

Education

Total enrollment within the Pasadena Unified School District, which is the only K-12 public school district located within the City, is shown below for the last ten fiscal years.

PASADENA UNIFIED SCHOOL DISTRICT TOTAL ENROLLMENT⁽¹⁾ Fiscal Years 2000 through 2010

Fiscal Year Ended June 30	Total Enrollment
2000	23,059
2001	23,685
2002	23,582
2003	23,726
2004	22,669
2005	22,336
2006	21,321
2007	20,826
2008	20,905
2009	20,256
2010	18,742

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 2005 through 2009 and as of August 2010.

LOS ANGELES COUNTY EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE AVERAGES FOR CALENDAR YEARS 2005 THROUGH 2009 AND AS OF AUGUST 2010 (in thousands)

	2005	2006	2007	2008	2009	2010
County Employment	4,565	4,641	4,714	4,515	4,329	4,272
County Unemployment	257	246	254	374	568	637
County Civilian Labor Force	4,821	4,886	4,960	4,989	4,895	4,908
County Unemployment Rate	5.3%	4.2%	5.1%	9.5%	11.6%	13.0%
State Unemployment Rate	5.4%	4.8%	5.4%	9.1%	11.4%	12.4%

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

The following table summarizes historical employment and unemployment in the City.

**CITY OF PASADENA
Civilian Labor Force, Employment and Unemployment
Annual Averages**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force ^(a)					
Employment	72,100	72,900	73,700	72,800	69,100
Unemployment	<u>3,000</u>	<u>2,700</u>	<u>2,900</u>	<u>4,300</u>	<u>6,700</u>
Total	75,100	75,600	76,600	77,100	75,800
Unemployment Rate ^(b)	4.0%	3.6%	3.8%	5.6%	8.9%

Source: California Employment Development Department, Labor Market Information Division.

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 2009 are listed below.

**CITY OF PASADENA
MAJOR EMPLOYERS
2009**

<u>Company</u>	<u>Approximate Number of Employees</u>	<u>Business Line</u>
Jet Propulsion Laboratory	5,065	Aerospace Research
Kaiser Permanente	3,500	Health Care
Huntington Memorial Hospital	3,300	Hospital
Pasadena Unified School District	2,600	Education
California Institute of Technology	2,550	Education
SBC/ATT	2,500	Communications
The City of Pasadena	2,307	Government
Pasadena City College	1,789	Education
Bank of America	1,500	Financial
Art Center College of Design	810	Education
Parsons Corporation	773	Engineering/Construction
Hathaway-Sycamores	615	Social Services
The Langham Huntington Hotel (formerly Ritz-Carlton)	584	Hotel
Pacific Clinics Administration	550	Medical Clinics
San Gabriel Valley Newspaper	525	Newspaper
Rusnak Pasadena	450	Auto Dealer
Avon Products	320	Cosmetics

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

Housing

The following table presents a ten-year history of total available housing units within the City, from 2000 through 2009.

**CITY OF PASADENA
HOUSING UNITS⁽¹⁾
For Fiscal Years 2000 through 2009**

Fiscal Year Ended June 30	Housing Units
2000	54,132
2001	54,136
2002	54,770
2003	55,521
2004	55,791
2005	56,255
2006	56,520
2007	56,753
2008	57,274
2009	58,135
2010	58,950

Source: City of Pasadena, Department of Planning and Permitting.

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

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council 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 2005 through 2009 and for the eleven months ended May 31, 2010.

**CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years 2006 through 2010 and Two Months ended August 31, 2010
(Valuation in Millions)
Fiscal Year Ended June 30,**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Two Months ended 08/31/10</u>
Building Permit Valuations						
Nonresidential	\$72.3	\$ 91.4	\$ 98.2	\$ 73.9	\$ 50.8	\$ 19.1
Residential	45.0	46.7	55.5	23.6	23.4	4.4
Residential New Construction	79.3	80.4	76.2	52.2	11.5	3.5
Total	<u>\$196.6</u>	<u>\$218.5</u>	<u>\$229.9</u>	<u>\$149.7</u>	<u>\$ 85.7</u>	<u>\$ 27.0</u>
Number of Permits Issued						
Non Residential	728	702	715	601	592	124
Residential	2,645	2,454	2,195	1,865	1,780	393
Residential New Construction	73	77	59	28	32	14
Total	<u>3,446</u>	<u>3,233</u>	<u>2,969</u>	<u>2,494</u>	<u>2,404</u>	<u>531</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 2005 through 2009.

**CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
For Twelve Month Periods Ended September 30
(in Millions of Dollars)**

<u>Type of Business</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Apparel Stores	\$ 159.9	\$ 190.9	\$ 214.3	\$ 205.0	\$ 176.0
General Merchandise Stores	281.0	312.8	332.8	285.8	228.3
Food Stores	98.3	202.9	145.7	180.5	150.8
Eating & Drinking Places	364.9	440.7	488.5	466.5	395.1
Home Furnishings & Appliances	142.1	171.7	170.9	197.2	177.8
Bldg. Material & Farm Implements	88.6	117.3	139.6	107.7	80.4
Auto Dealers & Auto Supplies	474.0	461.5	474.0	451.0	313.0
Service Stations	127.2	137.6	138.9	154.4	107.7
Other Retail Stores	<u>411.6</u>	<u>369.2</u>	<u>304.9</u>	<u>313.4</u>	<u>368.2</u>
Retail Stores Total	2,147.6	2,404.6	2,409.6	2,362.4	1,997.3
All Other Outlets	<u>860.1</u>	<u>745.9</u>	<u>718.8</u>	<u>710.2</u>	<u>650.3</u>
Total All Outlets	<u>\$3,007.7</u>	<u>\$3,150.5</u>	<u>\$3,128.4</u>	<u>\$3,072.6</u>	<u>\$2,647.6</u>

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

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 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

The City of Pasadena has 2,292 employees. Approximately 1,911 employees are represented by 10 bargaining units representing about 83% of the labor force. Seven of these bargaining units have contracts that will expire at the end of the next fiscal year (June 30, 2011). The City found it necessary, however, to adjust the work schedules of one of these bargaining units to mitigate the cost of a previously negotiated salary increase that current economic conditions made unaffordable. The City is in early negotiations on the contracts for three bargaining units (AFSCME, IBEW, and PACTE). In general, the City and the bargaining units have a good working relationship. This is evidenced by the fact that all but three of the City’s bargaining units, in addition to the City Manager, department heads and other non-represented employees have agreed to forego salary increases for the last two years.

