

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the 2008C Certificates are as follows:

Sources:

|  |           |
|--|-----------|
| Principal Amount                               | \$        |
| [Plus/Minus] Original Issue [Premium/Discount] |           |
| Less Underwriters' Discount                    |           |
|  | \$        |
| <b>Total Sources</b>                           | <b>\$</b> |

Uses:

|   |           |
|---|-----------|
| Deposit to 2003 Prepayment Fund                 | \$        |
| Deposit to Cost of Issuance Fund <sup>(1)</sup> |           |
| [Deposit to Certificate Reserve Fund]           |           |
|   | \$        |
| <b>Total Uses</b>                               | <b>\$</b> |

<sup>(1)</sup> The amount deposited in the Cost of Issuance Fund will be used to pay legal fees, printing costs, rating agency fees [, termination fee with respect to the Swap Agreement] and other miscellaneous expenses.

**THE LEASED PROPERTY**

Under the Sublease, the City is obligated to make Base Rental Payments for the occupancy and use of the Leased Property. The Leased Property consists of: (i) the Civic Auditorium, (ii) Fire Station No. 33, (iii) Fire Station No. 31, (iv) the Rose Bowl Aquatics Center, (v) the Pasadena City Hall, (vi) the Pasadena Community Health Center (the "Health Center"), (vii) the Corporation Yards, (viii) the Hale Building and (ix) the Conference Center, each described below.

**Civic Auditorium**

The Civic Auditorium as well as the underlying real property constitute a portion of the Leased Property. The Civic Auditorium is located at 300 East Green Street on three acres of real property and is a prominent building in the Pasadena Civic Center area. The facility was built from 1930 to 1932 in an Italian Renaissance design. The facility has three distinct sections: the pavilion, the auditorium and the exhibition hall. The pavilion section houses the ticket offices, main foyer and lobby, administrative offices and a large lecture hall. The auditorium seats over 3,000 people and has excellent acoustics. The walls have a series of panels prepared from drawings by Raphael, and its ceilings feature decorative plaster and are hand painted. The exhibition hall houses an Olympic-size ice skating rink that is fully operational year-round.

**Fire Station No. 33**

Fire Station No. 33 as well as the underlying real property constitute a portion of the Leased Property. Fire Station No. 33 was completed in 1950 and is located at 515 North Lake Avenue. The fire station is approximately 10,400 square feet. There are two floors above ground and one floor below ground. Approximately 75% of the space is occupied by fire-fighting equipment and approximately 25% is office and living space. Other structures on this parcel include a classroom and training tower facility as well as a service garage facility. The parcel is zoned commercial and is L-shaped in nature.

### **Fire Station No. 31**

Fire Station No. 31 and the improvements constructed thereon as well as the underlying real property constitute a portion of the Leased Property. The fire station is a two-story, masonry and glass structure, which was completed in 1991 and is located at 145 South Fair Oaks Avenue bounded by Dayton Street on the north and Valley Street on the south. The site is 13,122 square feet. The facility has a total square footage of 8,966. It houses the apparatus room, station offices, lobby area, kitchen, dining room, restroom, living room, sleeping quarters and study areas. The facility has three bays and houses one ladder truck and one engine company. Five to six fire personnel are assigned to this facility.

### **Rose Bowl Aquatics Center**

The improvements and underlying real property comprising the Rose Bowl Aquatics Center, located at 360 N. Arroyo Boulevard, constitute a portion of the Leased Property. The improvements were completed during the summer of 1990. They consist of an aquatics facility, located near the Rose Bowl at Arroyo Boulevard north of Seco Street, which includes two Olympic-size swimming pools, one of which has competition diving facilities, a small children's pool, a clubhouse and appropriate landscaping.

### **Pasadena City Hall**

The improvements and underlying real property comprising City Hall, located at 100 N. Garfield Avenue, constitute a portion of the Leased Property. City Hall is the central feature of Pasadena's Civic Center, located on Garfield Avenue. Completed in 1927, this three-story building is made of reinforced concrete and features a patio in the center, accented by landscaping of flowers, trees and a fountain. It is a rectangular edifice outlining a spacious court. The real property underlying City Hall consists of 2.79 acres of land. The east side is a one-story arcade; the other three sides are three stories high, with small towers at each corner and a dome over the west entrance. The dome is a massive circular tower rising perpendicular for six stories. Atop the dome is the lantern, a column-supported cupola 41 feet high, surmounted by an urn and ball. The highest point is 206 feet above ground.

During initial construction, the contractor was required to guarantee that City Hall would meet a compression test of 2,000 pounds per square inch for 28 days, considerably above the usual specification for that era. With the proceeds of the 2004 Certificates, the City seismically retrofitted City Hall by: (i) installing a base isolation system, involving the strengthening and connecting of the existing building foundations and creating a "moat" (building movement space) around the entire perimeter of the building to allow for ground movement; (ii) structurally tying together the building's walls and columns before they are separated from their footing by flexible isolators designed to carry the building loads and laterally cushion the building from earthquake forces; and (iii) creating a new east basement and structural east arcade along Euclid Avenue to connect the north and south wings of the building as part of the structural solution.

