction.

The Global Warming Solutions Act of 2006 (the "GWSA"), which became effective as law on January 1, 2007, prescribes a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas emission levels by 2020 and 80% below 1990 levels by 2050. In addition, the GWSA establishes a mandatory reporting program to the Air Resources Board ("ARB") for significant greenhouse gas emissions and requires the ARB to adopt regulations for significant greenhouse gas emission sources (allowing ARB to design a cap and trade program) and gives ARB the authority to enforce such regulations beginning in 2012.

In addition to the GWSA, Senate Bill 1368 also became effective as law on January 1, 2007. It provides for a restriction on the negotiation of contracts with potential baseload fossil fuel electric generating resources that exceed the rate of emissions for greenhouse gases for existing combined-cycle natural gas baseload generation and seeks to allow the CEC to establish a regulatory framework necessary to enforce the greenhouse gas emission performance standard for publicly-owned utilities. Assembly Bill 1925 was signed by the Governor on September 26, 2006 and requires the CEC to develop a cost effective strategy for the geologic sequestration and management of industrial carbon dioxide. Also on September 26, 2006, the Governor signed Senate Bill 1686 into law, which authorizes the Wildlife Conservation Board (the "WCB") to take into account the potential of forestlands to beneficially reduce or sequester greenhouse gas emissions when it prioritizes funds available for proposed acquisitions. Senate Bill 1686 also specifies that the WCB may use policies, protocols and other relevant information developed by the California Climate Action Registry in determining a project's potential to reduce or sequester greenhouse gas emissions.

Energy Procurement. SB-1037, signed by the Governor on September 29, 2005, requires that each POU, including PWP, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction, and renewable resources that are cost effective, reliable and feasible. SB-1037 also requires each municipal electric utility to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs.

AB-2021, signed by the Governor on September 29, 2006, is intended to enable the State to meet its goal of reducing total forecasted electrical consumption by ten percent over the next ten years. AB-2021 requires municipal electric utilities, including PWP, on or before September 30, 2007 and by June 1 of every third year thereafter, to identify all potentially achievable cost-effective electricity efficiency savings and to establish annual targets for energy efficiency savings and demand reduction over the next 10 years and to report those targets to the CEC within 60 days of adoption. In accordance with AB-2021, the City adopted energy efficiency "goals" or targets on September 24, 2007.

SB-107, which accelerates the State's RPS to require retail sellers of electricity (excluding municipal utilities) to procure at least 20% of their retail sales from renewable power by 2010 instead of 2017. Municipals are requested by the legislation to similarly accelerate their RPS goals.

Renewable Portfolio Standards. In September 2002, the California Legislature enacted and the Governor signed into law Senate Bill 1078. Senate Bill 1078 requires that the IOUs adopt a renewable portfolio standard to meet a minimum of 1% of retail energy sales needs each year from renewable

resources and to meet a goal of 20% of their retail energy needs from renewable energy resources by the year 2017. On September 26, 2006, the Governor signed Senate Bill 107 into law, which requires IOUs to have 20% of their electricity come from renewable sources by 2010. Senate Bill 1078 also directed the State's municipal electric utilities to implement and enforce a renewable portfolio standard that recognizes the intent of the Legislature to encourage development of renewable resources, taking into consideration the impact on a utility's standard on rates, reliability, financial resources, and the goal of environmental improvement. The City has adopted an RPS as required by Senate Bill 1078.

Since the implementation of Senate Bill 1078, the CPUC and the CEC have taken a number of actions that have had an impact on the renewable energy goals set by the legislation. These actions seek primarily to accelerate the time line for meeting the renewable resource development goals and to provide additional standards for future extension of the goals. In order to overcome the challenges associated with meeting accelerated renewable portfolio goals, the CPUC and the CEC supported the implementation of a renewable energy certificate trading system to meet the accelerated renewable portfolio goals, but that system is not yet in effect. Proceedings at the CPUC are in progress that are investigating the potential use of tradable renewable energy certificates for use by Community Choice Aggregators and Energy Service Providers in order to facilitate meeting the accelerated renewable portfolio goal. Pursuant to Senate Bill 1078, the CEC collaboratively with the Western Governors' Association and the Western Electricity Coordinating Council has undertaken the development and establishment of the Western Renewable Energy Generation Information System, which will be used to ensure the integrity of renewable energy certificates and prevent the double counting of the certificates. The tracking system is anticipated to be operational in late 2007.