The following table reflects the number of employees in each bargaining unit.

**CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

Name of Union	Number of Employees Represented As of June 30, 2010	Expiration of Contract
American Federation of State, County and Municipal Employees	313	July 2, 2010 ⁽¹⁾
International Brotherhood of Electrical Workers	106	June 30, 2010 ⁽¹⁾
International Union of Operating Engineers	25	March 27, 2012
Service Employee International Union	25	April 26, 2011
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	371	September 30, 2010 ⁽¹⁾
Pasadena Fire Fighters Association	158	August 28, 2011
Pasadena Police Officers Association	196	April 24, 2012
Pasadena Police Sergeant Association	37	April 24, 2011
Pasadena Fire Fighters Management Association	7	March 31, 2011
Pasadena Management Association	514	March 17, 2012

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

Retirement Systems *[this section is generally subject to further updating and expansion]*

Pasadena Fire and Police Retirement System. Police and Fire personnel hired prior to July 1, 1977 are covered by the City’s Fire & Police Retirement System (“FPRS”). FPRS was originally established by the City Charter in 1919. The system was closed on June 30, 1977, but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were

employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System (CalPERS) when the system closed. FPRS is managed by a five-member Retirement. [As of June 30, 2009, FPRS was actuarially underfunded by \$58 million and had a funded ratio of 67%. 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.] ***[update with most recent publically available information, including strategy for continuing funding after current tax increment funds from downtown redevelopment project area are no longer available]***

California Public Employees' Retirement System. The City contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of CalPERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups.

[As of June 30, 2009, the actuarial staff of PERS reported unfunded liability of \$59.0 million for the City's miscellaneous employees as compared to an underfunding of \$46.2 million the previous year and an unfunded liability of \$54.3 million for Safety employees compare to \$47.7 million previous year. As of June 30, 2009, the City reported that its PERS obligation with respect to the City's miscellaneous employees was 90.7% funded and 82.9% for Safety Employees.] ***[update with most recent publically available information]***

[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, 2009 was \$4,340,938. Both the City and the covered employees made the total required 7.5% contributions of \$173,638 from the City and \$151,932 from the covered employees.] ***[update with most recent publically available information]***

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate indicated for the period is 21.898% of payroll for the safety plan and 10.644% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2008 to June 30, 2009. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual

pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note __ to the City's audited financial statements attached as Appendix B hereto.

**City of Pasadena
Retirement Plan Trend Information
(\$ in millions)**

PERS - Miscellaneous Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	485,657	463,019	22,632	95.3%	86,571	26.1%
2006	534,487	496,180	38,307	92.8	93,252	41.1
2007	585,908	539,717	46,191	92.1	102,135	45.2
2008	638,095	579,068	59,027	90.7	111,486	53.1
2009						

Source: PERS actuarial valuations through June 30, 2009.

PERS - Safety Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	227,202	190,415	36,787	83.8%	33,934	108.4%
2006	247,233	211,753	35,480	85.6	35,030	101.3
2007	285,822	238,041	47,781	83.3	40,138	119.0
2008	317,140	262,817	54,323	82.9	42,996	126.3
2009						

Source: PERS actuarial valuations through June 30, 2009.

FPRS

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	132,730	185,181	52,451	72%	277	18.902%
2006	127,841	184,852	57,011	69	141	40.416
2007	131,137	183,046	51,909	72	146	35.607
2008	131,321	178,748	47,427	73	179	26.506
2009	119,551	177,803	58,252	67	-	N/A

Source: FPRS actuarial valuations through June 30, 2009.

Annual Payments to Retirement Plans by City

Fiscal Year Ended June 30	PERS— Misc Employees	PERS— Safety Employees	FPRS
2005	\$8,274	\$11,030	\$7,284
2006	7,402	6,936	6,533
2007	8,671	10,056	6,744
2008	9,283	12,228	5,019
2009	9,916	12,580	3,630

Post Retirement Medical Benefits

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

The City of Pasadena provides a subsidy to retirees of the City who are members of the California Public Employees’ Retirement System or the Pasadena Fire and Police Pension System. Benefit provisions are established and amended through negotiations between the City and the respective unions. Two different levels of subsidy toward the purchase of medical insurance from PERS under the Public Employees’ Medical and Hospital Care Act (PEMHCA) are offered. These are currently at \$101.00 or \$23.50 per month depending on the bargaining unit or the unrepresented group the employee was a member of.

The City Contribution requirements have been established at the individual retiree levels of \$101.00 or \$23.50 per month depending on bargaining unit membership and policy enacted by PERS pursuant to State Law. These minimum requirements may be increased through future negotiations between the City and respective unions. The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. [This is the first year] *[Was FY 2009-10 the first FY? If so, revise]* of implementation of GASB Statement 45 and the City’s liability is based on “pay-as-you-go “ funding. If the City were to select the “prefunding” method, the annual OPEB cost would be reduced. As of June 30, 2009, the unfunded actuarial accrued liability was \$23, 745,129.

