

APPENDIX A
THE CITY OF PASADENA

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The economic and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. The General Fund of the City is not liable for the payment of the 2010 Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the 2010 Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2010 Bond shall compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2010 Bonds and any premiums upon redemption thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and other funds which are pledged to the payment of the 2010 Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

General

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

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

The City provides its approximately 150,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

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

City Council

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

Name	Occupation	Term Expiration
Bill Bogaard, Mayor	Attorney	May 2011
Jacque Robinson (District 1)	Labor Community Organizer	May 2011
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2011
Chris Holden (District 3)	Commercial Real Estate Broker	May 2013
Steve Haderlein, Vice-Mayor (District 4)	High School Instructor	May 2011
Victor Gordo (District 5)	Attorney	May 2013
Steve Madison (District 6)	Attorney	May 2011
Terry Tornek (District 7)	Real Estate Developer	May 2013

City Staff

Michael J. Beck, City Manager, has been City Manager for the City of Pasadena since October 1, 2008. His responsibilities include overseeing the City's over \$630 million operating budget and 14 departments with over 2,300 employees.

He has established a five-year balanced budget program to resolve a structural deficit and overcome current economic realities, developing a financial solution to unfunded liability of the Fire and Police Retirement System, begun a strategic investment plan to fund at least \$100 million for renovations to public facilities, established a business audit schedule, implemented a strategic planning process, provided leadership to the update to Pasadena's General Plan and renovation plans for the Rose Bowl Stadium, begun to right-size the City's governmental functions including streamlining operational processes, and increased the City Manager's role in the community.

Previously Mr. Beck served as Assistant City Manager for the City of Riverside, California, and Director of Economic Development and Real Estate Services for the University of California Riverside.

Mr. Beck holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration from the University of California, Riverside.

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

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

Population

The following table presents a ten-year history of the population of the City since 2001.

**CITY OF PASADENA
POPULATION
For Years 2001 through 2009**

Year (as of January 1)	Population
2001	135,511
2002	138,728
2003	141,949
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	151,576

Source: State of California, Department of Finance revised, based upon revision to the US Census information with 2000 benchmark.

Education

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

**PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years 2000 through 2009**

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	18,319???

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.

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**

Company	Approximate Number of Employees	Business Line
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 (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 2010**

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	58,590

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 2010 and for the two months ended August 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,**

	2006	2007	2008	2009	2010	Two Months ended 08/31/10
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	411.6	369.2	304.9	313.4	368.2
Retail Stores Total	2,147.6	2,404.6	2,409.6	2,362.4	1,997.3
All Other Outlets	860.1	745.9	718.8	710.2	650.3
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

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 28, 2010, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

**CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

Name of Union	Number of Employees Represented As of September 28,2010	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 25, 2010 ⁽¹⁾
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(not available yet)

Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of the Public Employees’ Retirement System (“PERS”), administered by the State, to which contributions are made by both the City and the employees. As of June 30, 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.

Police and Fire personnel hired prior to July 1, 1977 are covered by the City’s Fire & Police Retirement System (“FPRS”). As of June 30, 2009, there was one active member in FPRS. 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.

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.

Post Retirement Medical Benefits (not available yet)

Other than the pension benefits from the applicable retirement system, 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 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,	<u>Loss Paid</u>	<u>Expense Paid</u>	<u>Total Paid</u>	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.

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.

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, 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 will maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current reserve is approximately \$34.0 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, 2011 is \$217,086,213.

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:

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

Adopted General Funds Operating Budget

REQUIREMENTS	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	12,740,598	12,860,109	14,122,093
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	13,690,444	16,167,840	16,167,840
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⁾⁽⁴⁾	2011
<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.

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

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 2005 through 2009
(in Thousands)**

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010(2)
Tax					
Property ⁽¹⁾	\$ 51,116	\$ 61,763	\$63,480	\$ 69,062	\$ 69,392
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	142,832

(1) Includes assessments.

(2) Unaudited figures subject to change

Source: City of Pasadena, Department of Finance.

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

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

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

The tax roll for fiscal year ended June 30, 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 2010
 (in thousands)**

Fiscal Year Ended June 30	Secured Valuations	Homeowner Exemption	Net		Total Assessed Valuation	Less PCDC⁽¹⁾ Increment	Net Valuation
			Secured Valuations	Unsecured Valuations			
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	20,2081,388	(138,275)	203,43,113	605,404	20,948,517	(2,829,885)	18,118,632

Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.
⁽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 2010
 (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	.0108364	.023002	0.000000	0.004300	1.135666

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

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

<u>Property Owner</u>	<u>Primary Land use</u>	<u>June 30, 2010 Assessed Valuation</u>	<u>% of Total</u>
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.

General Fund Comparative Financial Statements(not yet available)

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(a)</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	\$8,609,063
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>

(a) 2010 General Fund financial information is preliminary and unaudited subject to change.

**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 (a)
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
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)	(25,050,942)	(29,874,037)	(18,167,210)
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>\$ 53,177,187</u>

(a) 2010 General Fund financial information is preliminary and unaudited subject to change

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 \$258 thousand during such period.

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

	<u>Market Value</u>	<u>Percentage of Total⁽¹⁾</u>
Money Market Fund	\$ 60,311,804	20.30%
Money Market FDIC Insured	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.

approved the Investment Policy for fiscal year ending June 30, 2010 on September 14, 2009.

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

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

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

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

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

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

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

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

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

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.

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

2008-09 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		<u>\$277,040,280</u>

<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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF PASADENA
WATER AND POWER ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, [2009]**

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2010 Bonds, payment of principal of and interest on the 2010 Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2010 Bonds, and other 2010 Bonds-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2010 Bonds (the “2010 Bonds”). The 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to DTC’s Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information on these websites is not incorporated herein by reference.

Purchases of the 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2010 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, defaults and proposed amendments to the Indenture. For example, Beneficial Owners of 2010 Bonds may wish to ascertain that the nominee holding the 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2010 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the 2010 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2010 Bond certificates will be printed and delivered.

APPENDIX D
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

APPENDIX G
NOTICE INVITING BIDS