

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2016

NEW ISSUE — BOOK-ENTRY ONLY

Rating: Fitch: _____
 S&P: _____
 (See “Ratings” herein.)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the 2016 Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the 2016 Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

[Rose Bowl Logo]

\$ _____
PASADENA PUBLIC FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(Rose Bowl Renovation Project)
Series 2016A

Dated: Date of Delivery**Due: March 1, as shown on inside cover.**

The Pasadena Public Financing Authority Lease Revenue Refunding Bonds (Rose Bowl Renovation Project), Series 2016A (the “2016 Bonds”) will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Beneficial owners of the 2016 Bonds will not receive physical certificates representing the 2016 Bonds purchased, but will receive a credit balance on the books of the nominees of such purchasers.

The 2016 Bonds are being issued to refund, on an advance basis, all or a portion of the \$36,808,264.85 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2010A (the “2010A Bonds”), currently outstanding* and pay costs of issuance of the 2016 Bonds. See “PLAN OF REFUNDING” herein.

Interest on the 2016 Bonds is payable semiannually on March 1 and September 1, commencing [March 1], 2017 (the “Interest Payment Dates”). Ownership interests in the 2016 Bonds, will be in denominations of \$5,000 and any integral multiple thereof. Principal of, premium, if any, and interest on the 2016 Bonds will be paid by U.S. Bank National Association, as trustee (the “Trustee”) to DTC, which in turn will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to beneficial owners of the 2016 Bonds as described herein. See “APPENDIX G—BOOK-ENTRY ONLY SYSTEM” herein.

The 2016 Bonds are special, limited obligations of the Pasadena Public Financing Authority (the “Authority”) payable solely from Revenues, consisting primarily of Base Rental Payments (which include principal components and interest components) to be made by the City of Pasadena (the “City”) to the Authority pursuant to a Sublease, dated as of February 1, 2006, as amended and supplemented (collectively, the “Sublease”). The City will lease the Rose Bowl Stadium (the “Leased Property”) to the Authority pursuant to the Lease, dated as of February 1, 2006, as amended and supplemented (collectively, the “Lease”), between the City and the Authority. The City has covenanted in the Sublease to take such action as may be necessary to include Base Rental Payments and Additional Payments due under the Sublease in its annual budgets, and to make necessary annual appropriations therefor. The Authority has issued and has outstanding approximately \$234,565,000 aggregate principal amount of its lease revenue bonds which are payable on a parity with the 2016 Bonds from Base Rental Payments under the Sublease. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS” herein. The Base Rental Payments are subject to abatement as described herein. See “RISK FACTORS” herein.

THE 2016 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY). THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE 2016 BONDS, AND THE INTEREST THEREON, ONLY FROM THE REVENUES DESCRIBED ABOVE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 2016 BONDS. THE ISSUANCE OF THE 2016 BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The 2016 Bonds are subject to redemption prior to maturity as described herein. See “THE 2016 BONDS—Redemption” herein.

Maturity Schedule located on inside front cover

THIS COVER PAGE CONTAINS INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The 2016 Bonds will be offered when, as and if issued, subject to the approval of validity by Norton Rose Fulbright US LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney of the City of Pasadena, and by Norton Rose Fulbright US LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth P.C., Counsel to the Underwriter. It is expected that the 2016 Bonds will be delivered through the facilities of DTC on or about October __, 2016, in New York, New York, against payment therefor.

Wells Fargo Securities

Dated: September __, 2016

* Preliminary; subject to change.

MATURITY SCHEDULE

\$ _____
PASADENA PUBLIC FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(Rose Bowl Renovation Project)
Series 2016A

<u>Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP[†]</u>
	\$	%	%	

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of investors. None of the Authority, the City, the Underwriter, or the Financial Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2016 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2016 Bonds.

**CITY OF PASADENA AND
PASADENA PUBLIC FINANCING AUTHORITY
CITY COUNCIL/AUTHORITY BOARD OF DIRECTORS**

Terry Tornek, Mayor/Chairman
Tyron A. L. Hampton, Council Member/Board Member
Steve Madison, Council Member/Board Member
John J. Kennedy, Council Member/Board Member
Margaret McAustin, Council Member/Board Member
Gene Masuda, Vice Mayor /Vice Chairman
Victor M. Gordo, Council Member/Board Member
Andy Wilson, Council Member/Board Member

CITY STAFF

Steve Mermell, *City Manager*
Matthew Hawkesworth, *Director of Finance*
Vicken Erganian, *Treasurer and Deputy Director of Finance*
Mark Jomsky, *City Clerk*

CITY ATTORNEY

Michele Beal Bagneris

**ROSE BOWL OPERATING COMPANY (RBOC)
BOARD OF DIRECTORS**

Michael Clayton, *District 1*
Scott Boone, *District 2*
Nick Rodriguez, *District 3*
Steve Haderlein, *District 4*
Paul Arevalo, *District 5*
Fred Claire, *District 6*
Rich Schammel, *District 7*
Bill Cormier, *UCLA Representative*
Joel Bryant, *Mayor's Representative*
Edward Garlock, *Mayor's Representative*
Philip Hawkey, *City Manager's Representative*
Victor Gordo, *City Council Representative*
Alex Aghajanian, *Tournament of Roses Representative*
Felicia Williams (ex-officio), *Pasadena Center Operating Company*

RBOC STAFF

Darryl Dunn, *General Manager*

BOND AND DISCLOSURE COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

FINANCIAL ADVISOR

Urban Futures, Inc.
Orange, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2016 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2016 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. References to internet websites shown in this Official Statement are shown for reference and convenience only; the information contained within the websites is not incorporated herein by reference and does not constitute a part of this Official Statement.

The information contained in this Official Statement has been furnished by the City, the Authority and other sources which are deemed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement, nor any sale hereunder, shall under any circumstances create an implication that there has been no change in the affairs of the City, the Authority or any other matter described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the City plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2016 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in the Act. The 2016 Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

\$ _____ *

PASADENA PUBLIC FINANCING AUTHORITY
Lease Revenue Refunding Bonds
(Rose Bowl Renovation Project)
Series 2016A

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2016 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in "APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," and, if not therein, then in the Indenture, the Lease or the Sublease.

General

The purpose of this Official Statement, which includes the cover page, inside cover, table of contents and appendices hereto is to provide certain information concerning the issuance, sale and delivery by the Pasadena Public Financing Authority (the "Authority") of its \$ _____* Pasadena Public Finance Authority Lease Revenue Refunding Bonds (Rose Bowl Renovation Project) Series 2016A (the "2016 Bonds").

The Authority

The Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated April 24, 2000, by and between the City of Pasadena (the "City") and the City of Pasadena, as successor Agency to the Pasadena Community Development Commission (the "Successor Agency"), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Joint Powers Act").

Purpose of the 2016 Bonds

The 2016 Bonds are being issued to refund, on an advance basis, all or a portion of the \$36,808,264.85 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2010A (the "2010A Bonds"), currently outstanding, and pay costs of issuance of the 2016 Bonds. See "PLAN OF REFUNDING" herein.

Authority for Issuance

The 2016 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California; Article 9 (commencing with Section 53550), Chapter 3, Division 2, Title 5, of the Government Code of the State of California (the "Refunding Law"); and an Indenture, dated as of October 1, 2016 (the

* Preliminary; subject to change.

"Indenture"), by and between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee").