Insurance

The City funds a self-insured and self-administered program for workers’ compensation claims exposures and general liability claims. On Liability claims losses and expenses paid averaged about \$1,391,798 per year for the past 10 years and, when existing “reserves” are added, averaged around \$1,967,351 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 from July 1, 2003 to October 30, 2008, and any liability losses above the budget amount are funded by the City's contingency reserve budget or other means. As of October 30, 2008, the City has carried a liability policy of \$20 million excess of \$5 million Self Insurance Retention. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of the fiscal years ended June 30, 2000 through 2010 are reflected in the following table:

CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2000 through 2010
(Unaudited)

Fiscal Year ⁽¹⁾ Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims ⁽¹⁾
2000	\$ 403,997	\$ 511,683	\$ 915,680	\$ 190,764
2001	1,132,093	1,123,095	2,255,188	0
2002	830,199	216,976	1,047,175	0
2003	1,619,698	341,655	1,961,353	0
2004	3,190,864	627,493	3,818,357	0
2005	1,046,266	875,675	1,921,941	0
2006	314,867	440,187	755,054	0
2007	644,552	117,482	762,034	507,955
2008	418,720	979,611	1,398,331	1,431,058
2009	219,907	179,725	399,632	2,562,578
2010	75,035	0	75,035	2,113,400

⁽¹⁾ Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.
Source: City of Pasadena, _____ Department.

The City maintains commercial property insurance and boiler and machinery insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of \$1 billion per occurrence per location subject to a \$25,000 deductible. Exclusions include earthquake, corrosion, sabotage, terrorism, electronic data processing electronic erasure, asbestos and mold. There are various sub-limits and/or higher deductibles on specified types of properties. For descriptions of the insurance coverages required under the Sublease for the Leased Property, see the forepart of the Official Statement under the caption “**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS—Insurance.**” See also “**APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Sublease—Insurance.**”

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 unaudited 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 subsequent to the City's unaudited financial statements being submitted to the City Council.

Budgetary Principles and Developments

Budgetary Principles and Policies. In preparing the City's budget for fiscal year ending June 30, 2010, 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. Beginning in fiscal year 2010, the City maintains an operating cash reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current cash reserve is approximately \$34 million. 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 2010 Budget. The budget preparation process for fiscal year ending June 30, 2010 began in October 2008. In February and March 2009, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for fiscal year ended June 30, 2010. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council for a public hearing from which to obtain comments from the City's residents.

The City Council adopted the budget for fiscal year ending June 30, 2011 on June 21, 2010. The General Fund portion of the appropriation budget for fiscal year ending June 30, 2010 is \$217,188,980.

As noted under "Tax Revenue Sources" below, the State's fiscal year 2009-10 budget act included a diversion of a portion of the share of property tax revenues allocated by the State to cities, counties and local agencies pursuant to Article XIII, Section 25.5 of the State Constitution. As a result, approximately \$4.6 million of its 2009-10 property tax revenues are being diverted to the State for such fiscal year. Pursuant to the State Constitution, the State is obligated to repay such diverted property tax revenues to the City within three years with interest. Current State legislation allowed the City to sell its right to receive this repayment to a joint powers authority, which sold bonds payable from the receivables it purchases from participating local jurisdictions. The City participated in this program in order to replace the lost property taxes at no cost to the City.

In addition, State funding to the City's Health Department was reduced by approximately \$1.0 million as a result of the State 2009-10 budget cuts.

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 history of the City's Comparative Operating Budget.

**CITY OF PASADENA
GENERAL FUND
COMPARATIVE OPERATING BUDGET
Fiscal Years 2009 through 2011**

REQUIREMENTS	Adopted General Funds Operating Budget for Fiscal Year Ending June 30,		
	2009	2010	2011
Operating Expenditures	\$188,218,401	\$177,586,081	\$168,034,120
Capital Expenditures	-	-	-
Debt Service	29,875,505	34,697,156	34,930,000
Transfers Out	<u>12,740,598</u>	<u>12,860,109</u>	<u>14,122,093</u>
TOTAL REQUIREMENTS	<u>\$230,834,504</u>	<u>\$225,143,346</u>	<u>\$217,086,213</u>
AVAILABLE FUNDS			
Revenues	\$200,399,780	\$197,991,875	\$193,662,176
Transfers In	1,332,428	6,104,792	1,906,741
Reserves	-	-	-
Utility Contributions	<u>13,690,444</u>	<u>16,167,840</u>	<u>16,167,840</u>
TOTAL AVAILABLE FUNDS	<u>\$215,422,649</u>	<u>\$220,264,507</u>	<u>\$211,736,757</u>

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 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 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 four fiscal years and the amount budgeted for the current fiscal year, expressed in dollars and as a percentage of the prior year's gross income.

**CITY OF PASADENA
 TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
 TO GENERAL FUND
 Fiscal Years 2007 through 2011
 (Dollar Amounts in Thousands)**

	Fiscal Year Ended June 30,				
	2007 ⁽²⁾	2008 ⁽²⁾	2009 ⁽²⁾	2010 ⁽²⁾	2011 ⁽⁴⁾
<u>Light and Power Fund</u>					
Amount Transferred	\$5,898	\$11,341	\$12,922	\$15,475	\$13,889
Amount a Percentage of Prior Year's Gross Income ⁽¹⁾	3.6%	8.0%	8.0%	9.2%	8.0%
<u>Water Fund</u>					
Amount Transferred	\$2,599	\$2,923	\$2,872	\$2,624	\$2,854
As a Percentage of Prior Year's Gross Income ⁽¹⁾	6.0%	6.0%	6.0%	6.0%	6.0%

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

⁽²⁾ Includes Public Benefit Charge Contribution to City Hall Retrofit of \$1.1 million.

⁽³⁾ [Does not include a transfer of \$540,000 relating to a lease of certain property.]*[locate footnote above]*

⁽⁴⁾ Budgeted. *[check to determine when actual number is available]*

Comparison of Budget to Actual Performance

The following table summarizes the City's adopted budgets for fiscal years 2007-08 through 2010-11, and sets forth actual revenues and expenditures for each fiscal year for purposes of comparison.