Solar Power. On August 21, 2006, the Governor signed into law Senate Bill 1 (also known as the "California Solar Initiative"). This legislation would require municipal utilities, including PWP, to establish a program supporting the stated goal of the legislation to install 3,000 MW of photovoltaic energy in California. Municipal utilities are also required to establish eligibility criteria in collaboration with the CEC for the funding of solar energy systems receiving ratepayer funded incentives, which would be established through a public process no later than January 1, 2008. The legislation gives a municipal utility the choice of selecting an incentive based on the installed capacity, starting at \$2.80 per watt, or based on the energy produced by the solar energy system, measured in kilowatt-hours. Incentives would be required to decrease at a minimum average rate of 7% per year. Municipal utilities also have to meet certain reporting requirements regarding the installed capacity, number of installed systems, number of applicants, and awarded incentives.

Impact of Developments on the City

The effect of these developments in the California energy markets on the City cannot be fully ascertained at this time. Also, volatility in energy prices in California may return due to a variety of factors which affect both the supply and demand for electric energy in the western United States. These factors include, but are not limited to, the adequacy of generation resources to meet peak demands, the availability and cost of renewable energy, the impact of greenhouse emission legislation and regulations, fuel costs and availability, weather effects on customer demand, transmission congestion, the strength of the economy in California and surrounding states and levels of hydroelectric generation within the region (including the Pacific Northwest). This price volatility may contribute to greater volatility in the Electric System's revenues from the sale (and purchase) of electric energy and, therefore, could materially affect the financial condition of the Electric System.

Future Regulation

The electric industry is subject to recurrent reform. States routinely consider major changes to the way in which they regulate the electric industry. Recently, both further deregulation and forms of additional regulation have been proposed for an industry that has been highly regulated throughout its history. The City is unable to predict at this time the impact that any such considerations will have on the operations and finances of the Electric System or the electric utility industry generally.

OTHER FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Energy Policy Act of 1992

The Energy Policy Act made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212 and 213 of the Federal Power Act. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry.

As amended by the Energy Policy Act, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or other person or entity generating electric energy for sale or resale, to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are "transmitting utilities" subject to the requirements of Sections 211, 212 and 213. The Energy Policy Act specifically denies FERC the authority to mandate "retail wheeling" under which a retail customer located in one utility's service area could obtain power from another utility or from a non-utility power generator.

Federal Energy Legislation

In August 2005, President Bush signed the Energy Policy Act of 2005 ("EPACT 2005"). EPACT 2005 addresses a wide array of energy matters that could affect the entire electric utility industry, including the Electric System. It expands FERC's jurisdiction to require open access transmission of municipal utilities that sell more than four million megawatt hours of energy and to order refunds under certain circumstances for municipal utilities that sell more than eight million megawatt hours of energy. EPACT 2005 requires that FERC conclude its investigation into the allegations of overcharges during the California energy crisis in 2000 and 2001 and submit a report to Congress. It also provides for mandatory reliability standards to increase system reliability and minimize blackouts, criminal penalties for manipulative energy trading practices and the repeal of the Public Utility Holding Company Act of 1935, which prohibited certain mergers and consolidations involving electric utilities. EPACT 2005 also requires the creation of an electric reliability organization to establish and enforce, under FERC supervision, mandatory reliability standards to increase system reliability and minimize blackouts. Failure to comply with such mandatory standards exposes a utility to significant fines and penalties by such electric reliability organization.

Under EPACT 2005, by February 2007 IOUs must offer each of its customer classes a time-based rate schedule to enable customers to manage energy use through advanced metering and communications technology. It authorizes FERC to exercise eminent domain powers to construct and operate transmission lines if FERC determines a state has unreasonably withheld approval. EPACT 2005 contains provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy

technologies, including a new two-year program for tax credit bonds for local governments, such as the City, to finance certain renewable energy facilities. EPACT 2005 also extends for 20 years the Price-Anderson Act, which concerns nuclear power liability protection, and provides incentives for the construction of new nuclear plants.

The City is unable to predict at this time the impact that EPACT 2005 will have on the operations and finances of the Electric System or the electric utility industry generally.