City Hall underwent a general rehabilitation which began in June 2003, including the addition of new access ramps at both the Garfield and Euclid entries as well as a replacement of the stair case at the new east side. Courtyard walkways requiring removal for structural work were replaced. Some planting and tree removal were required at the interior courtyard and the perimeter of the building to effect the "moat" work. The main exterior work included patching and painting of exterior plaster, roof and gutter repairs, cleaning and repair of exterior cast stone elements, window rehabilitation, door repair, accessibility upgrades, cleaning and restoration of the clock, skylight cleaning and repairs and installation of a new skylight at the historic northwest corner location. With respect to the building's interior, all original historic interior spaces and features were rehabilitated. Existing historic elevator cabs were restored and upgraded and new elevators were installed to replace existing council elevators and provide

accessibility to the fourth floor and fifth level observation deck in the dome. Some original restrooms were restored and new restrooms were also added. The entire building was upgraded to meet life safety and accessibility requirements. Finally, new mechanical, plumbing, electrical and fire/life safety systems were installed.

The City reoccupied the renovated City Hall in April 2007 when the rehabilitation was completed.

### **Health Center**

The Health Center property is located at 1845 North Fair Oaks Avenue and consists of three separate buildings. The buildings were constructed in 1929, 1956 and 1976, respectively. The gross square area of the three buildings is approximately 61,000 square feet. The City acquired the land and the buildings in December 1993 at a cost of approximately \$1,700,000. The Health Center was renovated in 1996.

### **Corporation Yards**

The real property underlying the City's Corporation Yards consists of approximately 23.61 acres located at 233 West Mountain Street. The Corporation Yards are used in connection with the operation and storage of certain vehicles and equipment of the City.

### **Hale Building**

The Hale Building is an approximately 32,500 square foot building and is located at 281 Ramona Street. The land on which the Hale Building is located totals 25,596 square feet. The building, which now houses the City's Permit Center, was built in 1929 for the Southern California Gas Company. After acquiring the facility in 1986, the City restored the historic 1929 lobby of the Hale Building, which now serves as the Permit Center service counter. The two-story building features the original decorative ceiling, unusual painted plaster walls (hidden for years by wood paneling) and the original tile flooring. The building is listed in the National Register of Historic Places as part of the Civic Center district of the City.

### **Conference Center**

The Pasadena Conference Center is located on a 9.15-acre, U-shaped site surrounding the City's Civic Auditorium on three sides and consists of an exhibit hall building containing 32,000 square feet, a two level convention and conference center building of approximately 28,000 square feet for meetings, a 900-space underground parking garage and two plazas occupying the open spaces of the complex. The Conference Center is located at 300 East Green Street and is situated in the City's Downtown Redevelopment Project Area encompassing the heart of the central business district.

## **THE AUTHORITY**

The Authority is a joint exercise of powers authority created by and existing under the laws of the State established pursuant to that certain Joint Exercise of Powers Agreement, dated April 24, 2000, between the City and the Pasadena Community Development Commission (the "Commission"). The Authority is a public entity separate from the City and the Commission. The Authority is administered by a Governing Board which consists of the members of the City Council. THE AUTHORITY IS NOT OBLIGATED IN ANY MANNER WHATSOEVER TO MAKE BASE RENTAL PAYMENTS OR ADDITIONAL RENTAL PAYMENTS. THE AUTHORITY HAS NO TAXING POWER.

## THE CITY

### 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 approximately 23 square miles and is located in the County of Los Angeles 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 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 City-wide 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.

### City Staff

*Bernard K. Melekian*, was appointed Interim City Manager effective January 8, 2008 upon the retirement of Cynthia J. Kurtz. Previously, Bernard K. Melekian served as the Pasadena Chief of Police beginning on April 30, 1996. Prior to joining the City of Pasadena, Chief Melekian served with the Santa Monica Police Department for 23 years. He was awarded the Medal of Valor in 1978 and the Medal of Courage in 1980.

Chief Melekian served as the President for the Los Angeles County Police Chiefs' Association from January 1, 2000 to December 31, 2001. From 2000 to 2002 he served as Chair of Attorney General's Blue Ribbon Committee S.W.A.T. Team Task Force, and authored the Commission on Special Tactics (SWAT) final report. He was selected by Chief Bratton to serve on the SWAT panel to make recommendations to the Los Angeles Police Department with respect to that unit. He served on the national Board of Directors for the Police Executive Research Forum (PERF) from 2002 until 2006. He also serves as a senior advisor for the Police Assessment Resource Center in Los Angeles.

Chief Melekian holds a Bachelor's degree in American History and a Master's degree in Public Administration, both from California State University, Northridge. He is a graduate of the 150<sup>th</sup> session of the FBI National Academy and the 20<sup>th</sup> class of the California Command College. He was selected as the valedictorian of his Command College class. He is currently a Doctoral candidate in Public Policy at the University of Southern California.