Sources of Payment for the 2016 Bonds

The City will lease the Rose Bowl Stadium (the "Leased Property") from the Authority pursuant to the Lease, dated as of February 1, 2006, as amended and supplemented, including as amended and supplemented by a First Amendment to Amended and Restated Lease, dated as of October 1, 2016 (collectively, the "Lease"), between the City and the Authority. In general, the City is required under Sublease, dated as of February 1, 2006, as amended and supplemented, including as amended and supplemented by a Second Amendment to Amended and Restated Sublease, dated as of October 1, 2016 (collectively, the "Sublease"), by and between the Authority and the City, to pay semiannual lease payments (the "Base Rental Payments") for the use and occupancy of the Leased Property (as defined herein), which amounts are designed to be sufficient in both time and amount to pay, when due, the principal of, premium, if any, and interest on the 2016 Bonds, as well as the principal, premium, if any and interest on approximately \$_____ aggregate principal amount of other currently outstanding Authority lease revenue bonds secured by payments made under the Sublease. In the Sublease, the City has covenanted that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the City to make Base Rental Payments, however, is subject to abatement in the event of material damage or destruction of the Leased Property or the taking of the Leased Property in whole or in part. The obligation of the City to pay Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Leased Property will consist of the Rose Bowl Stadium and the land upon which it is located. While the City is obligated to pay Base Rental Payments from any of its lawfully available funds, it is the expectation of the City that the Base Rental Payments will be paid substantially from operating revenues derived from the Rose Bowl Stadium. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Rose Bowl Historical Operations" herein.

Bonds Constitute Limited Obligations; Lease Not Debt

The 2016 Bonds are limited obligations of the Authority payable solely from Revenues, consisting primarily of Base Rental Payments to be made by the City, and amounts on deposit in certain funds and accounts held under the Indenture. The 2016 Bonds do not constitute a debt or liability of the State of California or of any political subdivision thereof (including any member of the Authority). The Authority shall be obligated to pay the principal of the 2016 Bonds, and the interest thereon, only from the Revenues described above, and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof (including any member of the Authority) is pledged to the payment of the principal of or the interest on the 2016 Bonds. The issuance of the 2016 Bonds shall not directly, indirectly or contingently obligate the State of California or any political subdivision thereof (including any member of the Authority) to levy or pledge any form of taxation. The Authority has no taxing power.

Abatement

The obligation of the City under the Sublease to make Base Rental Payments is in consideration for the beneficial use and possession of the Leased Property. The obligation of the City to make Base Rental Payments (other than to the extent that funds are available in the Lease Revenue Fund or from the

proceeds of rental interruption insurance, if available) may be abated in whole or in part if the City does not have full use and possession of the Leased Property. See "RISK FACTORS—Abatement."

The City

The City of Pasadena was incorporated in 1886 and became a freeholder charter city in 1901. The City covers nearly 23 square miles and is located in the County of Los Angeles in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by the cities of South Pasadena and San Marino, on the east by the cities of Arcadia and Sierra Madre and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See "THE CITY," "APPENDIX A—CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION" and "APPENDIX B—CITY OF PASADENA CALIFORNIA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015" herein.

Description of the 2016 Bonds

The 2016 Bonds will be issued as fully-registered current interest bonds without coupons in denominations of \$5,000 each, or any integral multiple thereof. The 2016 Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2016 Bonds. See "APPENDIX G—BOOK-ENTRY ONLY SYSTEM" herein. Interest on the 2016 Bonds is payable semiannually each March 1 and September 1, commencing [March 1], 2017. Principal of the 2016 Bonds is payable on March 1 in each year as set forth on the inside cover page hereof.

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the 2016 Bonds to annually provide certain financial information and operating data relating to the City (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and "APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Summaries Not Definitive

Brief descriptions of the 2016 Bonds, the security and sources of payment for the 2016 Bonds, the Authority, the City and the Leased Property are included in this Official Statement together with summaries of the Indenture, the Lease and the Sublease. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Lease, and the Sublease are qualified in their entirety by reference to such documents, and references herein to the 2016 Bonds are qualified in their entirety by reference to the forms thereof, copies of all of which are available for inspection at the principal corporate trust office of the Trustee.

Other Information

Copies of documents referred to herein and information concerning the 2016 Bonds are available from the Director of Finance, City of Pasadena, 100 North Garfield Avenue, Room 353, Pasadena, California 91101-7215; telephone (626) 744-4350. The City may impose a charge for copying, mailing and handling.

THE ROSE BOWL

Background. A 1922 National Historic Landmark and a California Historic Civil Engineering landmark, the Rose Bowl is among the most famous football stadiums in the country, and has been an icon of Pasadena since the first Tournament of Roses game was played there on January 1, 1923. Over the course of the Rose Bowl's history, it has hosted many well-known sporting events, including five Super Bowls, two Olympics, two World Cup Soccer Final Matches (one men's and one women's) and many international soccer matches and concerts. Notably, the Rose Bowl hosts the annual Rose Bowl Game and is the home of UCLA Bruin Football since 1982.

The stadium seating has been reconfigured several times since its original construction in 1922. For many years, the Rose Bowl had the largest football stadium capacity in the United States. The Rose Bowl's maximum stated seating capacity was 104,091 from 1972 to 1997. The current seating capacity is 88,500. The Rose Bowl underwent an extensive renovation project between 2010-2016 with a total cost of approximately \$182 million. The renovation project improved public safety, enhanced fan experience, improved various existing improvements, and expanded premium seating options. The renovation project was completed in early 2016.

Rose Bowl Operations. In 1995, the City entered into a Management and Operating Agreement (the "Management and Operating Agreement") with the Rose Bowl Operating Company, a special purpose nonprofit corporation established by the City to oversee operation and management of the Rose Bowl ("RBOC"). Under the Management and Operating Agreement, RBOC is responsible for the management, operation and maintenance of the Rose Bowl and certain other portions of the surrounding area.

Pursuant to an agreement between the City and the Pasadena Tournament of Roses Association, a California nonprofit corporation which is independent of the City ("TOR"), the Rose Bowl Game is hosted by TOR each year. The City and TOR executed an amended and restated agreement for TOR's use of the Rose Bowl in connection with the issuance of the 2010A Bonds. The amended and restated agreement extends through the 2043 Rose Bowl Game and provides for the use of the portions of the Rose Bowl described below for the Rose Bowl Game, which is usually played by the winners of the Pac-12 and Big 10 Conferences annually on or about January 1. Generally, under the agreement, TOR has exclusive use of the Rose Bowl between approximately December 16th through the day of the Rose Bowl Game unless it is mutually agreed that other uses may occur within that period. The areas of use include the field, press box, premium, lounge, and field seating, parking in certain lots, certain areas outside of the Rose Bowl fencing, scoreboards, video boards, signage and restrooms. As consideration for this use, TOR agrees to pay a licensing fee, allow for the imposition of a parking user fee, allow the imposition of a capital maintenance user fee, pay an admissions tax and make other payments to the City. As a part of the amended and restated agreement, the City retains all of the revenue from the sale of premium seating (subject to the City's obligation to purchase the individual underlying tickets from TOR), and TOR has certain rights with respect to advertising and merchandising sales and receives 25% of surplus net revenue generated from the receipt of certain revenue by the City from the sale of specific items (e.g., premium seating, parking user fees, capital maintenance user fees and advertising/sponsorship inventory) after the deduction of certain RBOC expenses and debt service requirements.