Recent ISO FERC Filings

MRTU Filing. On February 9, 2006, the California Independent System Operator Corporation (“ISO”) filed with FERC its Market Redesign and Technology Upgrade (“MRTU”) tariff amendment to implement a comprehensive overhaul of the electricity markets administered by the ISO. According to the ISO, the proposed comprehensive changes include, but are not limited to, the following: perform effective congestion management in the ISO day-ahead market by enforcing all transmission constraints so as to establish feasible forward transmission schedules; create a day-ahead market for energy; automate real-time dispatch so as to balance the system and manage congestion in an optimal manner with minimal need for manual intervention; and ensure consistency across market time frames in the allocation of transmission resources to grid users and the pricing of transmission service and energy. The MRTU also is intended to ensure that the ISO has sufficient capacity available to maintain reliability on the ISO grid. The MRTU requires that all scheduling coordinators for all load-serving entities (“LSEs”), which include the City, meet standards concerning forward capacity and energy procurements to meet their load requirements. The ISO has requested that its MRTU filing be approved by FERC, without modification, suspension or hearing, to go into effect on November 1, 2007. On September 21, 2006, FERC issued an order conditionally accepting the ISO’s MRTU filing. At this time, the City is unable to predict the impact of this filing on the City and the California electric utility industry generally.

Resource Adequacy Filing. In September 2005, the Governor signed into law AB-380, which requires the CPUC to establish resource adequacy requirements for all LSEs within the CPUC’s jurisdiction. In addition, Assembly Bill 380 requires publicly-owned utilities, including PWP, to procure adequate resources to meet their peak demands and reserves. In October 2005, the CPUC issued a decision stating that LSEs under its jurisdiction would be required, by June 2006, to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a 15-17% reserve margin. Due to system requirements, a systematic regular planning process to meet these requirements, and successful implementation of a strategic resource plan developed in 2001, the City has been able to demonstrate its ability to meet local and system capacity requirements as required by AB380. The City’s Power System Strategic Resource Plan, developed in response to regional power shortages and stricter emissions control requirements adopted by the SCAQMD, and the Local Generation Repowering Project enable PWP to meet its stated goals of reliable electric service, stable rates, competitive energy pricing, and environmental stewardship.

On March 13, 2006, the ISO filed with FERC a tariff amendment to establish an Interim Reliability Requirements Program (the “IRR Program”). The IRR Program incorporates the CPUC’s resource adequacy requirements into the ISO Tariff and maintains these requirements until the MRTU Tariff amendment is implemented. The ISO’s FERC filing would impose the IRR Program requirements on LSEs that are not CPUC-jurisdictional entities, including to some extent PWP. On May 12, 2006, FERC approved, for the most part, the ISO’s IRR Program filing. However, the City is unable at this time to predict the impact of this filing and decision on the City and the California electric utility industry generally.

Other General Factors

The electric utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. In addition to the factors discussed herein, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes resulting from a national energy policy, (d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric (and natural gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low-cost electricity, (e) the repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOU's, (f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies, (g) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and other, (h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission line service from transmission projects financed with outstanding tax-exempt obligations, (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (j) changes from projected future load requirements, (k) increases in costs and uncertain availability of capital, (l) shifts in the availability and relative costs of different fuels (including the cost of natural gas), (m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has occurred in California, (n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (o) other legislative changes, voter initiatives, referenda and statewide propositions, (p) effects of changes in the economy, population and demand of customers in PWP's service area, (q) effects of possible manipulation of the electric markets and (r) natural disasters or other physical calamities, including, but not limited to, earthquakes. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The City cannot predict what effects such factors will have on its business operations and financial condition, but the effects could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2008 Bonds should obtain and review such information.

Environmental Issues

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any City facility will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures to comply, reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

There is concern by the public, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. Congressional support for the increased regulation of air, water and soil contaminants is building, and there are a number of pending or recently enacted legislative proposals which may affect the electric utility industry. The above-mentioned concerns and Congressional support have led to an increased level of environmental enforcement by the Environmental Protection Agency and other state and local authorities. Increased environmental regulation under the provisions of the Clean Air Act have created certain barriers to new facility development and modification of existing facilities. The additional costs, including time, human resources, uncertainty and delay, could affect the rate of return relating to investment in power project development. As such, there may be additional costs for purchased power from affected resources. Moreover, these additional costs may upset existing cost assumptions for utilities.

The City cannot predict at this time whether any additional legislation or rules will be enacted which will affect the City's operations, and if such laws or rules are enacted, what the costs to the City might be in the future because of such action.

A number of studies have been conducted regarding the potential long-term health effects resulting from exposure to electric and magnetic fields ("EMF") created by high voltage transmission and distribution equipment as well as by electrical appliances, computers, and other electrical devices. Additional studies are being conducted to determine the relationship between EMF and certain adverse health effects, if any. At this time, it is not possible to predict the extent of the costs and other impacts, if any, which the EMF concern may have on electric utilities, including the Electric System.

