

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
ADOPTED GENERAL FUND
COMPARATIVE OPERATING BUDGET
Fiscal Years 2011 through 2013**

<u>REQUIREMENTS</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Expenditures	\$169,404,258	\$169,292,712	\$176,140,901
Capital Expenditures	-		
Debt Service	32,683,158	32,683,497	13,458,577
Transfers Out	<u>13,755,839</u>	<u>13,679,864</u>	<u>13,062,284</u>
TOTAL REQUIREMENTS	<u>\$215,843,255</u>	<u>\$215,656,073</u>	<u>\$202,661,762</u>
AVAILABLE FUNDS			
Revenues	\$194,412,034	\$196,583,525	\$183,552,886
Transfers In	1,071,762	1,921,300	922,309
Reserves	-	-	-
Utility Contributions	<u>15,490,972</u>	<u>17,317,177</u>	<u>18,319,541</u>
TOTAL AVAILABLE FUNDS	<u>\$210,974,768</u>	<u>\$215,822,002</u>	<u>\$202,794,736</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 2010 through 2014
 (Dollar Amounts in Thousands)**

	Fiscal Year Ended June 30,				
	2010 ⁽²⁾	2011 ⁽²⁾	2012	2013 ⁽³⁾	2014 ⁽⁴⁾
<u>Light and Power Fund</u>					
Amount Transferred	\$12,722	\$15,475	\$12,742	\$14,308	\$15,057
Amount a Percentage of Prior Year's Gross Income ⁽¹⁾	8.0%	9.2%	8.0%	9.0%	9.0%
<u>Water Fund</u>					
Amount Transferred	\$2,332	\$2,526	\$25,464	\$3,009	\$3,273
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⁾ Revised Budget.

⁽⁴⁾ Adopted Budget.

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. 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 as 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 recovery bonds are repaid. Although the final maturity of the economic recovery bonds 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 voters in 2010 limits the State's ability to divert or borrow these revenues in the future.

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 2007 through 2012
(in Thousands)**

	Fiscal Year Ended June 30,					
	2007	2008	2009	2010	2011	2012
Tax						
Property ⁽¹⁾	\$ 61,763	\$ 63,449	\$ 69,062	\$ 68,353	\$70,803	54,051
Sales	34,634	36,519	32,913	28,949	30,301	32,239
Utility Users	28,063	29,640	31,162	29,520	29,355	29,318
Street Light & Traffic Signal	6,352	6,779	7,051	6,565	6,675	6,331
Transient Occupancy	10,358	10,731	8,987	8,406	9,088	10,094
Total	<u>\$141,170</u>	<u>\$147,818</u>	<u>\$149,175</u>	<u>\$141,793</u>	<u>\$146,222</u>	<u>132,033</u>

(1) Includes assessments.

Source: City of Pasadena, Comprehensive Annual Financial Report.

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, 2013, reflected a total assessed valuation of approximately \$21.8 billion for the City. Assessed net valuation for revenue purposes increased by approximately 18% for the fiscal year ended June 30, 2013, over the assessed net valuation for fiscal year ended June 30, 2012, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2005 and the fiscal year ended June 30, 2013 was approximately 6.3%.

In 2011, the State of California enacted legislation commonly referred to as “AB1X 26,” which requires the dissolution of California redevelopment agencies and the dissolution and winding up of the operations of those agencies. The original effective date of AB1X 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding AB1X 26 as constitutional on December 29, 2011, the California Supreme Court set February 1, 2012 as the effective date for and the date on which California redevelopment agencies were dissolved pursuant to pursuant to AB1X 26. AB1X 26 provides a framework for the dissolution and winding up of California

redevelopment agencies and the management of the remaining obligations of the dissolved redevelopment agencies by their respective successor agencies and oversight boards to oversee those successor agencies. Pursuant to AB1X 26, tax increment will continue to flow to the payment of “enforceable obligations” (such as tax allocation bonds) of the dissolved redevelopment agencies.

**CITY OF PASADENA
 ASSESSED VALUATION OF TAXABLE PROPERTY
 Fiscal Years 2005 through 2014
 (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
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
2013	21,368,295	(136,241)	21,232,054	571,615	21,803,669	-	21,803,699
2014	22,534,203	(134,257)	22,399,946	575,006	22,974,952	-	22,974,952

Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.