Pursuant to an agreement between RBOC, as agent for the City, and the Regents of the University of California, on behalf of its Los Angeles campus ("UCLA"), intercollegiate home football games for the UCLA Bruins are held at the Rose Bowl approximately six times each year. UCLA and RBOC executed a restated agreement for UCLA's use of the Rose Bowl in connection with the issuance of the 2010A Bonds. Generally, the restated agreement between RBOC and UCLA has a term that extends through the 2043 football season and provides for use of the portions of the Rose Bowl described below for UCLA

intercollegiate football home games between August 15th and approximately December 15th each year. The use areas include the field, press box, premium, lounge, and field seating, parking in certain lots, certain areas outside of the Rose Bowl fencing, scoreboards, video boards, signage and restrooms. As consideration for this use, UCLA allows the imposition of a parking user fee to be retained by RBOC, allows RBOC to retain all revenues from the sale of premium seating and from the sale of food and beverage concessions. RBOC shares revenues with UCLA received from sales of UCLA's emblematic merchandise. RBOC also receives 8% of the gross receipts from the sale of general tickets. As a part of this restated agreement, UCLA has certain rights with respect to advertising and receives 25% of surplus net revenues generated from the receipt of certain revenue by RBOC from the sale of specific items (e.g., premium seating, parking user fees, capital maintenance user fees and advertising/sponsorship inventory) after the deduction of certain RBOC expenses and debt service requirements.

In connection with its agreements with TOR and UCLA briefly summarized above, the City has established special reserves in order to deposit approximately 50% of any surplus revenues related to Rose Bowl operations. Such special reserves are not pledged in any manner to secure the 2016 Bonds under the Indenture, but may be available to the City, in its discretion, to pay repair and replacement costs and maintenance expenses related to the Rose Bowl Stadium and other costs, including without limitation, debt service on the 2016 Bonds.

RBOC and IMG College ("IMG"), a leading U.S. college media rights management company, have executed a contract that grants IMG the exclusive and sole right to sell advertising and promotional signage for the Rose Bowl Stadium, subject to certain limitations, with the Rose Bowl occupants and Legacy Connections. The contract has a 15-year term, which extends through 2026, and provides a minimum guaranteed series of payments that total \$36.1 million over the term, provided certain conditions are met. The contract also includes a revenue sharing provision in the event that certain revenue benchmarks are met. Neither the City nor the Authority can provide any assurance that any such revenue-sharing benchmarks can be achieved.

RBOC also executed a professional services contract with Legends Hospitality for premium seating sales services. The contract has a 15-year term, which extends through 2025, and provides payments to IMG College/Legends on a commission-basis with RBOC responsible for related expenses.

RBOC signed an agreement with AEG in 2016 to host a three-day music and arts festival on an annual basis at the Rose Bowl Stadium and on parts of the Brookside Golf Course beginning in 2017. The annual festival will take place over two or three days, likely in June, with a capacity of up to 93,000 daily attendees. The agreement is for 10 years with two 5-year renewal options for a total potential term of 20-years. The City/RBCO and AEG have the option to terminate this agreement at years 3, 10, and 15. The City projects that the festival will generate between \$90 million and \$106 million over the proposed 20-year period.

For a history of revenues received by the City from operations at the Rose Bowl, see **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rose Bowl Historical Operating Revenues."**

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2016 Bonds are as follows:

Sources of Funds
Principal Amount of Bonds
Original Issue Premium
Total Sources
Uses of Funds
Escrow Fund
Costs of Issuance Fund ⁽¹⁾
Underwriter's Discount
Total Uses

⁽¹⁾ Costs of issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Verification Agent, and Trustee, printing expenses, rating fees and other costs related to the issuance of the 2016 Bonds.

THE 2016 BONDS

General

The 2016 Bonds will be dated their date of delivery and will be issued in fully registered form, without coupons. The 2016 Bonds will be issued as fully-registered current interest bonds in denominations of \$5,000 or any integral multiple thereof.

The 2016 Bonds will be initially registered in the name of "Cede & Co.," as nominee of DTC, which has been appointed depository for the 2016 Bonds, and registered ownership may not thereafter be transferred except as provided in the Indenture. See "**APPENDIX G – BOOK-ENTRY ONLY SYSTEM**" herein.

Principal of and premium, if any, on the 2016 Bonds will be paid by the Trustee at maturity or redemption to DTC, which in turn will remit such principal of and premium, if any, to its participants for subsequent disbursement to beneficial owners of the 2016 Bonds as described herein. See "**APPENDIX G – BOOK-ENTRY ONLY SYSTEM**" herein. Interest on the 2016 Bonds will be payable semiannually on March 1 and September 1, commencing [March 1], 2017, to DTC in the same manner as described in the preceding sentence. Interest on the 2016 Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Redemption*

Optional Redemption. The 2016 Bonds maturing on or after March 1, 20__ are subject to redemption prior to their respective maturity dates as a whole or in part on any date on or after March 1, 20__, in any order deemed reasonable by the Authority, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the City pursuant to the Sublease, at a redemption price equal to the principal amount of the 2016 Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Special Mandatory Redemption for All 2016 Bonds. The 2016 Bonds are subject to redemption prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part on any date, from prepayments of Base Rental Payments made by the City pursuant to the Sublease from funds received by the City due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the City due to damage to or destruction of the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Sublease. Redemption of 2016 Bonds pursuant to this paragraph shall be made at a redemption price equal to the sum of the principal of the 2016 Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

Sinking Account Redemption. The 2016 Bonds maturing on March 1, 20__ are subject to mandatory redemption, in part by lot, from sinking account payments set forth in the following schedule commencing March 1, 20__, and on March 1 in each year thereafter to and including March 1, 20__ at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that in lieu of redemption thereof, such 2016 Bonds may be purchased by the Authority and tendered to the Trustee.

**Schedule of Mandatory Sinking Account Payments
2016 Bonds Maturing March 1, 20__**

Redemption Date <u>(March 1)</u>	Principal <u>Amount</u>
20__	
20__*	

* Maturity

Selection of 2016 Bonds for Redemption. Pursuant to the Indenture, if only a portion of any 2016 Bond is called for redemption, then upon surrender of such 2016 Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2016 Bond or 2016 Bonds of the same Series, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the 2016 Bond being redeemed. Whenever provision is made in the Indenture for the redemption of less than all of the 2016 Bonds, the Trustee shall select the 2016 Bonds to be redeemed from all 2016 Bonds not previously called for redemption, in such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection, all 2016 Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate 2016 Bonds, which may be separately redeemed.

* Projected; subject to change.

The Indenture provides that redemption allocations made by DTC, the Participants or such other intermediaries that may exist between the Authority and the beneficial owners of the 2016 Bonds will be made on a *pro-rata* pass-through distribution of principal basis. However, so long as the 2016 Bonds are held by DTC in the book-entry-only system, the selection for redemption, the selection for redemption of such 2016 Bonds will be made in accordance with the operational arrangements of DTC then in effect. Neither the Authority nor the Underwriter can provide any assurance and will not have any responsibility or obligation to ensure that DTC, the Participants or any other intermediaries allocate redemptions of the 2016 Bonds among beneficial owners on a *pro-rata* pass-through distribution of principal basis. If the DTC operational arrangements do not allow for the redemption of the 2016 Bonds on a *pro-rata* pass-through distribution of principal basis, the 2016 Bonds will be selected for redemption, in accordance with then applicable DTC procedures, which may include selection by lot. If the 2016 Bonds are no longer held by DTC in the book-entry-only system and less than all of the 2016 Bonds of a maturity and interest rate are to be redeemed, the 2016 Bonds to be redeemed will be selected by the Trustee on a *pro-rata* pass-through distribution of principal basis among all of the Owners of the 2016 Bonds based on the principal amount of 2016 Bonds owned by such Owners. See “APPENDIX G – BOOK-ENTRY ONLY SYSTEM” for a description of DTC and the Book-Entry Only System.