Federal Rate Regulation

The City sets rates, fees and charges for electric service. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC and presently neither the CPUC nor any other regulatory authority of the State of California nor the FERC approves such rates and charges. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements.

FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part I of the Federal Power Act ("Part I"), although it has not as a practical matter exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. There is a question as to whether FERC has jurisdiction at all to modify rates for municipalities which are authorized to set their own rates. The City is and has for some time been a licensee of hydroelectric projects under Part I, but no jurisdictional authority to regulate its rates has been asserted by FERC. FERC and its predecessor, the Federal Power Commission (the "FPC"), have indicated on a number of occasions that municipalities and other public agencies authorized to set their own rates are not subject to FERC's regulatory jurisdiction over rates. On the other hand, the FPC in at least one decision suggested a contrary result. Even if FERC were to assert jurisdiction over the services and charges associated with such hydroelectric projects, it is unlikely that any reasonable rates and charges would be found to be contrary to applicable federal regulatory standards.

Under the 1992 revisions to the Federal Power Act, enacted as the Energy Policy Act of 1992 (the "Energy Policy Act"), FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at cost-based rates.

FERC also has jurisdiction to regulate those cost-based rates, and has asserted that jurisdiction in *Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency*, 66 FERC ¶61,223 (1994) and 68 FERC ¶61,060 (1994). However, FERC's asserted jurisdiction over municipal rates does not extend to the rates for power sales, and applies only to transmission service ordered by FERC pursuant to Section 211 of the Federal Power Act, as amended by the Energy Policy Act. Neither the City nor the joint powers agencies with which the City has contracted which developed the transmission assets are providing any such transmission service to others. No assurance can be given that such service will not be requested in the future.

CONSTITUTIONAL LIMITATIONS ON GOVERNMENTAL SPENDING

Articles XIIC and XIID of the State Constitution

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIIC and XIID to the State Constitution. Article XIID creates additional requirements for the imposition by most local governments (including the City) of general taxes, special taxes, assessments and "property-related" fees and charges. Article XIID explicitly exempts fees for the provision of electric service from the provisions of such article. Nevertheless, Proposition 218 could indirectly affect some California municipally-owned electric utilities. For example, to the extent Proposition 218 reduces a city's general fund revenues, that city could seek to increase the transfers from its electric utility to its general fund.

Article XIIC expressly extends the people's initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges. The terms "fees and charges" are not defined in Article XIIC, although the California Supreme Court recently held in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal.4th 205 (2006), that the initiative power described in Article XIIC may apply to a broader category of fees and charges than the property-related fees and charges governed by Article XIID. Moreover, in the case of *Bock v. City Council of Lompoc*, 109 Cal.App.3d 52 (1980), the Court of Appeal determined that electric rates are subject to the initiative power. Thus, even electric service charges (which are expressly exempted from the provisions of Article XIID) might be subject to the initiative provision of Article XIIC, thereby subjecting such fees and charges imposed by the City to reduction by the electorate. The City believes that even if the electric rates of the City are subject to the initiative power, under Article XIIC or otherwise, the electorate of the City would be precluded from reducing electric rates and charges in a manner adversely affecting the payment of the 2008 Bonds by virtue of the "impairment of contracts clause" of the United States and California Constitutions.

Future Initiatives

Articles XIIC and XIID, were each adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted by California voters. The adoption of any such initiatives might place limitations on the ability of the City to increase revenues or to increase appropriations.

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, Inc. ("S&P") have assigned their municipal bond ratings of "____" and "____," respectively, to the 2008 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings may be obtained from the rating agency furnishing the same, at the following addresses: Fitch, One State Street Plaza, New York, New York 10004; S&P, 55 Water Street,

New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any of such ratings will continue for any given, period of time or that any of them will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the 2008 Bonds.

TAX MATTERS

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the Fiscal Agent Agreement, the Tax Certificate and other documents pertaining to the 2008 Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the 2008 Bonds and the timely payment of certain investment earnings to the United States, interest on the 2008 Bonds is not includable in the gross income of the owners of the 2008 Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2008 Bonds to be included in gross income retroactively to the date of issuance of the 2008 Bonds.

In the further opinion of Bond Counsel, interest on the 2008 Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2008 Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2008 Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Fiscal Agent Agreement, the Tax Certificate and other documents pertaining to the 2008 Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion of interest on the 2008 Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Sidley Austin LLP.

Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the 2008 Bonds will not have an adverse effect on the tax-exempt status of the 2008 Bonds. Legislation or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the 2008 Bonds.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2008 Bonds is exempt from personal income taxes imposed by the State of California.