*Steven B. Mermell, Acting Director of Finance*, joined the City in February 1989 and served as Acting Director of Finance from January 2006 to September 2006. Effective April 7, 2008, he was reappointed Acting Director of Finance. 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; investments; debt management and financing of major City and Commission capital improvements. Prior to becoming Acting Director of Finance, he served in a number of capacities, including Acting Assistant City Manager, Deputy Finance Director and Budget Administrator. Mr. Mermell has a Bachelor's degree in political science and a Master's degree in public administration from California State University, Northridge.

*Michele Beal Bagneris, City Attorney*, was named the 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 City Attorney for 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 California State Court, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

## Population

The following table presents a history of the population of the City as of January 1 for the past ten years.

**TABLE 1**  
**CITY OF PASADENA**  
**POPULATION**  
**For Years 1998 through 2007**

| <b>Year</b> | <b>Population</b> |
|-------------|-------------------|
| 1998        | 140,400           |
| 1999        | 142,500           |
| 2000        | 133,936           |
| 2001        | 135,587           |
| 2002        | 138,904           |
| 2003        | 142,214           |
| 2004        | 143,797           |
| 2005        | 145,314           |
| 2006        | 146,138           |
| 2007        | 147,262           |

Source: State of California, Department of Finance.

## Education

Total enrollment within the Pasadena Unified School District as of June 30 is shown below for the last ten years.

**TABLE 2**  
**PASADENA UNIFIED SCHOOL DISTRICT**  
**TOTAL ENROLLMENT<sup>(1)</sup>**  
**Fiscal Years 1998 through 2007**

| <b>Fiscal Year</b><br><b>Ended June 30</b> | <b>Total</b><br><b>Enrollment</b> |
|--|-----------------------------------|
| 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.

<sup>(1)</sup> 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.

**TABLE 3**  
**LOS ANGELES COUNTY**  
**EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE**  
**Averages for Calendar Years 2003 through 2007**  
**(Figures in Thousands)**

|                             | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| 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.

**TABLE 4  
CITY OF PASADENA  
MAJOR EMPLOYERS  
As of June 2007**

| <b>Company</b>                     | <b>Number of<br/>Employees</b> | <b>Business Line</b>     |
|------------------------------------|--------------------------------|--------------------------|
| 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/AT&T                           | 2,600                          | Communications           |
| California Institute of Technology | 2,553                          | 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 Newspapers      | 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.

**TABLE 5  
CITY OF PASADENA  
HOUSING UNITS<sup>(1)</sup>  
Fiscal Years 1998 through 2007**

| <u>June 30,</u> | <u>Housing<br/>Units</u> |
|-----------------|--------------------------|
| 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.

<sup>(1)</sup> 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 ended 2003 through 2007. The housing downturn is reflected in recent building permit activity through March 31, 2008. [eleven month figures available?]

**TABLE 6**  
**CITY OF PASADENA**  
**BUILDING PERMIT VALUATION AND PERMIT ACTIVITY**  
**Fiscal Years 2003 through 2007 and Nine Months ending March 31, 2008**  
**(Valuation in Millions)**

|                                   | <b>Fiscal Year Ended June 30,</b> |              |              |              |              | <b>Nine Months Ending<br/>March 31, 2008</b> |
|-----------------------------------|-----------------------------------|--------------|--------------|--------------|--------------|--|
|                                   | <b>2003</b>                       | <b>2004</b>  | <b>2005</b>  | <b>2006</b>  | <b>2007</b>  |  |
| Total Value of New Construction   | \$232.1                           | \$253.1      | \$264.4      | \$196.6      | \$218.5      | \$195.8                                      |
| Number of Building Permits Issued |                                   |              |              |              |              |  |
| Commercial                        | 691                               | 678          | 738          | 728          | 702          | 544  |
| Residential                       | 2,308                             | 2,405        | 2,550        | 2,718        | 2,531        | 1,739  |
| TOTAL                             | <u>2,999</u>                      | <u>3,083</u> | <u>3,288</u> | <u>3,446</u> | <u>3,233</u> | <u>2,283</u>                                 |

Source: City of Pasadena, Planning and Permitting Department.

### Taxable Sales

The following table indicates taxable transactions in the City by type of business for the 12 month period ending September 30 in the years 2003 through 2006 and for the 9 month period ending June 30, 2007. [full 12 month figure available for 2007?]

**TABLE 7**  
**CITY OF PASADENA**  
**TAXABLE TRANSACTIONS BY TYPE OF BUSINESS**  
**2003 through 2007**  
**(\$ in Thousands)**

|                                      | <b>2003<sup>(1)</sup></b> | <b>2004<sup>(1)</sup></b> | <b>2005<sup>(1)</sup></b> | <b>2006<sup>(1)</sup></b> | <b>2007<sup>(2)</sup></b> |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| 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 and 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                   |
| Building Materials & 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.