Notice of Redemption. Notice of any redemption shall be mailed at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such 2016 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the 2016 Bond numbers and the maturity or maturities (in the event of redemption of all of the 2016 Bonds of such maturity or maturities in whole) of the 2016 Bonds to be redeemed, and shall require that such 2016 Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2016 Bonds will not accrue from and after the redemption date.

If DTC or its nominee is the registered owner of any 2016 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2016 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2016 Bond to be redeemed shall not affect the validity of the redemption of such 2016 Bond.

Effect of Redemption. The Indenture provides that from and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the 2016 Bonds so called for redemption shall have been duly provided, such 2016 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date.

Rescission or Cancellation of Redemption. The Indenture provides that the Trustee shall rescind any redemption by notice of rescission if directed to do so by the Authority prior to the date of redemption, and that the Trustee shall give notice of rescission by the same means as for the giving of a notice of redemption. The redemption shall be deemed canceled once the Trustee has given notice of rescission. Under the Indenture neither the rescission nor the failure of funds being made available in part or in whole on or before a redemption date shall constitute an Event of Default.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

Limited Obligation

THE 2016 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM REVENUES, CONSISTING PRIMARILY OF BASE RENTAL PAYMENTS TO BE MADE BY THE CITY AND FROM AMOUNTS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE 2016 BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY). THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE 2016 BONDS, AND THE INTEREST THEREON, ONLY FROM THE REVENUES DESCRIBED ABOVE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE 2016 BONDS. THE ISSUANCE OF THE 2016 BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF (INCLUDING ANY MEMBER OF THE AUTHORITY) TO LEVY OR PLEDGE ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the City to pay Base Rental Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental Payments does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Existing Parity Obligations

Under the Sublease, the City is also obligated to pay Base Rental Payments in connection with the financing and refinancing of Rose Bowl improvements through the issuance of (i) the \$47,300,000 Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006, currently outstanding in the amount of \$5,080,000 with stated maturity dates from June 1, 2017 to June 1, 2023 (the "2006 Bonds"); (ii) the 2010A Bonds, currently outstanding in the amount of \$36,808,266 with stated maturity dates from March 1, 2020 to March 1, 2033; (iii) the \$106,660,000 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2010B (Taxable—Build America Bonds), currently outstanding in the amount of \$106,660,000 with stated maturity dates from March 1, 2034 to March 1, 2043 (the "2010B Bonds"); (iii) the \$5,005,000 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2010C (Taxable), currently outstanding in the amount of \$4,120,000 with stated maturity dates from March 1, 2017 to March 1, 2020 (the "2010C Bonds"), (iv) the \$7,400,000 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2010D (Taxable — Recovery Zone Economic Development Bonds), currently outstanding in the amount of \$7,400,000 with a stated maturity date of March 1, 2043 (the "2010D Bonds" and together with the 2010A Bonds, the 2010B Bonds and the 2010C Bonds, the "2010 Bonds"); (v) the \$34,900,000 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2013A (Tax-Exempt), currently outstanding in the amount of \$34,900,000 with stated maturity dates from December 1, 2027 to March 1, 2042 (the "2013A Bonds"); and (vi) the \$19,065,000 Pasadena Public Financing Authority Lease Revenue Bonds (Rose Bowl Renovation Project), Series 2013B (Taxable), currently outstanding in the amount of \$15,875,000 with stated maturity dates from December 1, 2013 to March 1, 2027 (the "2013B Bonds" and together with the 2013A Bonds, the "2013 Bonds"). The 2006 Bonds, the 2010 Bonds and the 2013 Bonds are referred to herein collectively as "Existing Parity Obligations."

The 2006 Bonds were initially issued in a weekly interest rate mode and subsequently converted, in May 2011, to a bank index interest rate mode in connection with the remarketing of the 2006 Bonds to Union Bank, N.A. as the purchaser thereof.

On February 23, 2006, the Authority entered into an interest rate swap agreement (the "2006 Swap") with Deutsche Bank AG, New York Branch (the "Counterparty"), relating to the 2006 Bonds. Under the 2006 Swap, the City pays the Counterparty the fixed rate of 3.285% and receives a floating rate equal to 65% of one month LIBOR. The 2006 Swap has a notional amount equal to the principal amount of the 2006 Bonds and declines exactly to the amortization schedule of the 2006 Bonds with a final maturity in 2023. As of August 1, 2016, the 2006 Swap had a market value for the Authority of negative \$2,770,246. The market value for the Authority of the 2006 Swap will fluctuate depending upon market conditions.

As permitted by their terms, the Lease and Sublease have been amended for the purpose of issuing the 2016 Bonds on a parity with the 2006 Bonds, the 2010 Bonds, and the 2013 Bonds. The indenture for the 2006 Bonds, the 2010 Bonds, and the 2013 Bonds is separate from the Indenture for the 2016 Bonds and the funds and accounts established under each indenture separately secure the 2006 Bonds, the 2010 Bonds, the 2013 Bonds, and the 2016 Bonds, respectively. Amounts payable by the City under the Sublease, including the Base Rental Payments, secure the 2006 Bonds, the 2010 Bonds, the 2013 Bonds, and the 2016 Bonds on an equal basis. The reserve funds established under the separate indentures for the Existing Parity Obligations are not available for the payment of the 2016 Bonds.

For a description of other indebtedness of the City, including obligations that are generally payable from its lawfully available funds, see "APPENDIX A—CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION — Long Term Obligations."

Sequestration of Direct Subsidy Payments. On September 14, 2012 the United States Office of Management and Budget ("OMB") delivered a report to Congress (the "OMB Report") that provided estimates of cuts to federal programs that were necessary to reduce spending to levels under the congressionally-mandated sequestration process of the Budget Control Act of 2011. The cuts identified in the OMB Report included cuts to the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as Build America Bonds ("BABs") and Recovery Zone Economic Development Bonds ("Recovery Bonds"). The first cuts required under sequestration took effect in federal fiscal year ending September 30, 2013 and as subsequently extended, such cuts will continue through and including the federal fiscal year 2024, absent further Congressional action (the "Sequester Cuts"). The 2010B Bonds and the 2010D Bonds were issued as direct-pay, tax credit bonds. For federal fiscal year ended September 30, 2015 the direct subsidy payments were reduced by 7.3% due to Sequester Cuts. For federal fiscal year ended September 30, 2017 direct subsidy payments will be reduced by 6.9%. The Authority is obligated to make all Base Rental Payments under the Sublease without regard to the receipt of any federal subsidy payments by the Authority or the City.

The City believes that a 6.9% reduction in federal subsidies will not materially adversely affect the financial condition of the City or the City's ability to meet any of its outstanding Existing Parity Obligations. At this time the City can make no representations as to whether the Sequester Cuts will increase in any future year.

Covenant to Appropriate Funds for Rental Payments

The City has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Sublease in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the City to make Base Rental Payments, however, is subject to abatement in the event of material damage or destruction of the Leased Property or the taking of the Leased Property in whole or in part.

Action on Default, No Acceleration of Base Rental Payments

Should the City default under the Sublease, the Trustee may terminate the Sublease and recover certain damages from the City, or may retain the Sublease and hold the City liable for all Base Rental Payments thereunder as the same become due. Base Rental Payments may not be accelerated upon a default under the Sublease. See **"RISK FACTORS"** herein.

For a description of the events of default and permitted remedies of the Trustee contained in the Sublease and the Indenture, see **"APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease—Defaults and Remedies"** and **"—Indenture—Events of Default and Remedies of Bondholders"** herein.