CITY OF PASADENA General Fund Comparison of Budgeted and Actual Revenues, Expenditures and Fund Balances For Fiscal Years 2007-08 through 2010-11

	2007-2008		2008-2009		2009-2010		2010-11
	Budget	Actual ⁽¹⁾	Budget	Actual ⁽¹⁾	Budget	Actual ⁽²⁾	Budget
Revenues:							
Taxes	\$115,873,615	\$121,156,311	\$122,914,156	\$119,771,602			
Licenses and permits	2,219,664	2,715,718	2,851,350	2,360,182			
Intergovernmental revenues	12,233,562	13,578,313	12,282,468	13,745,985			
Charges for services	27,743,002	31,917,959	30,454,063	34,523,301			
Fines and forfeits	7,222,020	8,024,617	7,855,091	8,844,377			
Investment earnings	18,333,105	22,130,293	21,038,884	21,922,550			
Net change in fair value of investments	-	371,245	-	167,106			
Rental income	1,586,621	1,543,172	1,506,243	1,425,723			
Miscellaneous revenues	2,067,909	2,092,909	2,036,821	2,394,249			
Total Revenues	187,279,498	203,164,138	200,940,076	205,155,075			
Expenditures:							
Current:							
General government:							
City Attorney/City Prosecutor	6,246,912	6,319,536	6,630,296	6,662,307			
City Clerk	1,618,320	1,839,808	2,364,695	1,900,409			
City Council	1,886,422	1,837,131	2,008,894	1,898,717			
City Manager	2,654,795	2,721,482	3,477,584	3,445,147			
Finance	9,850,182	9,436,258	10,105,373	9,545,682			
Human Resources	2,911,392	2,837,094	3,007,094	2,914,047			
Non-departmental	3,202,353	6,821,714	6,976,536	8,443,192			
Public safety:							
Fire	38,912,433	38,337,101	40,333,925	39,667,385			
Police	56,356,311	55,873,511	59,855,722	59,789,658			
Transportation:							
Public Works and Transportation	26,538,604	26,289,894	28,337,150	26,337,739			
Culture and leisure:							
Human Resources, Recreation and Neighborhoods	9,220,279	8,972,327	9,835,772	9,648,720			
Non-departmental – PCOC	5,570,305	5,576,562	5,765,811	4,579,853			
Community development:							
Planning and Permitting	9,827,292	9,542,687	9,553,556	9,990,270			
Total expenditures	174,175,597	178,675,778	188,252,408	184,823,126			
Excess (deficiency) of revenues over expenditures	13,103,901	24,488,360	12,687,668	20,331,949			
Other financing sources (uses):							
Issuance of long term debt	1,434,640	-	2,068,985	331,944			
Transfers in	15,070,903	18,538,138	15,229,003	18,007,072			
Transfers out	(40,044,671)	(43,589,080)	(45,899,700)	(48,213,053)			
Total other financing sources (uses)	(23,539,128)	(25,050,942)	(28,601,712)	(29,874,037)			
Change in fund balances	(10,435,227)	(562,582)	(15,914,044)	(9,542,088)			
Fund balances at beginning of year	66,487,713	66,487,713	69,925,131	69,925,131			
Fund balances at end of year	\$56,052,486	53,718,829	54,011,087	51,979,607			

⁽¹⁾ Audited Financial Reports

⁽²⁾ Unaudited

Source: City of Pasadena, Finance Department

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

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

**CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years 2006 through 2010
(in Thousands)**

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

⁽¹⁾ Includes assessments.

Source: City of Pasadena, Department of Finance.

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 of 1½% per month from the original June 30 date to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the County Treasurer and Tax Collector, as provided by law.

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

The tax roll for fiscal year ended June 30, 2010, reflected a total assessed valuation of approximately \$20.7 billion for the City, of which \$2.8 billion reflects the redevelopment project areas incremental assessed valuations of which the payable taxes are due to its redevelopment agency. Assessed net valuation for revenue purposes decrease by approximately 0.2% for the fiscal year ended June 30, 2010, over the assessed net valuation for fiscal year ended June 30, 2009, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2000 and the fiscal year ended June 30, 2010 was approximately 7.61%.

**CITY OF PASADENA
 ASSESSED VALUATION OF TAXABLE PROPERTY
 Fiscal Years 2000 through 2011
 (in thousands)**

Fiscal Year Ended June 30	Secured Valuations	Homeowner Exemption	Net Secured Valuations	Unsecured Valuations	Total Assessed Valuation	Less PCDC⁽¹⁾ Increment	Net Valuation
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	10,605,776	(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	(2,522,337)	14,724,321
2008	18,339,519	(134,380)	18,205,139	607,779	18,812,938	(2,405,375)	16,407,563
2009	20,237,173	(136,262)	20,100,911	651,375	20,752,286	(2,799,791)	17,952,495
2010	20,204,880	(138,630)	20,066,250	644,888	20,711,138	(2,828,387)	17,882,751
2011	20,481,388	(138,275)	20,343,113	605,404	20,948,517	(2,829,885)	18,118,632

Source: Los Angeles County Auditor-Controller and MuniServices, LLC

⁽¹⁾ 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.