<sup>(1)</sup> For 12-month period ending September 30.

<sup>(2)</sup> For 9-month period ending June 30.

## **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 Rose 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 Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus service 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 the 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:

**TABLE 8  
CITY OF PASADENA  
EMPLOYEE UNION REPRESENTATION**

| Name of Union   | Number of<br>Employees<br>Represented as of<br>October 31, 2007 | Expiration of<br>Contract        |
|---|---|----------------------------------|
| American Federation of State, County and Municipal 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 Association of Clerical and Technical<br>Employees/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 Sergeants Association   | 35  | September 3, 2007 <sup>(1)</sup> |
| Pasadena Fire Fighters Management Association   | 8   | March 31, 2010                   |
| Pasadena Management Association   | 518   | March 31, 2008                   |

Source: City of Pasadena, Human Resources Department.

<sup>(1)</sup> Under negotiation.

### **Retirement Systems**

Almost all permanent City employees, except police and fire personnel hired after 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 to 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 and 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 employees covered by PARS for the year ended June 30, 2007, was \$3,598,700. Both the City and the covered employees made the total required 7.5% contributions of \$143,948 from the City and \$125,954 from the covered employees.

### **Post Retirement Medical Benefits**

Other than the pension benefits from the applicable retirement system, the City does not provide medical or other post-retirement benefits to its employees.

**Insurance**

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. The city funds a self-insurance program for liability claims. Losses and expenses paid averaged about \$1,936,000 per year for the past 10 years and, when existing "reserves" are added, averaged around \$2,509,000 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. There is no "excess liability" policy, and any liability losses above the budgeted amount are funded by the City's contingency reserve budget or other means. 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, 1998 through 2007 are reflected in the following table:

**TABLE 9  
CITY OF PASADENA  
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES  
Fiscal Years 1998 through 2007<sup>(1)</sup>  
(Unaudited)**

| <b>Fiscal Year<sup>(2)</sup><br/>Ended June 30</b> | <b>Loss Paid</b> | <b>Expense Paid</b> | <b>Total Paid</b> | <b>Remaining<br/>Reserves for<br/>Unpaid Claims<sup>(2)</sup></b> |
|--|------------------|---------------------|-------------------|---|
| 1998   | \$1,196,628      | \$1,790,173         | \$2,986,801       | \$0   |
| 1999   | 1,499,536        | 943,369             | 2,442,905         | 75,111  |
| 2000   | 621,495          | 337,636             | 959,131           | 298,104   |
| 2001   | 1,125,905        | 563,714             | 1,689,620         | 0   |
| 2002   | 426,254          | 492,793             | 919,047           | 35,927  |
| 2003   | 2,312,941        | 871,847             | 3,184,788         | 156,837   |
| 2004   | 1,429,037        | 1,409,112           | 2,838,148         | 445,598   |
| 2005   | 429,728          | 843,538             | 1,273,265         | 2,418,916   |
| 2006   | 885,576          | 583,490             | 1,469,067         | 1,168,496   |
| 2007   | 761,036          | 838,355             | 1,599,391         | 1,130,289   |

Source: City of Pasadena.

<sup>(1)</sup> As of November 2, 2007.

<sup>(2)</sup> 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 property.

**CITY FINANCIAL INFORMATION**

**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 Developments**

*Budgetary Principles and Policies.* In preparing the City's budget for fiscal year ending June 30, 2008, City staff was guided by certain principles and goals set by the City Council. Among them, staff was 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 Cash Reserve Policy.* The City maintains an operating reserve within its General Fund which is targeted at 8% of the current year's appropriations. In fiscal year 2004, as part of the response to the loss of revenues to the State, the City capped the reserve at its then-current level of \$13.7 million. The Adopted Operating Budget for fiscal year 2008 includes additional funds which bring the reserve to 7.65 percent. The City does not use the operating reserve fund to fund anticipated operating requirements. Under current City policy, only under emergency conditions does the City use the reserve fund. Cash reserves may be in the form of actual cash or investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

*Fiscal Year 2008 Operating Budget.* The budget preparation process for the fiscal year ending June 30, 2008 began in November 2006. In February and March 2007, 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 ending June 30, 2008. Projected expenditures and revenues, reorganizations, performance measures, performance targets, results statements and 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 appropriation budget for fiscal year ending June 30, 2008 on June 25, 2007. The General Fund portion of the budget for fiscal year ending June 30, 2008 is \$212,338,420. The budget includes funding for new and enhanced programs and services.

*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**

General Fund  
Special Revenue Funds  
Debt Services Funds  
Capital Projects Funds

**Fiduciary Funds**

Trust and Agency Funds

**Proprietary Funds**

Enterprise Funds  
Internal Service Funds

**Capital Assets**

Capital Assets used in the operation  
of Governmental 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.