⁽¹⁾ Pasadena Community Development Commission, the former 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 2002 through 2012
(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
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	0.964000	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
2012	1.000000	0.000000	0.000000	0.111200	0.019556	0.000000	0.003700	1.134456

* In 2004, the City paid off its outstanding general obligation debt.
Source: County of Los Angeles Tax Assessor and California Municipal Statistics, Inc.

**CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2013**

Property Owner	Primary Land use	June 30, 2013 Assessed Valuation	% of Total
PPF Off 100 West Walnut Street	Office Building	\$ 319,900,000	1.47
Kaiser Foundation Health Plan Inc.	Office Building	218,340,752	1.00
Paseo Colorado Holding LLC	Shopping Center	196,030,480	0.90
Pacific Huntington Hotel Corp	Office Building	148,550,726	0.68
Marangi Leonard M Les	Hospital	126,600,422	0.58
Equity Office Properties Trust	Office Building	122,800,000	0.56
Tishman Speyer Archstone Smith	Apartments	119,399,303	0.55
SSR Paseo Colorado LLC	Apartments	112,596,646	0.52
TC Trio Apartment LLC	Apartments	111,871,000	0.51
Wells Reit II Pasadena Corp	Office Building	<u>104,229,772</u>	<u>0.48</u>
Total principal property taxpayers gross assessed value		<u>\$1,580,319,051</u>	<u>7.25%</u>
Total city assessed value		<u>\$21,803,668,949</u>	<u>100.00%</u>

Source: MuniServices

General Fund Comparative Financial Statements

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

**CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2010 through 2012**

<u>Assets</u>	<u>As of June 30,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Cash and investments	\$36,887,035	\$27,561,067	\$29,046,772
Accounts receivable	21,367,164	17,132,926	18,450,077
Less allowance for uncollectible amounts	(3,624,251)	-	-
Notes receivable	404,403	52,397	52,397
Due from other funds	4,794,116	8,582,519	5,509,340
Prepays and other assets	723,380	26,833	27,560
Advances to other funds	14,476,596	15,332,198	48,636,872
Advances to component units	835,384	764,740	2,056,631
Allowance uncollectible for long term receivables	(8,556,376)	(10,000,845)	-
Property held for resale	-	-	8,300,000
 Total assets	 <u>\$67,307,451</u>	 <u>\$59,451,835</u>	 <u>\$112,079,649</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$8,609,063	\$8,062,810	\$7,364,133
Deposits	1,911,281	1,984,321	2,260,891
Due to other governments	83,291	50,234	18,763
Deferred revenue	3,526,629	2,789,463	48,659,994
Total liabilities	<u>\$14,130,264</u>	<u>\$12,886,828</u>	<u>\$58,303,781</u>
Fund Balances:			
Reserved for:			
Encumbrances	\$113,113	N/A	N/A
Notes receivable	404,403	N/A	N/A
Prepays and other assets	723,380	N/A	N/A
Advances to other funds	6,755,604	N/A	N/A
Unreserved:			
General Fund	45,180,687	N/A	N/A
Total Fund balances	<u>\$53,177,187</u>	N/A	N/A
 Total liabilities and fund balances	 <u>\$67,307,451</u>	 N/A	 N/A
*Fund Balances:			
Nonspendable	N/A	52,397	8,352,397
Committed	N/A	39,320,899	80,043,268
Assigned	N/A	8,582,519	5,509,340
Unassigned	N/A	(1,390,808)	(40,129,137)
Total Fund balances	N/A	<u>46,565,007</u>	<u>53,775,868</u>
 Total liabilities and fund balances	 N/A	 <u>\$59,451,835</u>	 <u>\$112,079,649</u>

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.

**CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2010 through 2012**

	Fiscal Year Ended June 30,		
	2010	2011	2012
Revenues:			
Taxes	\$112,030,511	\$113,809,641	\$120,658,622
Licenses and permits	2,640,177	2,471,544	2,738,785
Intergovernmental revenues	14,004,673	14,570,521	14,388,263
Charges for services	32,734,949	32,092,354	29,613,903
Fines and forfeits	5,135,244	6,362,032	6,796,482
Investment earnings	24,136,783	22,927,674	9,665,891
Net changes in fair value of investments	278,208	-	-
Rental income	1,010,973	1,073,420	1,336,611
Miscellaneous revenue	2,441,828	2,307,555	10,390,704
Total revenues	<u>\$194,413,346</u>	<u>\$195,614,741</u>	<u>\$195,589,261</u>
Expenditures:			
Current:			
General government	\$ 36,864,197	\$ 39,277,386	\$ 31,009,397
Public Safety	98,167,257	97,209,419	97,057,997
Transportation	22,370,798	23,026,269	23,883,432
Culture and leisure	13,288,417	13,783,967	14,724,109
Community development	9,531,323	8,104,996	7,063,911
Capital outlay	3,230,000	-	-
Total expenditures	<u>\$183,451,992</u>	<u>\$181,402,037</u>	<u>\$173,738,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,961,354</u>	<u>\$ 14,212,704</u>	<u>\$ 21,850,415</u>
Other financing sources (uses):			
Issuance of long-term debt	\$ -	\$ -	\$ -
Transfers in	30,055,525	26,931,281	20,225,884
Transfers out	(48,222,735)	(47,756,165)	(37,847,163)
Total other financing sources (uses)	<u>(18,167,210)</u>	<u>(20,824,884)</u>	<u>(17,621,279)</u>
Extraordinary gain (loss)			(364,808)
Change in fund balances	(7,205,856)	(6,612,180)	(3,864,328)
Fund balances at beginning of year, as restated	<u>60,383,043</u>	<u>53,177,187</u>	<u>49,911,540</u>
Fund balances at end of year	<u>\$53,177,187</u>	<u>\$46,565,007</u>	<u>\$53,775,868</u>

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, 2013, the funds invested pursuant to the pooled investment program had a market value of \$340,435,841. 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, 2013 was 2.06 years. Of the investments on that date, approximately 27.98% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2013 are shown in the following table:

**CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO**

	<u>Market Value</u>	<u>Percentage of Total⁽¹⁾</u>
Money Market – Collateralized	\$ 43,843,571	12.91%
Municipal Bonds	42,838,170	12.62
Corporate Bonds	88,078,690	25.94
Federal Agencies	124,090,063	36.55
Certificates of Deposit	744,000	.22
LAIF	30,694,659	9.04
Cash in Bank	<u>9,227,501</u>	<u>2.72</u>
Total	339,516,655	100.00
Accrued Interest Receivable	<u>919,186</u>	
Grand Total	340,435,841	

Source: City of Pasadena.

⁽¹⁾ At market value.

The Weighted Average Maturity of the above portfolio is 2.14 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, 2013 on September 24, 2012.

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, 2013 is shown below.

CITY OF PASADENA COMPUTATION OF DIRECT AND OVERLAPPING DEBT As of June 30, 2013

2012-13 Assessed Valuation: \$21,939,909,949

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 06/30/13</u>
Los Angeles County Flood Control District	2.183%	\$431,579
Metropolitan Water District	1.045	1,725,138
Pasadena Area Community College District	34.828	35,947,848
La Cañada Unified School District	0.221	64,500
Pasadena Unified School District	73.212	272,037,489
City of Pasadena Community Facilities District No. 1	100.000	8,685.00
Los Angeles County Improvement District No. 2658-M	.987	26,994
Los Angeles County Regional Park and Open Space Assessment District	2.015	2,878,831
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$321,797,379
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Los Angeles County General Fund Obligations	2.015%	\$ 34,848,162
Los Angeles County Superintendent of Schools Certificates of Participation	2.015	209,101
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.364-59.380	10,963,948
Pasadena Area Community College District Certificates of Participation	34.828	217,675
Pasadena Unified School District Certificates of Participation	73.212	1,342,219
City of Pasadena General Fund Obligations	100.000	497,532,641
City of Pasadena Pension Obligations	100.000	<u>133,905,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$679,018,746
Less: Los Angeles County General Fund Obligations supported by landfill revenue		110,600
City of Pasadena General Fund Obligations supported by other revenue sources		<u>405,059,379</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$273,848,767
 <u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY):</u>	 100.0%	 \$3,194,000
TOTAL GROSS DIRECT DEBT		\$631,437,641
TOTAL NET DIRECT DEBT		\$226,378,262
TOTAL NET OVERLAPPING DEBT		\$372,572,484
TOTAL GROSS OVERLAPPING DEBT		\$372,461,824
 GROSS COMBINED TOTAL DEBT		 \$1,004,010,125 ⁽²⁾
NET COMBINED TOTAL DEBT		\$598,840,146