**CITY OF PASADENA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years 1999 through 2009
(unaudited)**

Fiscal Year	General City	City Debt Service	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
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	0.011643	0.000923	0.086312	0.008786	0.000245	0.005800	1.113709
2008	1.000000	0.009792	0.000795	0.109911	0.004103	0.000049	0.005200	1.129850
2009	1.000000	0.000000	0.000000	0.063747	0.017417	0.000000	0.004300	1.085464
2010	1.000000	0.000000	0.000000	0.108364	0.023002	0.000000	0.004300	1.135666

Source: County of Los Angeles Tax Assessor and MuniServices, LLC

**CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2010**

Property Owner	Primary Land use	June 30, 2010 Assessed Valuation	% of Total
Kaiser Foundation Health Plan Inc.	Office Building	\$ 221,701,227	1.07
Equity Office Properties Trust	Office Building	160,400,000	0.77
Pacific Huntington Hotel Corp	Office Building	159,806,400	0.77
Tishman Speyer Archstone Smith	Apartments	145,938,607	0.70
Paseo Colorado Holding LLC	Shopping Center	132,538,320	0.64
Maguire Partners Wap LLC	Office Building	129,114,417	0.62
SPF 888 Walnut Pasadena LLC	Office Building	118,700,000	0.57
Wells Reit II Pasadena Corp	Office Building	113,400,000	0.55
SSR Paseo Colorado LLC	Apartments	110,148,400	0.53
Pasadena Towers LLC	Office Building	<u>108,372,894</u>	<u>0.52</u>
Total principal property taxpayers gross assessed value		<u>\$1,400,120,265</u>	<u>6.74%</u>
Total city assessed value		<u>\$20,711,137,458</u>	<u>100.00%</u>

Source: California Municipal Statistics, Inc.

The following table sets forth assessed valuation of single family homes for Fiscal Year 2010-11.

CITY OF PASADENA
Per Parcel 2010-11 Assessed Valuation of Single Family Homes

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	23,654	\$9,471,563,007	\$400,421	\$289,563

2010-11 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	151	0.638%	0.638%	\$ 2,631,144	0.028%	0.028%
\$25,000 - \$49,999	1,219	5.153	5.792	46,918,929	0.495	0.523
\$50,000 - \$74,999	1,430	6.045	11.837	89,818,151	0.948	1.471
\$75,000 - \$99,999	1,366	5.775	17.612	118,787,204	1.254	2.726
\$100,000 - \$124,999	1,137	4.807	22.419	127,892,645	1.350	4.076
\$125,000 - \$149,999	1,084	4.583	27.002	149,281,176	1.576	5.652
\$150,000 - \$174,999	1,031	4.359	31.360	167,797,927	1.772	7.424
\$175,000 - \$199,999	996	4.211	35.571	186,106,403	1.965	9.388
\$200,000 - \$224,999	1,025	4.333	39.904	217,815,381	2.300	11.688
\$225,000 - \$249,999	950	4.016	43.921	225,767,228	2.384	14.072
\$250,000 - \$274,999	888	3.754	47.675	232,764,369	2.458	16.529
\$275,000 - \$299,999	919	3.885	51.560	263,748,382	2.785	19.314
\$300,000 - \$324,999	821	3.471	55.031	256,458,043	2.708	22.022
\$325,000 - \$349,999	794	3.357	58.388	267,699,464	2.826	24.848
\$350,000 - \$374,999	753	3.183	61.571	272,192,823	2.874	27.722
\$375,000 - \$399,999	722	3.052	64.623	279,822,252	2.954	30.676
\$400,000 - \$424,999	706	2.985	67.608	290,662,902	3.069	33.745
\$425,000 - \$449,999	625	2.642	70.250	272,858,878	2.881	36.626
\$450,000 - \$474,999	519	2.194	72.444	240,164,637	2.536	39.161
\$475,000 - \$499,999	484	2.046	74.491	236,087,939	2.493	41.654
\$500,000 and greater	6,034	25.509	100.000	5,526,287,130	58.346	100.000
Total	23,654	100.000%		\$9,471,563,007	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation and parcels by land use for Fiscal Year 2010-11.

**CITY OF PASADENA
Assessed Valuation and Parcels by Land Use**

	<u>2010-11 Assessed Valuation⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Commercial	\$4,653,243,011	22.72%	1,921	5.06%
Vacant Commercial	101,991,581	0.50	244	0.64
Industrial	413,015,789	2.02	316	0.83
Vacant Industrial	8,684,601	0.04	28	0.07
Recreational	123,242,651	0.60	99	0.26
Government/Social/Institutional	729,882,090	3.56	129	0.34
Miscellaneous	<u>62,872,316</u>	<u>0.31</u>	<u>334</u>	<u>0.88</u>
Subtotal Non-Residential	\$6,092,932,039	29.75%	3,071	8.09%
Residential:				
Single Family Residence	\$9,471,563,007	46.25%	23,654	62.29%
Condominium/Townhouse	2,271,280,663	11.09	6,550	17.25
2-4 Residential Units	895,960,787	4.37	2,808	7.39
5+ Residential Units/Apartments	1,627,819,834	7.95	1,172	3.09
Miscellaneous Residential	11,932,859	0.06	21	0.06
Vacant Residential	<u>109,766,306</u>	<u>0.54</u>	<u>697</u>	<u>1.84</u>
Subtotal Residential	\$14,388,323,456	70.25%	34,902	91.91%
Total	\$20,481,255,495	100.00%	37,973	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, on January 1 and June 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. On July 1, an additional 1½% per month is levied on delinquencies for five years. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 five years after the delinquency occurs. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 6% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1% per month begins to accrue beginning November 1 of the fiscal year.

Beginning in fiscal year 1978/79, Proposition 13 and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The total tax levies and year-end delinquencies for fiscal years 2005-06 through 2009-10 are set forth in the following table.

**CITY OF PASADENA
Secured Tax Charges and Delinquencies**

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	Percent Delinquent June 30
2005-06	\$33,145,631.06	\$ 852,348.31	2.57%
2006-07	35,147,125.81	1,329,605.17	3.78
2007-08	38,878,904.42	1,947,696.22	5.01
2008-09	42,691,766.28	2,005,327.34	4.70
2009-10	42,506,784.63	1,462,647.77	3.44

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects county-wide delinquency rate.
Source: California Municipal Statistics, Inc.