**General Fund Comparative Operating Budget**

The following table shows a three-year summary history of the City’s Comparative Operating Budget.

**TABLE 10  
CITY OF PASADENA  
GENERAL FUND  
COMPARATIVE OPERATING BUDGET  
Fiscal Years 2006 through 2008**

|                              | <b>Adopted General Fund Operating Budget<br/>for Fiscal Year Ending June 30,</b> |                             |                             |
|------------------------------|--|-----------------------------|-----------------------------|
|                              | <b>2006</b>  | <b>2007</b>                 | <b>2008</b>                 |
| <b>Requirements</b>          |  |                             |                             |
| Operating Expenditures       | \$150,597,262  | \$161,473,882               | \$172,454,483               |
| Capital Expenditures         | 4,600,000  | 1,100,000                   | --                          |
| Debt Service                 | 26,565,034   | 25,563,113                  | 27,754,178                  |
| Transfers Out                | 11,300,569   | 11,411,912                  | 12,129,759                  |
| <b>TOTAL REQUIREMENTS</b>    | <b><u>\$193,162,865</u></b>  | <b><u>\$199,548,907</u></b> | <b><u>\$212,338,420</u></b> |
| <b>Available Funds</b>       |  |                             |                             |
| Revenues                     | \$174,732,569  | \$190,337,234               | \$197,913,651               |
| Transfers In                 | 2,216,681  | 2,318,348                   | 1,121,847                   |
| Reserves                     | --   | --                          | --                          |
| Utility Contributions        | 16,213,615   | 6,983,325                   | 13,302,922                  |
| <b>TOTAL AVAILABLE FUNDS</b> | <b><u>\$193,162,865</u></b>  | <b><u>\$199,548,907</u></b> | <b><u>\$212,338,420</u></b> |

Source: City of Pasadena, Department of Finance.

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 is not to exceed 6% of gross income received by the Water Department during the preceding fiscal year and shall not exceed net income. This transfer may be used for any municipal purpose. The amount transferred from the Light and Power Fund is not to exceed 16% of gross income received by the Light and Power Department during the preceding fiscal year and shall not exceed net income. 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 five fiscal years, expressed in dollars and as a percentage of the prior year’s gross income.



**TABLE 11  
CITY OF PASADENA  
TRANSFERS FROM THE LIGHT AND POWER FUND AND  
WATER FUND TO GENERAL FUND  
Fiscal Years 2003 through 2007  
(\$ in Thousands)**

|   | Fiscal Year Ended June 30, |          |                        |          |                     |
|---|----------------------------|----------|------------------------|----------|---------------------|
|   | 2003                       | 2004     | 2005                   | 2006     | 2007 <sup>(2)</sup> |
| <b><u>Light and Power Fund</u></b>                          |                            |          |                        |          |                     |
| Amount Transferred  | \$11,788                   | \$10,903 | \$16,658               | \$21,167 | \$5,898             |
| As a Percentage of Prior Year's Gross Income <sup>(1)</sup> | 7.50%                      | 8.35%    | 12.42%                 | 16.00%   | 3.60%               |
| <b><u>Water Fund</u></b>                                    |                            |          |                        |          |                     |
| Amount Transferred  | \$2,021                    | \$2,188  | \$1,916 <sup>(3)</sup> | \$2,056  | \$2,059             |
| As a Percentage of Prior Year's Gross Income <sup>(1)</sup> | 6.00%                      | 6.00%    | 6.00%                  | 6.00%    | 6.00%               |

Source: City of Pasadena, Department of Finance.

<sup>(1)</sup> Reflects percentage of prior fiscal year's gross revenue of the Water Fund and Light and Power Fund, respectively.

<sup>(2)</sup> Includes Public Benefit Charge contribution to City Hall retrofit of \$1.1 million.

<sup>(3)</sup> Does not include a transfer of \$540,000 relating to a lease of certain property.

### **Tax Revenue Sources**

The City relies on a number of revenue sources that could be reduced or eliminated by State legislation, including, among others, sales and use taxes, property taxes and motor vehicle license fees. The State has in prior years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

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

**TABLE 12**  
**CITY OF PASADENA**  
**GENERAL TAX REVENUES**  
**Fiscal Years 2003 through 2007**  
**(\$ in Thousands)**

|                                 | Fiscal Year Ended June 30, |                  |                  |                  |                  |
|---------------------------------|----------------------------|------------------|------------------|------------------|------------------|
|                                 | 2003                       | 2004             | 2005             | 2006             | 2007             |
| <b>Tax</b>                      |                            |                  |                  |                  |                  |
| Property <sup>(1)</sup>         | \$ 42,844                  | \$ 46,966        | \$ 48,089        | \$ 51,116        | \$ 61,763        |
| Sales                           | 33,450                     | 32,472           | 34,294           | 33,992           | 34,634           |
| Utility Users                   | 24,142                     | 25,928           | 26,639           | 26,766           | 28,063           |
| Transient Occupancy             | 6,610                      | 7,022            | 8,883            | 10,246           | 10,358           |
| Street Light and Traffic Signal | 5,127                      | 5,541            | 5,533            | 5,480            | 6,352            |
| <b>Total</b>                    | <u>\$112,173</u>           | <u>\$117,929</u> | <u>\$123,438</u> | <u>\$129,405</u> | <u>\$141,170</u> |

Source: City of Pasadena, Department of Finance.