Base Rental Payments

For the right to the use and occupancy of the Leased Property, the Sublease requires the City to make Base Rental Payments. To secure the payment of the Base Rental Payments, the City will pay to the Trustee, for deposit into the Lease Revenue Fund, on each February 25 and August 25, an amount sufficient to pay the principal of and interest on the 2016 Bonds due on the following March 1 and September 1, respectively.

Pursuant to the Indenture, on or before each Interest Payment Date and each Principal Payment Date, the Trustee will transfer amounts in the Lease Revenue Fund as are necessary to the Interest Account and the Principal Account to provide for the payment of the interest and principal in respect of the 2016 Bonds. See **"APPENDIX D – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture – Revenues; Flow of Funds"** herein.

Debt Service on the Existing Parity Obligations and the 2016 Bonds is described below under the heading **"DEBT SERVICE."**

Additional Payments

The Sublease requires the City to pay all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Sublease, the Indenture, the Authority's interest in the Leased Property and the lease of the Leased Property to the City, including but not limited to the payment of all fees, costs and expenses and all administrative costs of the Authority related to the 2016 Bonds, and the Leased Property, including without limiting the generality of the foregoing, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the Indenture, fees of auditors, accountants, attorneys or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2016 Bonds or of the Indenture; but not including in such Additional Payments amounts required to pay the principal of or interest on the 2016 Bonds.

Insurance

The Sublease requires the City to cause to be maintained casualty insurance insuring the Leased Property against fire, lightning and all other risks covered by an extended coverage endorsement in an amount equal to the lesser of the replacement cost of the Leased Property (without deduction for depreciation) or the outstanding principal amount of the 2016 Bonds, subject to a deductible of not to exceed \$25,000 or such greater amount as may be covered by any self-insurance method permitted under the Sublease. The City may, subject to the restrictions contained in the Sublease, self-insure against such risks. The Sublease does not require that insurance be maintained for earthquake or flood risks, and there is no insurance covering such risks at the Leased Property.

The Sublease requires the City to cause to be maintained, throughout the term of the Sublease, use and occupancy insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance described in the preceding paragraph, in an amount sufficient at all times to pay maximum annual Base Rental for a 24-month period measured in the manner set forth in the Sublease.

The City is also required to obtain certain public liability and property damage insurance coverage in protection of the Authority and the City and worker's compensation insurance. See **"APPENDIX D—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE 2016 BONDS—The Sublease,"** for additional information regarding the insurance requirements contained in the Sublease.

Additional Bonds

The City may issue additional bonds payable from the Base Rental Payments under the Sublease under the conditions set forth in the Sublease (see **"APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease"**).

Substitution, Removal and Addition of Leased Property

The City and Authority may substitute, remove and add real property for the Leased Property under the conditions set forth in the Sublease (see **"APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease"**).

No Reserve Fund

The Authority will not establish a reserve fund for the 2016 Bonds.

Rose Bowl Historical Operating Revenues

Although not pledged as security for the 2016 Bonds, the City expects to receive certain revenues from Rose Bowl operations. In that regard, the City and RBOC, as agent for the City, have entered into separate agreements with TOR, UCLA, IMG College, Legends, a concessionaire and others (see **"THE ROSE BOWL—Rose Bowl Operations"**). The following table describes certain revenues received by the City from Rose Bowl operations for the past five years.

The Rose Bowl operation revenues are not pledged as security for the 2016 Bonds under the Indenture and neither the City or the Authority undertake any obligation to update the following information. However, the net revenues received from the Rose Bowl operations have historically been

sufficient to make all payments under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Existing Parity Obligations" herein.

**Historical Revenues for the
Fiscal Years Ending June 30,**

Revenue Sources	2011	2012	2013	2014	2015
Revenue					
Operating Revenue					
License Fee/Rent/Admissions Tax/Rebates	\$3,416,711	\$2,807,990	\$3,493,789	\$4,653,409	\$8,425,342
Ticket Surcharge	0	861,337	811,641	1,761,112	823,200
Concessions (Net)	1,595,618	1,126,741	1,206,088	3,297,011	3,621,271
Novelties (Net)	60,948	16,058	24,241	56,311	200,844
Parking/Shuttle (Net)	1,014,220	793,448	1,166,511	2,112,448	3,265,136
Advertising/Sponsorship (Net)	974,515	1,375,653	1,586,860	1,830,779	1,885,190
Premium Seating (Net)	1,327,515	1,300,676	975,181	7,054,557	5,433,893
TV/Miscellaneous	129,138	156,518	175,000	0	0
Operating Revenue - Total	<u>8,518,664</u>	<u>8,438,421</u>	<u>9,439,312</u>	<u>20,765,628</u>	<u>23,654,876</u>
Other Revenues	280,347	254,619	300,821	422,312	824,685
Revenue – Total	\$8,799,011	\$8,693,040	\$9,740,132	\$21,187,940	\$24,479,561
Expenses					
Event Expenses (Net of Billable Costs Recovery)	2,830,922	2,040,801	2,439,300	4,180,762	7,255,743
Operating Expenses					
Executive	694,192	1,046,575	1,013,944	1,103,797	1,193,888
Human Resources	69,864	76,575	69,610	87,648	121,667
Finance	301,687	330,351	340,479	393,691	549,289
Event Management	214,025	202,315	189,580	196,556	250,520
Corporate Communications	107,132	89,642	112,666	84,346	63,159
Field Operations	767,138	737,641	779,455	423,941	411,373
Stadium Operations	0	0	0	379,366	432,057
General Operating Overhead	1,362,708	1,106,466	1,460,254	1,725,332	1,975,105
Pavilion Operations	178,867	141,415	166,733	316,304	594,368
Marketing	0	0	150	222,650	419,966
Abatements	135,346	65,098	65,000	65,000	65,000
Other Non-Reimbursable Costs	0	0	0	(1,106)	0
Operating Expenses - Total	<u>3,830,958</u>	<u>3,796,079</u>	<u>4,197,870</u>	<u>4,997,527</u>	<u>6,076,393</u>
Expenses – Total	\$6,661,880	\$5,836,880	\$6,637,170	\$9,178,289	\$13,332,137
Operating Income/(Loss) Before Golf Course/Debt Service	2,137,131	2,856,160	3,102,962	12,009,650	11,147,424
Add: Transfer from Golf Course - ⁽¹⁾	1,617,775	1,659,242	1,584,855	1,579,228	1,616,799
Less: Debt Service	(2,770,828)	(2,998,231)	(3,255,507)	(8,396,964)	(9,692,688)
Adjusted Income/(Loss) After Golf Course/Debt Service - ⁽²⁾	\$984,078	\$1,517,171	\$1,432,310	\$5,191,914	\$3,071,535

⁽¹⁾ Reflects amounts available from gold course operations.

⁽²⁾ Does not include surplus distribution (if any) and capital contribution (Legacy/Concessionaire), etc.
Source: RBOC.

Estimate of Certain Rose Bowl Operating Revenues

Based upon projections prepared by RBOC for the City, the following table describes certain estimated anticipated revenues that may be received by the City from Rose Bowl operations.