**CITY OF PASADENA
Property Tax Levies and Collections(1)
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Tax Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$17,507,487	\$18,152,353	103.68%		\$18,149,109	103.66%
2001	18,486,531	19,324,844	104.53		19,307,904	104.44
2002	19,343,432	20,538,378	106.18		20,538,105	106.18
2003	21,614,925	21,657,649	100.20		21,647,412	100.15
2004	25,035,000	24,263,454	96.92		24,256,163	96.89
2005	25,035,000	23,473,719	93.76		24,407,118	97.49
2006	27,050,015	26,707,198	98.73	386,497	27,093,695	100.16
2007	32,496,995	31,420,267	96.69	484,510	31,904,777	98.18
2008	33,781,403	34,227,671	101.32	59,000	34,227,671	101.32
2009	37,380,921	37,841,426	101.23	*	37,841,426	101.23

⁽¹⁾ Excludes collections from Police Building General Obligation Bond Assessment.

For fiscal years 1999-2005, insufficient data was available to determine what portion of the amount collected within the fiscal year was actually levied in another year, therefore the total taxes collected during the fiscal year are lump summed into the Total Collections.

* Collection in subsequent year information for fiscal year 2009 is not available.

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

Sales Taxes

Sales tax receipts provide one of the largest tax revenue sources for the City, contributing 21.78% of the total General Fund revenues during Fiscal Year 2008-09 and ___% in Fiscal Year 2009-10. A sales tax is imposed on retail sales or consumption of personal property. The tax rate is established by the State Legislature. The statewide tax rate, as of April 2010, is 8.25%. An additional .25% is collected in Los Angeles County for transportation purposes. The State collects and administers the tax, and makes distributions on taxes within the City as follows:

**CITY OF PASADENA
Sales Tax Rates**

State (General Fund):	6.00%
State (Fiscal Recovery Fund):	.25%
State (Local Revenue Fund):	.50%
State (Local Public Safety Fund):	.50%
Local:	
County transportation:	.25%
City and County Operations:	.75%
County (Transportation):	<u>1.50%</u>
Total:	<u>9.75%</u>

The allocation of 0.25% sales tax to the payment of economic recovery bonds became effective July 1, 2004, as part of the "triple flip" in the Governor's 2004-05 Budget and pursuant to State Proposition 57, approved by the voters on March 2, 2003. Proposition 57 authorized the issuance of up to \$15 billion of economic recovery bonds secured by the 0.25% sales tax allocation. Prior to July 1, 2004, this sales tax was available to cities and counties for general purposes. Under the legislation implementing the "triple flip," the lost sales tax is replaced by increased property tax revenues, equal to the lost sales tax revenues.

Senate Constitutional Amendment No. 4, approved by the voters as Proposition 1A in the November 2004 election, amended the State Constitution to, among other things, reduce the Legislature's authority over local government revenue sources by restricting the State from lowering the local sales tax rate or changing the allocation of local sales tax revenues without meeting certain conditions. See "**CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS—Proposition 1A**" in the forepart of this Official Statement.

The State's actual administrative costs with respect to the portion of sales taxes allocable to the City are deducted before distribution and are determined on a quarterly basis.

A history of taxable sales in the City during calendar years 2005 through 2009 are shown below:

CITY OF PASADENA
Taxable Transactions by Type of Business
For Calendar Years 2005 through 2009⁽¹⁾
(Amounts in thousands)

Type of Business	2005	2006	2007	2008	2009 ⁽¹⁾
Retail Stores					
Apparel Stores	\$ 160,603	\$ 173,515	\$ 172,515	\$ 168,425	\$ 227,032
General Merchandise Stores	281,050	302,079	310,209	258,733	135,900
Food Stores	99,906	108,008	120,781	129,018	56,732
Eating and Drinking Places	373,374	405,166	414,549	405,233	101,547
Home Furnishings and Appliances	150,148	138,533	129,681	149,235	84,150
Bldg. Material and Farm Implements ⁽²⁾	92,329	95,349	93,722	77,049	132,339
Auto Dealers and Auto Supplies ⁽³⁾	462,880	432,705	438,343	371,453	151,178
Service Stations	129,439	142,664	149,681	153,505	274,645
Other Retail Stores	418,423	427,146	449,164	372,066	402,613
Retail Stores Total	2,168,052	2,225,165	2,278,454	2,084,717	1,566,134
All Other Outlets	854,218	859,114	875,151	888,497	358,357
TOTAL ALL OUTLETS	\$3,022,270	\$3,084,279	\$3,153,605	\$2,973,214	\$1,924,492

⁽¹⁾ Information available for first three quarters of 2009 only.

⁽²⁾ In 2007, the category was changed to "Building Materials."

⁽³⁾ In 2007, the category was changed to "Motor vehicles and parts."

Source: California State Board of Equalization

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.

CITY OF PASADENA GENERAL FUND COMPARATIVE BALANCE SHEETS Fiscal Years 2008 through 2010

<u>Assets</u>	<u>Fiscal year Ended June 30,</u>		
	<u>2008</u>	<u>2009</u>	<u>2010⁽¹⁾</u>
Cash and investments	\$ 56,787,816	\$48,512,851	\$36,887,035
Accounts receivable	17,715,025	17,135,513	21,367,164
Less allowance for uncollectible amounts	(1,280,715)	(1,346,986)	(3,624,251)
Notes receivable	392,403	398,403	404,403
Due from other funds	6,275,720	4,781,495	4,794,116
Prepays and other assets	551,591	25,042	723,380
Advances to other funds	15,787,567	15,878,806	14,476,596
Advances to component units	966,624	902,624	835,384
Allowance uncollectible for long term receivables	(11,746,664)	(8,151,520)	(8,556,376)
Total assets	<u>\$85,449,367</u>	<u>\$78,136,228</u>	<u>\$67,307,451</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$12,630,350	\$11,565,569	\$6,809,063
Deposits	1,762,031	1,885,384	1,911,281
Due to other governments	140,686	28,787	83,291
Deferred revenue	4,991,169	4,273,445	3,526,629
Total liabilities	<u>\$19,524,236</u>	<u>\$17,753,185</u>	<u>\$14,130,264</u>
Fund Balances:			
Reserved for:			
Encumbrances	\$ 1,175,411	\$2,928,222	\$2,928,222
Notes receivable	392,403	398,403	404,403
Prepays and other assets	551,591	25,042	723,380
Advances to other funds	5,007,527	8,629,910	6,755,604
Unreserved:			
General Fund	58,798,199	48,401,466	42,365,578
Total Fund balances	<u>\$65,925,131</u>	<u>\$60,383,043</u>	<u>\$53,177,187</u>
Total liabilities and fund balances	<u>\$85,449,367</u>	<u>\$78,136,228</u>	<u>\$67,307,451</u>

⁽¹⁾ 2010 Financial Information is preliminary and unaudited and subject to change.