Original Issue Discount

[The excess, if any, of the amount payable at maturity of any maturity of the 2008 Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the 2008 Bonds with original issue discount (a "Discount Bond") is excluded from gross income for federal, State and City income tax purposes to the same extent as interest on the 2008 Bonds. In general, the issue price of a maturity of the 2008 Bonds is the first price at which a substantial amount of 2008 Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation is included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical 2008 Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his or her tax advisor with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.]

Original Issue Premium

[Certain of the 2008 Bonds may be purchased in the initial offering for an amount in excess of their principal amount (the "Premium Bonds"). The excess of the tax basis of a purchaser of a Premium Bond (other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Bond is "bond premium." Bond premium is amortized for federal income tax purposes over the term of a Premium Bond based on the purchaser's yield to maturity in the Premium Bond, except that in the case of a Premium Bond callable or prepayable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond. Owners of a Premium Bond are required to decrease their adjusted basis in such Premium Bond by the amount of bond premium attributable to each taxable year such Premium Bond is held. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on a Premium Bond. Purchasers of Premium Bonds should consult their tax advisors with respect to the

precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of a Premium Bond, and with respect to the state and local tax consequences of owning and disposing of a Premium Bond.]

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the 2008 Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. On November 5, 2007, the United States Supreme Court heard oral argument in connection with its review of a decision of the Court of Appeals of Kentucky which held that the Commerce Clause of the United States Constitution prohibits the Commonwealth of Kentucky from exempting interest on bonds issued by Kentucky and its localities and authorities from Kentucky state income tax while subjecting interest on bonds issued by other states and their localities and authorities to Kentucky state income tax. If the Kentucky decision is affirmed by the United States Supreme Court, it could require states such as the State of California to eliminate the disparity between the tax treatment of out-of-state bonds, notes and other obligations and the tax treatment of in-state bonds, notes and other obligations, including bonds, notes or other obligations issued by the City. The impact of this decision may also affect the market price for, or the marketability of, the 2008 Bonds.

Prospective purchasers of the 2008 Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix F.

LITIGATION

There is no litigation or action of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2008 Bonds or in any way contesting or affecting the validity of the 2008 Bonds 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 2008 Bonds or the use of proceeds thereof. There is no litigation pending, or to the knowledge of the City, threatened, questioning the existence of the City or the title of the officers of the City to their respective offices. There is no litigation pending, or to the knowledge of the City, threatened, which materially questions or affects the financial condition of the Electric Systems.

GENERAL PURPOSE FINANCIAL STATEMENTS

The audited General Purpose Financial Statements of the City, without the supplementary information mentioned in the Independent Auditor's Report, as of June 30, 2007 and for the year then ended are included in Appendix B to this Official Statement. There has been no material adverse change in the finances of the City since June 30, 2007. A complete copy of the City's Comprehensive Annual Financial Report may be obtained from the City. The 2008 Bonds are revenue obligations of the City payable only from the Net Income of the Electric System in the Light and Power Fund. The General Purpose Financial Statements have been audited by Mayer Hoffman McCann P.C., independent accountants (the "Auditor") as stated in their report appearing in Appendix B. No review or investigation with respect to subsequent events has been undertaken in connection with such General Purpose Financial Statements by the Auditor.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement and in the Appendices hereto, and in any other information provided by PWP or the City, that are not purely historical, are forward-looking statements, including statements regarding PWP or the City's expectations, hopes, intentions or strategies regarding the future. Prospective investors should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to PWP and the City on the date hereof, and PWP and the City assume no obligation to update any such forward-looking statements. It is important to note that PWP's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of PWP and the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

FINANCIAL ADVISOR

The City has retained Public Resources Advisory Group, Los Angeles, California, as financial advisor (the "Financial Advisor") in connection with the issuance of the 2008 Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor has reviewed this Official Statement, but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

CERTAIN LEGAL MATTERS

The issuance of the 2008 Bonds is subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix F. Bond Counsel undertakes no responsibility for the accuracy, completeness or

fairness of this Official Statement. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the 2008 Bonds. Certain legal matters will be passed upon for the City by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Disclosure Counsel, and by Michele Beal Bagneris, City Attorney of the City.