<sup>(1)</sup> Includes assessments.

*Property Taxes.* 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 equal to 1-1/2% 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 on the unsecured roll, and an additional penalty equal to 1-1/2% 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 ending June 30, 2008, reflects a total assessed valuation of approximately \$19.3 billion for the City, of which \$2.6 billion reflects the redevelopment project areas incremental assessed valuations of which the payable taxes are due to its redevelopment agency. Assessed net valuation for revenue purposes increased by approximately 12.61% for the fiscal year ended June 30, 2008 and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2003 and the fiscal year ended June 30, 2008 was approximately 9.83%. Such assessed valuations include secured and unsecured utility property assessed by the State Board of Equalization.

**TABLE 13**  
**CITY OF PASADENA**  
**ASSESSED VALUATION OF TAXABLE PROPERTY**  
**Fiscal Years 1999 through 2008**  
**(\$ in Thousands)**

| <b>Fiscal Year<br/>Ended<br/>June 30,</b> | <b>Secured<br/>Valuations</b> | <b>Homeowner<br/>Exemption</b> | <b>Net Secured<br/>Valuations</b> | <b>Unsecured<br/>Valuations</b> | <b>Total<br/>Assessed<br/>Valuation</b> | <b>Less PCDC<sup>(1)</sup><br/>Increment</b> | <b>Net Valuation</b> |
|---|-------------------------------|--------------------------------|-----------------------------------|---------------------------------|---|--|----------------------|
| 1999                                      | \$ 9,131,132                  | (\$137,558)                    | \$ 8,993,574                      | \$458,544                       | \$ 9,452,118                            | (\$1,276,437)                                | \$ 8,175,681         |
| 2000                                      | 9,620,391                     | (135,869)                      | 9,484,522                         | 465,739                         | 9,950,261                               | (1,280,296)                                  | 8,669,965            |
| 2001                                      | 10,236,475                    | (134,430)                      | 10,102,045                        | 503,731                         | 10,605,775                              | (1,333,644)                                  | 9,272,131            |
| 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                              | (2,405,375)                                  | 14,841,283           |
| 2008                                      | 18,839,519                    | (134,380)                      | 18,705,139                        | 607,798                         | 19,312,937                              | (2,600,303)                                  | 16,712,634           |

Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc. and the City of Pasadena.

<sup>(1)</sup> Pasadena Community Development Commission, the redevelopment agency for the City.

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.

**TABLE 14**  
**CITY OF PASADENA**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
**For Fiscal Years 1998 through 2007**

| <b>Fiscal Year</b> | <b>General<br/>City</b> | <b>City Debt<br/>Service</b> | <b>Los Angeles<br/>County<br/>General</b> | <b>Pasadena<br/>School<br/>District</b> | <b>Pasadena<br/>Community<br/>College<br/>District</b> | <b>Flood<br/>Control<br/>District</b> | <b>Metropolitan<br/>Water District</b> | <b>Total</b> |
|--------------------|-------------------------|------------------------------|---|---|--|---------------------------------------|--|--------------|
| 1998               | 1.000000%               | 0.017898%                    | 0.001584%                                 | 0.000000%                               | 0.000000%  | 0.002197%                             | 0.008900%                              | 1.030579%    |
| 1999               | 1.000000                | 0.019562                     | 0.001451                                  | 0.029524                                | 0.000000   | 0.001953                              | 0.008900                               | 1.061390     |
| 2000               | 1.000000                | 0.018060                     | 0.001422                                  | 0.059910                                | 0.000000   | 0.001705                              | 0.008900                               | 1.090057     |
| 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               | 1.000000                | 0.011643                     | 0.000923                                  | 0.086312                                | 0.008786   | 0.000245                              | 0.005800                               | 1.113709     |
| 2006               | 1.000000                | 0.009792                     | 0.000795                                  | 0.109911                                | 0.004103   | 0.000049                              | 0.005200                               | 1.129850     |
| 2007               | 1.000000                | 0.011055                     | 0.000663                                  | 0.040078                                | 0.020801   | 0.000052                              | 0.004700                               | 1.077349     |

Source: County of Los Angeles Assessor and California Municipal Statistics, Inc.