⁽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 2011-12 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt..... 1.13%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$632,184,473) 3.38%
Combined Total Debt 4.92%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: MuniServices, LLC

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF PASADENA
WATER AND POWER ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

APPENDIX C

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2013A Bonds, payment of principal of and interest on the 2013A Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2013A Bonds, and other 2013A 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 2013A Bonds (the “2013A Bonds”). The 2013A 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 2013A 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 of AA+. 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. The information on such website is not incorporated herein by reference.

Purchases of the 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2013A 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 2013A 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 2013A Bonds, except in the event that use of the book-entry system for the 2013A Bonds is discontinued.

To facilitate subsequent transfers, all 2013A 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 2013A 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 2013A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013A 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 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013A Bonds, such as redemptions, defaults and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of 2013A Bonds may wish to ascertain that the nominee holding the 2013A 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 2013A 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 2013A 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 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2013A 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 Fiscal Agent, 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 Fiscal Agent 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 Fiscal Agent, 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 2013A Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2013A 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 2013A Bond certificates will be printed and delivered.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2013A Bonds, Sidley Austin LLP, San Francisco, California, Bond Counsel, proposes to render its final opinion with respect to the 2013A Bonds in substantially the following form:

[Closing Date]

City of Pasadena
Pasadena, California

§ _____
City of Pasadena, California
Electric Revenue/Refunding Bonds, 2013A Series

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pasadena, California (the “City”) in connection with the issuance of the City’s Electric Revenue/Refunding Bonds, 2013A Series (the “Bonds”) in the aggregate principal amount of \$[00,000,000]. The Bonds are being issued pursuant to the Charter of the City, as amended (the “Charter”), including Article XIV thereof, Ordinance No. [____] (the “Ordinance”), adopted by the City Council of the City (the “Council”) on _____, 2013, and by an Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998, by and between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the “Fiscal Agent”), as supplemented, and as further supplemented by a Eighth Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of November 1, 2013, each by and between the City and the Fiscal Agent (collectively, the “Fiscal Agent Agreement”).

In our capacity as bond counsel, we have reviewed the Charter, the Ordinance, resolutions adopted by the City Council, the Fiscal Agent Agreement, certifications of the City, the Fiscal Agent and others, opinions of counsel to the City and the Fiscal Agent, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds and the Fiscal Agent Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, under existing law, we are of the following opinions:

1. The City is authorized and empowered by law, including the Charter, to adopt the Ordinance, to execute and deliver the Fiscal Agent Agreement, to issue the Bonds, to use the proceeds from the sale thereof for the purposes stated in the Ordinance and the Fiscal Agent Agreement and to pledge the Net Income of the Electric System to the payment of the Bonds.

2. The Fiscal Agent Agreement has been, pursuant to law, including the Charter and the Ordinance, duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the City. The Fiscal Agent Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Income as and to the extent set forth in the Fiscal Agent Agreement and subject to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Bonds are special obligations of the City and are payable exclusively from the Light and Power Fund of the City's Water and Power Department and certain other funds as provided in the Fiscal Agent Agreement, and are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the Fiscal Agent Agreement. The general fund of the City is not liable for the payment of any 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 any Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any Bond shall not 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 Bonds and any premiums upon the redemption of any 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, security or assets which are pledged to the payment of the Bonds, interest thereon and any premiums upon redemption.

4. Assuming continuing compliance by the City with certain covenants in the Fiscal Agent Agreement and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Bond proceeds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation.

5. Interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals or corporations. Such interest, however, will be included as an adjustment in the calculation of corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

6. Under existing law, interest on the Bonds is exempt from personal income tax imposed by the State of California.

Certain requirements and procedures contained or referred to in the Fiscal Agent Agreement and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the exclusion from gross income for federal income tax purposes of the interest on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Other than as described herein, we have neither addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

Respectfully submitted.

APPENDIX G
NOTICE INVITING BIDS