PURCHASE AND REOFFERING

_____ (the “Initial Purchaser”) has purchased the 2008 Bonds from the City at a competitive sale at an aggregate purchase price of \$_____ (representing the aggregate principal amount of the 2008 Bonds, plus a net original issue premium of \$_____, and less an Initial Purchaser’s discount of \$_____). The public offering prices may be changed from time to time by the Initial Purchaser. The Initial Purchaser may offer and sell 2008 Bonds to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement to be entered into simultaneously with the issuance of the 2008 Bonds (the “Continuing Disclosure Agreement”) for the benefit of the holders of the 2008 Bonds with Digital Assurance Certification, L.L.C. (“DAC”), under which the City has designated DAC as Disclosure Dissemination Agent (the “Disclosure Dissemination Agent”). Pursuant to the Continuing Disclosure Agreement, the City has covenanted for the benefit of the holders and beneficial owners of the 2008 Bonds to provide certain financial information and operating data relating to the City and the Electric System by not later than 185 days following the end of the City’s Fiscal Year (which Fiscal Year presently ends on June 30) (the “Annual Report”), commencing with the report for Fiscal Year 2007-08, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board or the Nationally Recognized Municipal Securities Information Repositories. The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE AGREEMENT” herein. These covenants have been made in order to assist the Initial Purchaser in complying with S.E.C. Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

The City will reserve the right to amend the Continuing Disclosure Agreement, and to obtain the waiver of non-compliance with any provision of the Continuing Disclosure Agreement, as may be necessary or appropriate to achieve the City’s compliance with any applicable federal securities law or rules, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements or change in law. Any such amendment or waiver will not be effective unless the Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the 2008 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the City shall have received either (i) a written opinion of bond or other qualified independent special counsel selected by the City that the amendment or waiver would not materially impair the interest of Holders or Book-Entry Interest Owners of the 2008 Bonds, or (ii) the written consent to the amendment, or waiver, by the Holders of at least a majority of the aggregate outstanding principal amount of the applicable 2008 Bonds.

The Disclosure Dissemination Agent has only the duties specified in the Continuing Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and

with the contents described in the Continuing Disclosure Agreement is limited to the extent the City has provided that information to the Disclosure Dissemination Agent as required by the Continuing Disclosure Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Continuing Disclosure Agreement or duty or obligation to review or verify any information in the Annual Report, Audited Financial Statements, notice of Notice Event or Voluntary Report (all as defined in the Continuing Disclosure Agreement), or any other information, disclosure or notices provided to it by the City, and the Disclosure Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, the holders of the 2008 Bonds or any other party. The Disclosure Dissemination Agent has no responsibility for any failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof, as to determine or liability for failing to determine whether the City has complied with the Continuing Disclosure Agreement, and the Disclosure Dissemination Agent may conclusively rely upon certification of the City at all times.

EXECUTION AND DELIVERY

Included herein are brief summaries of the terms of the 2008 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreement and certain contracts and other arrangements for the supply of capacity and energy, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract with the purchasers of the 2008 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF PASADENA, CALIFORNIA

By: _____
Stephen C. Stark
Director of Finance

APPENDIX A

THE CITY OF PASADENA

The economic and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. The General Fund of the City is not liable for the payment of the 2008 Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the 2008 Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2008 Bond shall compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2008 Bonds and any premiums thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and other funds which are pledged to the payment of the 2008 Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

General

The City of Pasadena 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.

The City provides its approximately 146,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage 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.

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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Bill Bogaard, Mayor	Attorney	May 2011
Jacque Robinson (District 1)	Labor Community Organizer	May 2011
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2011
Chris Holden (District 3)	Commercial Real Estate Broker	May 2009
Steve Haderlein, Vice-Mayor (District 4)	High School Instructor	May 2011
Victor Gordo (District 5)	Attorney	May 2009
Steve Madison (District 6)	Attorney	May 2011
Sidney F. Tyler, Jr. (District 7)	Retired	May 2011

City Staff

Cynthia J. Kurtz, City Manager, was appointed to the position of City Manager on September 21, 1998, and is the first woman to fill the job in the City's history. She serves the City's ethnically diverse community, overseeing over 2,000 employees, ten departments and an operating budget of approximately \$530 million. Ms. Kurtz began with the City in 1987 as the Capital Program Administrator. In 1991, she became Director of Public Works, dealing with the nuts and bolts of the City, from streets and traffic signals to the \$24 million reconstruction of the Colorado Street Bridge and the intricacies of the light rail line to the City. Prior to joining the City, she worked for ten years for the City of Portland, Oregon, holding a variety of positions in the Office of Transportation and the Bureau of Economic Development. Ms. Kurtz holds a bachelor of science degree in Community Development and Housing from Pennsylvania State University, and a master of arts degree in Transportation and Urban Development from the University of Iowa. Cynthia Kurtz is a member of the Executive Committee of the San Gabriel Valley Economic Partnership of Commerce and Cities, and is an active member in the San Gabriel Valley City Managers Association, Pasadena Rotary and Women's Transportation Seminar. Cynthia Kurtz announced her resignation, effective January 8, 2008, to join a private-sector planning firm located in Pasadena, a company specializing in land use and transportation programs for major development projects.