**TABLE 15**  
**CITY OF PASADENA**  
**TOP TEN PROPERTY TAXPAYERS**  
**(Fiscal Year Ended June 30, 2007)**

| <u>Property Owner</u>                                      | <u>Primary Land Use</u> | <u>Total Assessed<br/>Valuation</u> | <u>Percentage of<br/>Total Local<br/>Secured Assessed<br/>Valuation</u> |
|--|-------------------------|-------------------------------------|---|
| Paseo Colorado Holdings LLC                                | Shopping Center         | \$ 124,893,831                      | 0.72%   |
| Equity Office Properties Trust                             | Office Building         | 120,737,556                         | 0.70  |
| SSR Paseo Colorado LLC                                     | Apartments              | 103,833,723                         | 0.60  |
| Pasadena Towers LLC  | Office Building         | 102,122,205                         | 0.59  |
| Archstone Smith Operating Trust                            | Apartments              | 92,652,209                          | 0.54  |
| Kaiser Foundation Health Plan Inc.                         | Office Building         | 88,031,949                          | 0.51  |
| EWA LLC  | Office Building         | 69,802,236                          | 0.40  |
| Holly Street LP  | Apartments              | 69,293,883                          | 0.40  |
| Payne Gleeson L  | Office Building         | 69,081,275                          | 0.40  |
| Operating Engineers Funds Inc.                             | Office Building         | 66,273,243                          | 0.38  |
| Total principal property taxpayers<br>gross assessed value |                         | <u>\$ 906,722,110</u>               | <u>5.24%</u>  |
| Total City assessed value                                  |                         | <u>\$17,379,769,223</u>             | <u>100.00%</u>  |

Source: California Municipal Statistics, Inc.

## 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.

**TABLE 16**  
**CITY OF PASADENA**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS**  
**Fiscal Years 2005 through 2007**

| Assets  | Fiscal Year Ended June 30, |                           |                           |
|---|----------------------------|---------------------------|---------------------------|
|   | 2005                       | 2006                      | 2007                      |
| Cash and investments                                  | \$64,036,515               | \$71,316,176              | \$59,168,047              |
| Accounts receivable                                   | 13,538,166                 | 15,265,750                | 15,663,096                |
| Less allowance for uncollectible amounts              | (712,267)                  | (638,934)                 | (1,035,905)               |
| Notes receivable                                      | 379,584                    | 380,403                   | 386,403                   |
| Due from other funds                                  | 3,296,481                  | 6,252,418                 | 6,015,821                 |
| Prepays and other assets                              | 517,778                    | 564,497                   | 588,887                   |
| Advances to other funds                               | 15,000,001 <sup>(1)</sup>  | 15,117,050 <sup>(1)</sup> | 15,237,831 <sup>(1)</sup> |
| Advances to component units                           | 1,140,709                  | 1,085,522                 | 1,027,541                 |
| Allowance for uncollectible for long-term receivables | (10,532,096)               | (10,936,952)              | (11,341,808)              |
| Total Assets  | <u>\$86,664,871</u>        | <u>\$98,405,930</u>       | <u>\$85,709,913</u>       |
| <b>Liabilities and Fund Balances</b>                  |                            |                           |                           |
| <b>Liabilities:</b>                                   |                            |                           |                           |
| Accounts payable and accrued liabilities              | \$ 8,277,126               | \$10,307,288              | \$11,046,824              |
| Deposits  | 1,796,515                  | 2,097,183                 | 1,798,192                 |
| Due to other governments                              | 27,733                     | 24,035                    | 272,928                   |
| Deferred revenue                                      | 7,482,071                  | 6,511,012                 | 6,104,256                 |
| Total Liabilities                                     | <u>\$17,583,445</u>        | <u>\$18,939,518</u>       | <u>\$19,222,200</u>       |
| <b>Fund Balances:</b>                                 |                            |                           |                           |
| <b>Reserved for:</b>                                  |                            |                           |                           |
| Encumbrances  | \$ 579,198                 | \$ 855,095                | \$ 1,072,213              |
| Notes receivable                                      | 379,584                    | 380,403                   | 386,403                   |
| Prepays and other assets                              | 517,778                    | 564,497                   | 588,887                   |
| Advances to other funds                               | 5,608,614                  | 5,265,620                 | 4,923,564                 |
| <b>Unreserved:</b>                                    |                            |                           |                           |
| General Fund  | 61,996,252                 | 72,440,797                | 59,516,646                |
| Total Fund Balances                                   | <u>69,081,426</u>          | <u>79,466,412</u>         | <u>66,487,713</u>         |
| Total Liabilities and Fund Balances                   | <u>\$86,664,871</u>        | <u>\$98,405,930</u>       | <u>\$85,709,913</u>       |

Source: Audited Basic Financial Statements of the City of Pasadena For Fiscal Year Ended June 30, 2007.

<sup>(1)</sup> See Note (7) of Notes to Audited Basic Financial Statements of the City of Pasadena under "General Fund Advances."