Estimated Revenues for the Fiscal Years Ending June 30,

Revenue Sources	2016	2017	2018	2019	2020
Revenue					
Operating Revenue					
License Fee/Rent	\$4,335,406	\$6,805,128	\$6,757,861	\$8,073,544	\$7,162,874
Admissions Tax/Rebates	541,929	561,404	659,693	675,449	607,155
Ticket Surcharge	867,300	867,300	867,300	867,300	867,300
Ticket Master Rebate	495,929	365,881	369,540	373,235	85,599
Concessions (Net)	2,787,487	2,802,101	2,542,183	2,944,335	2,184,337
Novelties (Net)	79,830	79,332	75,502	82,125	30,906
Parking/Shuttle (Net)	1,558,927	1,574,731	1,274,704	1,649,297	1,008,135
Advertising/Sponsorship (Net)	2,189,880	2,183,576	2,227,084	2,295,396	2,363,508
Premium Seating (Net)	7,219,029	7,373,665	7,531,429	7,692,386	7,730,268
TV/Miscellaneous	36,060	96,647	36,785	101,047	0
Operating Revenue - Total	\$20,111,777	\$22,709,765	\$22,342,080	\$24,754,113	\$22,040,082
Other Revenue - Total	818,000	834,700	851,900	869,600	887,900
Revenue - Total	\$20,929,777	\$23,544,465	\$23,193,980	\$25,623,713	\$22,927,982
Expenses					
Event Expenses (Net of Billable Costs Recovery)	5,374,252	5,496,993	4,852,388	5,831,760	3,867,558
Operating Expenses					
Executive	1,275,365	1,313,625	1,353,034	1,393,625	1,435,434
Human Resources	258,953	266,722	274,723	282,965	291,454
Finance	584,224	601,750	619,803	638,397	657,549
Event Management	245,642	253,011	260,602	268,420	276,472
Corporate Communications	87,070	89,682	92,373	95,144	97,998
Field Operations	477,372	491,693	506,444	521,637	537,286
Stadium Operations	377,174	388,489	400,144	412,148	424,512
Facility Maintenance	2,041,034	2,102,265	2,165,333	2,230,293	2,297,202
Pavilion Operations	721,144	742,778	765,062	788,013	811,654
Marketing	315,967	325,446	335,210	345,266	355,624
Abatements	65,000	66,950	68,959	71,027	73,158
Other	716,575	(300,000)	0	0	0
Operating Expenses - Total	7,165,519	6,342,413	6,841,685	7,046,936	7,258,344
Expenses - Total	\$12,539,771	\$11,839,406	\$11,694,073	\$12,878,696	11,125,902
Operating Income/(Loss) Before Golf Course/Debt Service	\$8,390,006	\$11,705,059	\$11,499,907	\$12,745,017	11,802,080
Add: Transfer from Golf Course - (1)	1,617,000	1,617,000	1,617,000	1,617,000	1,617,000
Less: Debt Service	(10,003,278)	(10,087,416)	(10,231,351)	(10,433,106)	(10,571,121)
Adjusted Income/(Loss) After Golf Course/Debt Service (2)	\$3,728	\$3,234,643	\$2,885,556	\$3,928,911	\$2,847,959

⁽¹⁾ Reflects amounts available from gold course operations.

⁽²⁾ Does not include surplus distribution (if any) and capital contribution (Legacy/Concessionaire), etc.

Source: RBOC.

The estimates above are based upon a variety of assumptions, forecasts and other information, will be affected by fluctuating economic conditions and are dependent upon the occurrence of future events that cannot be predicted with certainty. Therefore, the actual results realized will vary from the following estimates and such variations could be material. Neither the City nor the Authority can provide any assurance that the estimates will be realized or that comparable results will be attained following the 5-year period described above. The estimated revenue sources are not pledged as security for the 2016 Bonds under the Indenture and neither the City or the Authority undertake any obligation to update this information. See "RISK FACTORS – Risks to Revenues From Rose Bowl Operations" herein.

PLAN OF REFUNDING

General

Proceeds of the 2016 Bonds, together with certain funds made available through the refunding of all or a portion of the 2010A Bonds, will be deposited with U.S. Bank National Association, as escrow agent and trustee for the 2010A Bonds (the "Escrow Agent"), pursuant to an Escrow Agreement, dated as of October 1, 2016 (the "Escrow Agreement"), by and between the Authority and the Escrow Agent. Amounts so deposited will be invested in Escrow Securities, as defined in the Escrow Agreement and held by the Escrow Agent and will be sufficient to pay the debt service coming due and the redemption price of the 2010A Bonds being refunded through and including _____, 20__ (the "Redemption Date").

Verification

Grant Thornton LLP, as verification agent (the "Verification Agent"), upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to it by the Authority, relating to the sufficiency of moneys and/or federal securities and the interest thereon to provide for the redemption and defeasance of the 2010A Bonds. The report of the Verification Agent will include a statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or information coming to its attention, subsequent to the date of its report. See "VERIFICATION OF MATHEMATICAL ACCURACY" herein.

DEBT SERVICE

Set forth below are the principal of, interest and total debt service requirements for the 2016 Bonds and Existing Parity Obligations, assuming no redemptions:

Bond Year (March 1)	2016 Bonds Principal	2016 Bonds Interest	Existing Parity Bonds ⁽¹⁾⁽²⁾	Total
2017			\$8,923,968.27	
2018			9,062,101.49	
2019			9,263,856.19	
2020			9,401,870.96	
2021			9,547,247.54	
2022			7,783,117.71	
2023			7,756,039.61	
2024			7,730,528.94	
2025			7,685,853.37	
2026			7,636,073.56	
2027			9,730,598.56	
2028			13,895,589.10	
2029			14,185,989.38	
2030			14,411,265.44	
2031			14,646,103.83	
2032			15,175,504.39	
2033			15,414,492.96	
2034			15,727,329.27	
2035			15,971,152.51	
2036			16,217,454.90	
2037			16,467,437.29	
2038			16,724,386.56	
2039			17,051,589.41	
2040			17,319,009.15	
2041			17,597,343.40	
2042			17,874,637.71	
2043			18,153,748.27	
Total			\$351,354,289.76	

⁽¹⁾ [Interest on the 2006 Bonds is based upon the City's fixed payment of 3.285% under the 2006 Swap. The actual interest payments made by the City with respect to the 2006 Bonds could be different. See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—Existing Parity Obligations.**"] [CONFIRM/UPDATE]

⁽²⁾ A portion of the 2010B Bonds were issued as "Build America Bonds" that are "qualified bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. The Direct BABs Subsidy Payments expected to be received from the U.S. Treasury in connection with such 2010B Bonds have been reduced. "**SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS—Existing Parity Obligations – Sequestration of Direct Subsidy Payments**"

THE LEASED PROPERTY

The Leased Property consists of the land on which the Rose Bowl Stadium is located, and includes all improvements thereon. The land on which the Leased Property is located is in the northwest section of the City in the area generally known as the Arroyo Seco. The Rose Bowl Stadium was built in the 1920's and has been designated as an historical landmark. The Rose Bowl Stadium hosts the home football games for the University of California, Los Angeles and the Rose Bowl Game each year. For information concerning the operations at the Rose Bowl, see "THE ROSE BOWL."

The City may substitute projects with an annual fair rental value at least equal to 100% of the maximum amount of annual Base Rental Payments payable under the Sublease, subject to certain conditions contained in the Sublease (see **APPENDIX D — SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**).

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the 2016 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the 2016 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Lease Obligation Not a Tax Pledge

THE OBLIGATION OF THE CITY TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds and the City has covenanted in the Sublease that it will take such action as may be necessary to include all rental payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such rental payments. The City is currently liable and will become liable on other obligations payable from general fund revenues, some of which may have a priority over the Sublease.

Sublease Has No Limit on Additional Obligations; City has no limit on other General Fund lease obligations

As of July 1, 2016 the City had outstanding \$119,460,000 of taxable pension bonds, \$239,156,000 Certificates of Participation, \$234,565,000 Lease Revenue Bonds and \$4,063,000 equipment leasing arrangements directly paid by the General Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Existing Parity Obligations" herein.