Stephen C. Stark, Director of Finance, joined the City in September 2006. His responsibilities include management of the financial affairs of the City and the 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 Commission capital improvements. Prior to coming to Pasadena, he served as Chief Financial Officer for the City of Santa Monica, Director of Administrative Services for the City of Santa Clarita and was Director of Management Services and Internal Auditor for the City of Fontana. Prior to that, he spent 11 years in Arlington, Texas, where he was Internal Audit Manager and Assistant Internal Auditor. Steve earned a bachelor's degree in Business Administration from West Texas University. He is also a graduate of the Government Finance Officers Association (GFOA) Advance Government Finance Institute and has won numerous GFOA and California Society of Municipal Finance Officers' awards. Stark is a member of GFOA, a Certified California Municipal Treasurer, and a Certified Government Financial Manager.

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 past President of the City Attorney's Association of Los Angeles County; Los Angeles County Bar Association; American Bar Association; Langston Bar Association; Black Women Lawyers Association of Los Angeles; and Henry McNeal Turner A.M.E. Church. 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 as of January 1.

**CITY OF PASADENA
POPULATION
For Years 1998 through 2007**

Year (as of January 1)	Population
1998	140,400
1999	142,500
2000	135,513
2001	137,300
2002	138,839
2003	142,202
2004	144,044
2005	146,166
2006	146,138
2007	147,262

Source: State of California, Department of Finance, as revised, based upon revision to the US Census information.

Education

Total enrollment within the Pasadena Unified School District is shown below for the last ten fiscal years.

**PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years 1998 through 2007**

Fiscal Year Ended June 30	Total Enrollment
1998	22,696
1999	23,068
2000	23,059
2001	23,685
2002	23,582
2003	23,726
2004	22,669
2005	22,336
2006	21,321
2007	20,826

Source: Pasadena Unified School District.

⁽¹⁾ Includes students from the town of Sierra Madre and Altadena, an unincorporated area of the County of Los Angeles.

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 2003 through 2007.

**LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
Averages for Calendar Years 2003 through 2007
(in Thousands)**

	2003	2004	2005	2006	2007
County Employment	4,448	4,494	4,565	4,641	4,714
County Unemployment	334	316	257	246	254
County Civilian Labor Force	4,782	4,810	4,821	4,886	4,960
County Unemployment Rate	7.0%	6.6%	5.3%	4.2%	5.1%
State Unemployment Rate	6.8%	6.2%	5.4%	4.8%	5.4%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment updated September, 2007. 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 2007 are listed below.

**CITY OF PASADENA
MAJOR EMPLOYERS**

Company	Approximate Number of Employees	Business Line
Jet Propulsion Laboratory	5,200	Aerospace Research
Pasadena City College	3,647	Education
Kaiser Permanente	3,300	Health Care
Huntington Memorial Hospital	3,257	Hospital
SBC/ATT	2,600	Communications
California Institute of Technology	2,553	Education
Pasadena City College	2,500	Education
Pasadena Unified School District	2,500	Government
The City of Pasadena	2,167	Government
IndyMac Bank Corp., Inc.	1,850	Financial
Bank of America	1,200	Financial
Parsons Corporation	824	Engineering/Construction
Art Center College of Design	810	Education
The Ritz-Carlton Huntington Hotel	597	Hotel
Pacific Clinics Administration	550	Medical Clinics
The Sycamores	530	Social Services
San Gabriel Valley Newspaper	525	Newspaper

Source: Pasadena Chamber of Commerce, June, 2007.

Housing

The following table presents a ten-year history of total available housing units within the City, from 1998 through 2007.

**CITY OF PASADENA
HOUSING UNITS⁽¹⁾
For Fiscal Years 1998 through 2007**

Fiscal Year Ended June 30	Total Enrollment
1998	54,171
1999	54,236
2000	54,132
2001	54,136
2002	54,770
2003	55,521
2004	55,791
2005	56,255
2006	56,520
2007	56,753

Source: California Department of Finance, E-5 report.

⁽¹⁾ As of year end. Includes single family dwellings and multifamily units, including rental units and condominiums.