Source: City of Pasadena, Finance Department.

**CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2008 through 2010**

	Fiscal Year Ended June 30,		
	2008	2009	2010 ⁽¹⁾
Revenues:			
Taxes	\$121,156,311	\$119,771,602	\$112,030,511
Licenses and permits	2,715,718	2,360,182	2,640,177
Intergovernmental revenues	13,578,313	13,745,985	14,004,673
Charges for services	31,917,959	34,523,301	32,734,949
Fines and forfeits	8,024,617	8,844,377	5,135,244
Investment earnings	21,209,093	21,922,550	24,136,783
Net changes in fair value of investments	371,245	167,106	278,208
Rental income	1,543,172	1,425,723	1,010,973
Miscellaneous revenue	2,647,710	2,394,249	2,441,828
Total revenues	<u>\$203,164,138</u>	<u>\$205,155,075</u>	<u>\$194,413,346</u>
Expenditures:			
Current:			
General government	\$ 34,083,696	\$ 34,809,501	\$ 36,864,197
Public Safety	94,210,612	99,457,043	98,167,257
Transportation	26,289,894	26,337,739	22,370,798
Culture and leisure	14,548,889	14,228,573	13,288,417
Community development	9,542,687	9,990,270	9,531,323
Capital outlay	--	--	3,230,000
Debt service:			
Principal retirement	--	--	--
Total expenditures	<u>\$178,675,778</u>	<u>\$184,823,126</u>	<u>\$183,451,992</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 24,488,360</u>	<u>\$ 20,331,949</u>	<u>\$ 10,961,354</u>
Other financing sources (uses):			
Issuance of long-term debt	--	\$ 331,944	
Transfers in	\$ 18,538,138	18,007,072	30,055,525
Transfers out	(43,589,080)	(48,213,053)	(48,222,735)
Total other financing sources (uses)	<u>(25,050,942)</u>	<u>(29,874,037)</u>	<u>(18,167,210)</u>
Change in fund balances	(562,582)	(9,542,088)	(7,205,856)
Fund balances at beginning of year, as restated	<u>66,487,713</u>	<u>69,925,131</u>	<u>60,383,043</u>
Fund balances at end of year	<u>\$ 65,925,131</u>	<u>\$ 60,383,043</u>	<u>\$53,117,187</u>

⁽¹⁾ 2010 Financial Information is preliminary and unaudited and subject to change.
Source: City of Pasadena, Finance Department.

General Fund taxes decreased by approximately \$7.7 million from the fiscal year ended June 30, 2009 to June 30, 2010. These changes were due primarily to decreases in property taxes as well as decreased retail sales taxes, transient occupancy tax and utility users' tax over such time period. During such period, revenues received from licenses and permits from a variety of sources also increase and reflects, in part, the slow recovery in the local economy. Revenues received from charges for services increased by approximately \$1.7 million during such period.

Long-Term Debt Obligations Payable from the General Fund

As of June 30, 2010, the City had total long-term debt obligations payable from the City’s General Fund of approximately \$477.7 million. Of this total, obligations for general government purposes represented approximately 26%, pension obligation bonds approximately 23.5% and self-supporting obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 50.5%.

**Long Term Obligations Payable from City General Fund
as of June 30, 2010
(\$ in 000s)**

	<u>Original Par</u>	<u>Final Maturity</u>	<u>Outstanding</u>
General Government Obligations			
1993 COPs (Refunding and Capital Projects)	\$79,835	2014	\$20,400
2001 COPs	21,210	2011	2,525
2006 VRDBs (City Hall Portion)	10,355	2023	8,910
2008-B Refunding COPs	27,650	2019	24,675
2008-C Refunding COPs	<u>71,450</u>	2038	<u>67,685</u>
Sub-total General Government	\$210,500		\$124,195
Pension Obligation Bonds			
1999-A&B Taxable POBs	\$101,940	2022	\$ 78,445
2004 Taxable POBs	<u>40,750</u>	2015	<u>33,814</u>
Sub-total Pension Obligation Bonds	\$142,690		\$112,259
Self-Supporting Bonds			
1987 VRDB COPs (Los Robles Ave Parking)	\$ 20,300	2012	\$ 6,300
1993 Refunding COPs (Old Pasadena Parking)	28,050	2018	13,640
2006 VRDBs (Rose Bowl Portion)	36,945	2023	31,790
2006-A CAB COPs (Conference Center)	27,140	2023	26,775
2008-A VRDB Refunding COPs (Conference Center)	134,720	2035	134,720
2008 Taxable Refunding VRDBs (Paseo Colorado Parking)	<u>28,800</u>	2038	<u>28,000</u>
Sub-total Self-Supporting	\$275,955		\$214,225
Total General Fund Obligations	\$629,145		\$477,679

Source: City of Pasadena, Finance Department.

Median Effective Buying Income

Effective Buying Income (EBI) is defined as personal income less personal income tax and non-tax payments, such as fines, fees or penalties. Median Household EBI for the County, State, and the nation from 2005-2009 is shown below.