The Sublease does not prohibit the City from incurring additional obligations payable from general revenues. The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds

available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Base Rental Payments and other payments due under the Sublease.

Abatement

Base Rental Payments and Additional Payments are paid by the City in each rental period for and in consideration of the right to use and occupy the Leased Property during each such period. Pursuant to the Sublease, during any period in which, by reason of material damage to, or destruction or condemnation of, the Leased Property, or any defect in title to the Leased Property, there is substantial interference with the City's right to use and occupy any portion of the Leased Property, rental payments due under the Sublease will be abated proportionately. Such abatement will continue for the period commencing on the date of such interference resulting from such damage, destruction, condemnation, or title defect, and ending, with respect to damage to or destruction of the Leased Property, upon the substantial completion of the work of repair or replacement of the Leased Property, or portion thereof, so damaged or destroyed.

In the event that such portion of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the City's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period in which other funds are available from funds and accounts established under the Indenture will be available in lieu of Base Rent Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Property or prepayment of the 2016 Bonds, there could be insufficient funds to make payments to Owners in full.

In the event of any such substantial interference, the Sublease continues in full force and effect, and the City waives any right to terminate the Sublease by virtue of such substantial interference. The Trustee cannot terminate the Sublease in the event of such substantial interference. Abatement of Base Rental Payments and Additional Payments is not an event of default under the Sublease and the Trustee is not permitted in such event to take any action or avail itself of any remedy against the City. See **"APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Sublease—Rental Abatement"** herein.

City Pension and OPEB Obligations

The City has significant pension and post-employment retirement benefits ("OPEB") payable to its employees and pensioners. See **"APPENDIX A — CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION."** These obligations, and particularly the pension obligations, are in the nature of "defined benefit plans" where the City's obligations to its employees and pensioners are fixed, without regard to the earnings on the City's or the State's (CalPERS') retirement system investments. If investment returns on the City's or CalPERS plans are not realized as expected, or if pension or other OPEB benefits increase because of demographic or other factors, the City's obligations payments for its pension and OPEB obligations could increase, thus decreasing the revenues available to make Base Rental Payments.

Further, the City's pension obligations are Constitutionally-protected under California law, meaning that the City has limited ability to alter its obligations outside of a municipal bankruptcy (Chapter 9) proceeding. Even in a bankruptcy proceeding, the City may have limited ability to avoid paying its pension obligations, and in particular, any obligation to make payments to CalPERS, potentially resulting in an adverse impact on the treatment in bankruptcy of other City creditors, including the Bondholders. See **"RISK FACTORS – Bankruptcy"** below.

Seismic Considerations

Generally, some level of seismic activity occurs within the City on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. The Rose Bowl is located in close proximity to numerous earthquake faults. Although there can be no assurance that the Leased Property will not suffer significant damage in an earthquake, the State has adopted design standards that have resulted in buildings being designed to withstand earthquakes of a magnitude anticipated in the region where the Leased Property is located and the City undertook seismic safety retrofitting and related improvements to the Leased Property that were completed in 2006.

During 2005 RBOC received an engineering evaluation of seismic risk for the Rose Bowl that concluded the Rose Bowl has a "fair" seismic rating and met the then applicable University of California Seismic Safety Policy for Purchased and Leased Buildings. Nevertheless, there is no assurance that the Rose Bowl would not suffer major damage in the event of a severe earthquake and the City cannot predict whether such an earthquake may occur. Neither RBOC, the City, UCLA nor TOR has purchased earthquake insurance for the Rose Bowl. See "THE LEASED PROPERTY."

Limited Recourse on Default

If the City defaults on its obligations to make rental payments with respect to the Leased Property, the Trustee may retain the Sublease and hold the City liable for all rental payments on an annual basis and will also have the right to re-enter and re-let the Leased Property. In the event such re-letting occurs, the City would be liable for any resulting deficiency in rental payments (without acceleration). Alternatively, the Trustee may terminate the Sublease with respect to the Leased Property and proceed against the City to recover damages pursuant to the Sublease.

Due to the special purpose function of the Leased Property for football games, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting of the Leased Property. In any case, due to the specialized nature of the Leased Property, no assurance can be given that the Trustee would be able to re-let the Leased Property so as to provide rental income sufficient to make principal and interest payments on the 2016 Bonds in a timely manner, and the Trustee is not empowered to sell the fee interest in the Leased Property for the benefit of the Owners of the 2016 Bonds. Any suit for money damages would be subject to limitations on legal remedies against charter cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such re-letting will not adversely affect the exclusion of any interest on the 2016 Bonds from federal income taxation or the exemption of interest on the 2016 Bonds from state income taxation.

No Acceleration Upon Default

If the City defaults on its obligation to make Base Rental Payments, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The City will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's rental payments.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture, the Lease and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles that may affect the enforcement of

creditors' rights. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the 2016 Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the 2016 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations substantially identical or similar to the 2016 Bonds. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, the City could either reject the Sublease or the Lease or assume the Sublease or the Lease despite any provision of the Sublease or the Lease that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the 2016 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the 2016 Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease (or the Sublease) to a third party, regardless of the terms of the transaction documents. If the City rejects the Sublease, the Trustee, on behalf of the Owners of the 2016 Bonds, would have a pre-petition unsecured claim and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the 2016 Bonds. Moreover, such rejection may terminate both the Sublease and the Lease and the obligations of the City to make payments thereunder.

Existing Constitutional and Statutory Limits on Municipalities; Future Change in Law

Over the years, the California electorate has adopted, through its Constitutionally-protected initiative powers, a variety of measures which have limited the ability of municipal entities, such as the City, to increase revenues through the imposition of taxes, fees, assessments or otherwise without voter approval. Most notably, the California electorate in 1978 approved Article XIII A of the California Constitution (Proposition 13), which limits the amounts of *ad valorem* tax on real property to 1% of "full cash value" as determined by the County assessor, and the Right to Vote on Taxes Act ("Proposition 218"), in 1996, which requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include the City. Proposition 13 and other initiative measures have also placed limits on the ability of municipalities to appropriate funds for its purposes. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS."

Similarly, the State Legislature has approved legislation in past years which has diverted revenue from local agencies for State use and imposed costs upon local agencies without providing offsetting revenue resources. The City Council, or the City's electorate, may also enact legislation or approve initiatives adversely affecting the revenues and expenditures of the City in a manner which may reduce General Fund revenues available to make Base Rental Payments.

No assurance can be given that the State or the City electorates will not at some future time adopt initiatives, or that the State Legislature or the City Council will not enact legislation that will amend the laws of the State, including the Constitution or the City Charter, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental Payments.

Risks to Revenues from Rose Bowl Operations

As with any entertainment venue, there are a variety of factors that could materially adversely affect the revenues derived from operations at the Rose Bowl. While such revenues are not pledged as security for the 2016 Bonds and the Sublease is a general fund obligation of the City, a portion of these revenues are anticipated to be received by the City and would be available to the City in its discretion to fund all or a portion of the Base Rental Payments. In the event that either TOR or UCLA terminated or defaulted under their respective agreements with RBOC for use of the Rose Bowl, the revenues derived from Rose Bowl operations could be materially reduced. Moreover, if sales of premium seating, such as luxury suites, loge boxes and club seats, were less than anticipated, revenues derived from Rose Bowl operations would be reduced.

Many other factors might also affect revenues derived from Rose Bowl Operations, including, among others, if the format or system relating to the college football playoff system changes, it could reduce the importance and popularity of the Rose Bowl Game. Similarly, if the UCLA intercollegiate football program were suspended, discontinued or curtailed for any reason, including without limitation internal compliance actions by UCLA administration or sanctions by the NCAA, or if the competitiveness or popularity of the UCLA football team materially declined, the revenues from operations at the Rose Bowl for UCLA and the City could be materially reduced.