Building Permit Activity

In September of 1992, the City Council adopted a draft of a new General Plan to replace a 1989 voter-approved Initiative. In November of 1992, the voters approved a ballot measure for the City's new General Plan. The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992, there have been seven specific plan areas established and approved by the City Council for the following areas: North Lake, West Gateway, the South Fair Oaks, the East Pasadena, East Colorado, Fair Oaks/Orange Grove and the Central District. 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 2003 through 2007.

**CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years 2003 through 2007
(Valuation in Millions)**

	2003	2004	2005	2006	2007
Building Permit Valuations					
Non residential	\$135.3	\$ 84.6	\$116.4	\$ 72.3	\$ 91.4
Residential	35.3	40.2	72.3	45.0	46.7
Residential New Construction	61.5	128.3	75.7	79.3	80.4
Total	<u>\$232.1</u>	<u>\$253.1</u>	<u>\$264.4</u>	<u>\$196.6</u>	<u>\$218.5</u>
Number of Permits Issued					
Non Residential	691	678	738	728	702
Residential	2,253	2,334	2,494	2,645	2,454
Residential New Construction	55	71	56	73	77
Total	<u>2,999</u>	<u>3,083</u>	<u>3,288</u>	<u>3,446</u>	<u>3,233</u>

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business from 2003 through 2007.

**CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in Thousands)**

<u>Type of Business</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007⁽¹⁾</u>
Apparel Stores	\$ 127,672	\$ 145,732	\$ 159,898	\$ 190,935	\$ 163,562
General Merchandise Stores	258,178	282,655	281,004	312,841	255,238
Food Stores	91,405	89,074	98,324	202,998	107,549
Eating & Drinking Places	321,090	350,254	364,950	440,760	374,050
Home Furnishings & Appliances	130,301	142,692	142,129	171,790	132,195
Bldg. Material & Farm Implements	62,144	74,868	88,609	117,390	109,424
Auto Dealers & Auto Supplies	426,575	419,904	474,052	461,551	351,708
Service Stations	101,933	110,510	127,293	137,634	103,104
Other Retail Stores	356,441	384,098	411,646	369,241	230,027
Retail Stores Total	<u>1,875,739</u>	<u>1,999,787</u>	<u>2,147,905</u>	<u>2,405,140</u>	<u>1,826,857</u>
All Other Outlets	842,195	864,687	860,069	745,956	538,236
Total All Outlets	<u>\$2,717,934</u>	<u>\$2,864,474</u>	<u>3,007,974</u>	<u>\$3,151,096</u>	<u>\$2,365,093</u>

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

⁽¹⁾ Data only available up to Second Qtr. 2007 (nine months results).

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.

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 partially completed 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 October 31, 2007 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 as follows:

**CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

Name of Union	Number of Employees Represented As of October 31, 2007	Expiration of Contract
American Fed. of State, County and Muni. Employees	312	July 3, 2010
International Brotherhood of Electrical Workers	113	June 30, 2010
International Union of Operating Engineers	22	March 27, 2009
Service Employee International Union	27	April 26, 2009
Pasadena Assoc. of Clerical and Tech. Empls./Laborers		
International Union of North America	378	September 30, 2008
International Union of North America	378	September 30, 2008
Pasadena Fire Fighters Association	150	August 24, 2009
Pasadena Police Officers Association	191	April 24, 2009
Pasadena Police Sergeant Association	35	September 3, 2007 ⁽¹⁾
Pasadena Fire Fighters Management Association	8	March 31, 2010
Pasadena Management Association	518	March 31, 2008

Source: City of Pasadena, Human Resources Department.
⁽¹⁾ Under negotiation.

Retirement Systems

Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of the Public Employees’ Retirement System (“PERS”), administered by the State, to which contributions are made by both the City and the employees. As of June 30, 2006, the actuarial staff of PERS reported unfunded liability of \$38.7 million for the City’s miscellaneous employees as compared to an underfunding of \$22.6 million the previous year. As of June 30, 2006, the City reported that its PERS obligation with respect the City’s miscellaneous employees was 98.5% funded.

Police and Fire personnel hired prior to July 1, 1977 are covered by the City’s Fire & Police Retirement System (“FPRS”). As of June 30, 2007, there was one active member in FPRS. As of June 30, 2007, FPRS was actuarially underfunded by \$44 million and had a funded ratio of 72%. Under a supplemental contribution agreement between the City and FPRS, there is a specific funding plan whereby the City will provide supplemental payments to FPRS to ensure that all benefits will be paid.

The City provides pension benefits for employees not covered by PERS or FPRS through the Public Agency Retirement System (PARS), a defined contribution plan. The City’s payroll for