**TABLE 17**  
**CITY OF PASADENA**  
**GENERAL FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**Fiscal Years 2005 through 2007**

|  | Fiscal Year Ended June 30, |                 |                |
|--|----------------------------|-----------------|----------------|
|  | 2005                       | 2006            | 2007           |
| <b>Revenues:</b>   |                            |                 |                |
| Taxes  | \$103,263,885              | \$108,259,679   | \$115,916,861  |
| Licenses and permits   | 2,422,590                  | 2,389,206       | 2,024,034      |
| Intergovernmental revenues                                   | 12,513,767                 | 12,013,725      | 12,705,093     |
| Charges for services   | 26,212,130                 | 27,954,633      | 30,711,841     |
| Fines and forfeits   | 6,541,630                  | 6,911,046       | 7,593,705      |
| Investment earnings  | 16,527,891                 | 18,656,672      | 22,024,174     |
| Net changes in fair value of investments                     | (85,675)                   | (831,808)       | (857,707)      |
| Rental income  | 1,632,951                  | 1,536,322       | 1,317,087      |
| Miscellaneous revenue  | 2,186,348                  | 2,155,607       | 2,063,664      |
| Total revenues   | \$171,215,517              | \$179,045,082   | \$195,214,166  |
| <b>Expenditures:</b>   |                            |                 |                |
| Current:   |                            |                 |                |
| General government   | \$ 26,439,776              | \$ 30,274,937   | \$ 34,178,408  |
| Public Safety  | 75,440,612                 | 78,487,902      | 88,398,871     |
| Transportation   | 21,886,752                 | 23,974,050      | 24,514,491     |
| Culture and leisure  | 12,349,300                 | 13,097,817      | 13,700,557     |
| Community development  | 8,082,604                  | 8,796,832       | 9,468,514      |
| Debt service:  |                            |                 |                |
| Principal retirement   | 40,000,000 <sup>(1)</sup>  | —               | —              |
| Total expenditures   | \$184,199,044              | \$154,631,538   | \$170,260,841  |
| Excess (deficiency) of revenues over<br>(under) expenditures | \$ (12,983,527)            | \$ 24,413,544   | \$ 24,953,325  |
| <b>Other Financing Sources (Uses):</b>                       |                            |                 |                |
| Issuance of long-term debt                                   | \$ 2,181,479               | \$ —            | \$ 87,401      |
| Transfers in   | 60,497,106                 | 26,940,474      | 13,634,346     |
| Transfers out  | (39,910,724)               | (40,969,032)    | (51,653,771)   |
| Total other financing sources (uses)                         | \$ 22,767,861              | \$ (14,028,558) | \$(37,932,024) |
| Change in fund balances                                      | 9,784,334                  | 10,384,986      | (12,978,699)   |
| Fund balances at beginning of year, as restated              | 59,297,092                 | 69,081,426      | 79,466,412     |
| Fund balances at end of year                                 | \$ 69,081,426              | \$ 79,466,412   | \$ 66,487,713  |

Source: Audited Basic Financial Statements of the City of Pasadena For Fiscal Year Ended June 30, 2007.

<sup>(1)</sup> Includes \$40,000,000 of the proceeds of Pension Obligation Bonds.

General Fund taxes increased by approximately \$12.6 million from the fiscal year ended June 30, 2005 to June 30, 2007. These changes were due primarily to increases in property taxes from increasing assessed valuations, retail sales taxes from an improving economy as well as transient occupancy tax and utility users' tax. Revenues received from licenses and permits were received from a variety of sources

and reflect, in part, a strong local economy. Revenues received from charges for services also increased, reflecting a strong local economy.

### 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 of the Commission, the City’s Capital Endowment Fund and the Stranded Investment Reserve Fund, are invested pursuant to this pooled investment program. Funds of 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, 2007, the funds invested pursuant to the pooled investment program had a market value of \$283,355,442. 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 weighted average maturity of these investments was 1.77 years. Of the investments on that date, approximately 24.26% had maturities of ninety days or less.

The assets of the portfolio as of June 30, 2007 are shown in the following table:

**TABLE 18**  
**CITY OF PASADENA**  
**POOLED INVESTMENT PORTFOLIO**  
**Assets as of June 30, 2007**

| Type                                | Market Value  | Percentage of Total <sup>(1)</sup> |
|-------------------------------------|---------------|------------------------------------|
| Repurchase Agreements               | \$ 50,200,000 | 17.87%                             |
| Certificates of Deposit             | 560,000       | 0.20                               |
| Local Agency Investment Fund (LAIF) | 658,278       | 0.23                               |
| Municipal Bonds                     | 1,371,550     | 0.49                               |
| Treasury Securities                 | 12,520,750    | 4.46                               |
| Corporate Bonds                     | 15,681,457    | 5.58                               |
| Mortgage Backed Securities/GNMAs    | 2,420         | 0.00                               |
| Federal Agencies                    | 198,831,613   | 70.76                              |
| Cash in Bank                        | 1,154,834     | 0.41                               |
| Total                               | \$280,980,902 | 100.00%                            |
| Accrued Interest Receivable         | 2,374,540     |                                    |
| Grand Total                         | \$283,355,442 |                                    |

Source: City of Pasadena.

<sup>(1)</sup> At market value.