MEDIAN EFFECTIVE BUYING INCOME

<u>Year</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
2005	\$39,414	\$43,915	\$39,324
2006	40,020	44,681	40,529
2007	41,683	46,275	41,255
2008	43,710	48,203	41,792
2009	44,653	48,952	42,303

Source: "Survey of Buying Power," Sales and Marketing Management Magazine for year 2005; Trade Dimensions International, Inc. – Demographics USA for years 2006 through 2008; "Survey of Buying Power," Sales and Marketing Management Magazine for year 2009.

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, 2010, the funds invested pursuant to the pooled investment program had a market value of \$298,123,057. The City Treasurer prices the pooled portfolio and all other funds and investments under management on a monthly basis. The market values are obtained from Interactive Data Corporation ("IDC") and Bloomberg Financial Systems. The modified duration of the City's Pooled Investment Portfolio as of June 30, 2010 was 1.30 years. Of the investments on that date, approximately 41.65% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2010 are shown in the following table:

**CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO**

	Market Value	Percentage of Total⁽¹⁾
Money Market Fund	\$ 60,311,804	20.30%
Certificate of Deposit	5,249,814	1.77
LAIF	49,134,811	16.54
Municipal Bonds	17,254,004	5.81
Corporate Bonds	36,136,316	12.16
Mortgage Backed Securities/GNMAs	340	0.00
Federal Agencies	122,760,681	41.32
Cash in Bank	<u>6,240,930</u>	<u>2.10</u>
Total	297,088,700	100.00%
Accrued Interest Receivable	<u>1,034,356</u>	
Grand Total	\$298,123,057	

Source: City of Pasadena.

⁽¹⁾ At market value.

The Weighted Average Maturity of the above portfolio is 1.71 years.

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

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

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

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

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

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

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

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

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

The Government Code stipulates that no investments may be made in securities with maturities in excess of five years without express authority from the City's legislative body. The Government Code and the City's Investment Policy place various other restrictions on investment in and allocation of funds to various investment categories, including the following:

- The value of bankers acceptances, bills of exchange or time drafts drawn on and accepted by commercial banks may not exceed 40% of the City's portfolio book value as measured on the date of purchase and the days to maturity of such investments may not exceed 180 days.
- Commercial paper must be rated P1 and issued by U.S. corporations with assets greater than \$500 million and a long-term debenture rating of A or better. The City is not permitted to purchase commercial paper that exceeds 270 days to maturity nor hold more than 10% of a corporation's outstanding commercial paper. The value of the City's holdings of commercial paper may not exceed 15% of the book value of the City's portfolio as measured on the date of purchase.
- The value of the City's holdings of negotiable certificates of deposits may not exceed 30% of the book value of the City's portfolio as measured on the date of purchase.
- The market value of the securities used as collateral for repurchase agreements may not be permitted to fall below 102% of the value of the repurchase agreement. Execution of a PSA Master Repurchase Agreement is required for all repurchase agreements transacted and the maturity of repurchase agreements may not exceed one year.
- The value of City's reverse repurchase agreement holdings may not exceed 20% of the book value of the City's portfolio as measured on the day of purchase. Reverse repurchase agreements may not exceed 92 days to maturity unless the agreement includes a written guarantee of minimum earnings for the entire period. Term reverse repurchase transactions in excess of 92 days are only permitted if the securities underlying the reverse are matched to the maturities of the reinvestments.

- No more than 25% of the City's investment portfolio may be invested in time deposits.
- Medium-term corporate bonds must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. The value of the City's holdings of medium-term corporate bonds is limited to 30% of the City's portfolio book value as measured on the date of purchase and no more than 5% of the cost value may be invested in bonds held by one corporation.
- The value of the City's mutual fund holdings may not exceed 20% of the City's portfolio book value as measured on the date of purchase.
- Any eligible mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond must be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. In addition, purchases of such securities may not exceed 20% of all of the City's surplus funds that may be invested in accordance with the foregoing investment guidelines and restrictions.

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

General Obligation Debt

Under the City Charter, the City may not incur indebtedness by general obligation bonds which would in the aggregate exceed 15% of the total assessed valuation of all the real and personal property within the City subject to assessment for taxation for municipal purposes. In addition, no bonded indebtedness which will constitute a general obligation of the City may be created unless authorized by the affirmative vote of two-thirds of the electorate voting on such proposition at any election at which the question is submitted. Such bonds are secured by an *ad valorem* property tax assessed against the property owners of the City. The City currently has no general obligation debt outstanding.

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Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of June 30, 2010 is shown on the following page.

**CITY OF PASADENA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of June 30, 2010**

2009-10 Assessed Valuation:	\$20,849,768,258
Redevelopment Incremental Valuation:	<u>2,811,400,517</u>
Adjusted Assessed Valuation:	\$18,038,367,741

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 06/30/10</u>
Los Angeles County Flood Control District	2.075%	\$1,444,408
Metropolitan Water District	0.997	2,634,273
Pasadena Area Community College District	32.980	40,157,232
La Cañada Unified School District	0.219	72,803
Pasadena Unified School District	70.965	216,198,421
City of Pasadena Community Facilities District No. 1	100.000	8,685,000
Los Angeles County Improvement District No. 2658-M	98.288	3,528,539
Los Angeles County Regional Park and Open Space Assessment District	1.940	4,319,604
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$277,040,280

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	1.940%	\$ 16,600,499
Los Angeles County Pension Obligations	1.940	2,298,632
Los Angeles County Superintendent of Schools Certificates of Participation	1.940	255,798
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.413-58.522	13,195,101
Pasadena Area Community College District Certificates of Participation	33.980	776,679
City of Pasadena General Fund Obligations	100.000	365,420,440
City of Pasadena Pension Obligations	100.000	<u>111,636,488</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$510,183,637

COMBINED TOTAL DEBT \$787,223,917⁽²⁾

⁽¹⁾ Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

⁽²⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt..... 1.33%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$477,056,928) 2.64%

Combined Total Debt 4.36%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: MuniServices, LLC