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

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

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

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

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

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

Tax Revenue Sources

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

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

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

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

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

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

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

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

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

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

The tax roll for fiscal year ended June 30, 2011, reflected a total assessed valuation of approximately $20.9 billion for the City, of which $2.8 billion reflects the redevelopment project areas

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incremental assessed valuations of which the payable taxes are due to its redevelopment agency. Assessed net valuation for revenue purposes increase by approximately 1.13% for the fiscal year ended June 30, 2011, over the assessed net valuation for fiscal year ended June 30, 2010, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2000 and the fiscal year ended June 30, 2011 was approximately 7.5%.

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

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

(1) Pasadena Community Development Commission, the redevelopment agency for the City.
Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.

ASSESSED VALUATION OF TAXABLE PROPERTY
(Per Capita)

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

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

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

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

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

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

TOP TEN PROPERTY TAXPAYERS
AS OF JUNE 30, 2011

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

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

Transfers to General Fund from Utility Funds

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

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

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

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

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

General Fund Comparative Financial Statements

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

GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2008 through 2010

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

Source: City of Pasadena, Department of Finance

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

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

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

Source: City of Pasadena, Department of Finance

Investment Practices

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

The Treasurer invests temporarily idle cash for the City as part of a pooled investment program which combines general receipts with special funds for investment purposes. The City's accounting division then allocates interest earnings on a *pro rata* basis when the interest is earned and distributes interest receipts based on the previously established allocations. All funds of the City, other than bond proceeds, the investment assets 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, 2011, the funds invested pursuant to the pooled investment program had a market value of $306,851,206. The City Treasurer prices the pooled portfolio and all other funds and investments under management on a monthly basis. The market values are obtained from Interactive Data Corporation ("IDC") and Bloomberg Financial Systems. The modified duration of the City's Pooled Investment Portfolio as of June 30, 2011 was 2.21 years. Of the investments on that date, approximately 31.40% had maturities of thirty days or less.

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

POOLED INVESTMENT PORTFOLIO

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF CALIFORNIA BUDGET

A number of the City's revenues are collected and subvened by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately [40%] of the City's General Fund revenues are collected by the State and allocated by State law. During prior State fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing, although recent Constitutional initiatives passed in 2004 and 2010 limit the State's ability to divert revenues from localities (including the City) in the future.

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

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

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

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

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

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

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

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

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

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

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

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

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

Articles XIII C and XIII D of the State Constitution

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

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

Article XIII D of the State Constitution ("Article XIII D") contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

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

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

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

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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

Proposition 1A

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

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

Proposition 1A also allowed the State to borrow up to 8% of local property tax revenues, beginning with Fiscal Year 2008-09, but only if the Governor proclaimed such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years. The 2009-10 State budget authorized the State to exercise its Proposition 1A borrowing authority. This borrowing generated $1.998 billion that was used to offset State general fund spending. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amount of the Proposition 1A diversion from the City was approximately $4.6 million. The City has booked such amount as a receivable.

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

Statutory Limitations

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

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

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

November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, certain provisions of Proposition 62 (e.g. voter approval of taxes) are now governed by the State Constitution.

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

Future Initiatives

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

BONDED AND OTHER INDEBTEDNESS

Introduction

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

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

Debt Management Policy

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

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

General Obligation Debt

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

Long-Term Debt Obligations Payable from the General Fund

As of June 30, 2011, the City had total long-term debt obligations payable from the City's General Fund of approximately $622.3 million. Of this total, obligations for general government purposes represented approximately 19.33%, pension obligation bonds approximately 16.82% and self-supporting obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 63.83%. For Fiscal Years 2010, 2011, and 2012 the City's annual debt service payable from the General Fund are $34,697,156, $34,930,000 and $32,683,159, respectively. Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

Long Term Obligations Payable from City General Fund
as of June 30, 2011
($ in 000s)

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

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

Source: City of Pasadena, Finance Department.

Revenue Bonds

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

Cash-flow Borrowings

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

Estimated Direct and Overlapping Bonded Debt

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

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

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

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[(1)]	Debt 06/30/11
Los Angeles County Flood Control District	2.131%	$1,146,371
Metropolitan Water District	1.024	2,331,341
Pasadena Area Community College District	32.841	37,827,028
La Cañada Unified School District	0.234	74,377
Pasadena Unified School District	71.118	205,939,949
City of Pasadena Community Facilities District No. 1	100.000	8,685,00
Los Angeles County Improvement District No. 2658-M	98.287	3,253,300
Los Angeles County Regional Park and Open Space Assessment District	1.998	3,941,754
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$263,199,120

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Los Angeles County General Fund Obligations	1.998%	$ 29,909,616
Los Angeles County Superintendent of Schools Certificates of Participation	1.998	243,854
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.422-58.097	12,429,181
Pasadena Area Community College District Certificates of Participation	32.841	591,138
City of Pasadena General Fund Obligations	**100.000**	**503,639,935**
City of Pasadena Pension Obligations	**100.000**	**104,825,319**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$651,639,043
COMBINED TOTAL DEBT		$914,838,163[(2)]

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

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

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

LITIGATION

As of the date of the Official Statement, there is no litigation pending against the City or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2011 Bonds or the Trust Agreement in any way contesting or affecting the validity thereof or the authorizations or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2011 Bonds or the use of the proceeds of the 2011 Bonds.

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

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