A new NFL stadium in the greater Los Angeles Area is in the development stages. Once complete, the new NFL stadium may affect the revenues of the Rose Bowl. The Rose Bowl may face an increasingly competitive market for concerts and special events when the NFL stadium opens in 2019. To counteract possible revenue declines, the RBOC and the City entered into an agreement with AEG to host a three-day music and arts festival on an annual basis at the Rose Bowl. The City projects that the festival will generate between \$90 million and \$106 million over the proposed 20-year period. See "THE ROSE BOWL" herein.

In addition, a number of factors, many of which may be beyond the control of the City, could have an adverse impact on operating revenues from the Rose Bowl, including a general decline in the popularity of football as a spectator sport, the building of another stadium facility in and around the Los Angeles metropolitan area, adverse changes in the economy affecting public expenditures for athletic events, entertainment or tourism, terrorist attacks, adverse weather, environmental and other disasters, litigation or other adversarial proceedings, and laws and regulations governing health, safety, environmental and other matters.

Economic Conditions in the State of California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Decreases in the State's General Fund revenues may affect appropriations made by the State to public agencies, including the City. See "APPENDIX A – CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION –STATE OF CALIFORNIA BUDGET INFORMATION."

Loss of Tax Exemption for the 2016 Bonds

THE 2016 BONDS ARE NOT SUBJECT TO MANDATORY REDEMPTION AND THE RESPECTIVE RATES OF INTEREST ON THE 2016 BONDS ARE NOT SUBJECT TO ADJUSTMENT IF THE INTEREST ON THE 2016 BONDS, OR ANY PORTION THEREOF IS DETERMINED TO BE INCLUDED IN GROSS INCOME FOR THE PURPOSES OF FEDERAL

INCOME TAXATION. See "TAX MATTERS" herein and "APPENDIX D—FORM OF BOND COUNSEL OPINION."

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2016 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 2016 Bond proceeds, limitations on the investment earnings of 2016 Bond proceeds prior to expenditure, a requirement that certain investment earnings on 2016 Bond proceeds be paid periodically to the United States and a requirement that issuers file an information return with the Internal Revenue Service (the "IRS"). The Authority and the City have covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure by the Authority or the City to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2016 Bonds as taxable, retroactively to the respective dates of original issuance of the 2016 Bonds affected by any such failure.

In addition, users of the Rose Bowl, such as TOR may adversely affect the tax status of the 2016 Bonds. For example, this could occur if TOR was no longer an organization described in Section 501(c)(3) of the Code, or if it used certain portion of the Rose Bowl in a manner that created unrelated trade or business income within the meaning of Section 513(a) of the Code. In a tax certificate to be delivered to the City on or before the issuance of the 2016 Bonds, TOR has covenanted to use its best efforts to maintain its status as a 501(c)(3) organization and to use certain portions of the Rose Bowl in a manner that will not result in unrelated trade or business income. TOR has also agreed to notify the Authority as soon as possible after TOR becomes aware of a change in its status as an organization described in Section 501(c)(3) of the Code or that it is using or may be treated as using certain portions of the Rose Bowl in an unrelated trade or business.

The IRS Tax Exempt and Government Entities Division has a subdivision that is specifically devoted to tax-exempt bond compliance and that has been active in auditing tax-exempt bond transactions such as the 2016 Bonds. The Borrower has not sought to obtain a private letter ruling from the IRS with respect to the 2016 Bonds, and the opinion of Bond Counsel is not binding on the IRS. See "TAX MATTERS" herein.

CONSTITUTIONAL AND STATUTORY LIMITATIONS AFFECTING CITY REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution – Proposition 13

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 have approved 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."

Article XIII B of the State Constitution – Gann Limit

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 2015-16 was \$255.6 million, with approximately \$122.3 million of the City's appropriations being subject to this limit. The City estimates that its appropriations limit for fiscal year 2016-17 is \$276.6 million, with an estimated \$118.5 million of the City's appropriations being subject to this limit.

Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26

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 XIII D. 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 of 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 XIII D.

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.

In *Howard Jarvis Taxpayers Assn. v. City of Pasadena*, Los Angeles Superior Court case no. BC550394, plaintiffs have filed a putative class action lawsuit against the City challenging its 25 percent extra-territorial water surcharge. The plaintiffs claim the surcharge violates Proposition 218 and should be ceased. For fiscal year 2013-14, the surcharge provided approximately \$1.7 million in revenue to the Water Fund. The City's view is that the surcharge is justified by the City's costs of providing service to its extra-territorial water customers. Trial in this matter is set for December 2016.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIII D.

Proposition 26 also 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" above. Since Proposition 26 has been recently enacted, there is little caselaw interpreting this Constitutional provision. However, a California appellate court recently ruled that transfers (described as "payments in lieu of taxes" or a PILOT) from the City of Redding's electric utility to that city's general fund, approved with each biennial budget, were not exempt from Proposition 26, as the PILOT predated the adoption of Proposition 26. *Citizens for Fair REU Rates v. City of Redding*, 233 Cal.App.4th 402 (2015). The *Redding* court remanded the case to the lower court to determine the factual question of whether the PILOT reflects the reasonable costs borne by the general fund to provide electric service. The City of Redding recently filed a Petition for Review of the Court of Appeal's decision with the California Supreme Court. Additionally, the League of California Cities recently filed a Request for Depublication. The California Supreme Court has not ruled on either of these requests.

Another published appellate opinion holds that Proposition 26 is not retroactive as to local governments and, for that reason, it is the City's further belief that transfers from its electric enterprise fund should be unaffected by Proposition 26. Further it is the City's view that as its transfers are being made pursuant to a voter-approved Charter provision (rather than by budget appropriations alone), the transfers should also be unaffected by the *Redding* case, should the Court of Appeal's decision become final in its current form. 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 electric enterprise transfers to the General Fund 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 were repaid, with interest.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives. Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

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.

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Articles I, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Joint Powers Act") and the Joint Exercise of Powers Agreement, dated as of April 24, 2000 (the "JPA Agreement"), by and between the City, and the Successor Agency to the Pasadena Community Development Commission (the "Commission"). The Authority was formed by and between the City and the Commission to assist in the financing of public capital improvements.

The Authority functions as a public entity, separate and apart from the City and the Successor Agency, and is administered by an eight-member governing board consisting of the Mayor and the members of the City Council. The City Attorney serves as counsel to the Authority. The Authority has no

employees and all staff work is performed by the City or consultants. The City has covenanted in the Indenture to maintain the existence of the Authority until all of the 2016 Bonds are paid in full.

Powers

Under the JPA Agreement, the Authority is empowered to assist in the financing of public capital improvements through the issuance of bonds in accordance with the Joint Powers Act. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to making and entering into contracts; employing agents and employees; and to sue or be sued in its own name.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City, is provided in "APPENDIX A — CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION" attached hereto. A copy of the financial statements of the City for the fiscal year ended June 30, 2015 is attached hereto as Appendix B. Appendix A and Appendix B should be read completely. See "FINANCIAL STATEMENTS" below.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned the 2016 Bonds a rating of "AA+" and Fitch Ratings ("Fitch") has assigned the 2016 Bonds a rating of "AA." Each rating reflects only the views of the respective rating organization, and an explanation of the significance of such rating may be obtained from the rating agencies at S&P Global Ratings, 55 Water Street, New York, NY 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. The City and the Authority furnished to the rating agencies certain information and materials concerning the 2016 Bonds and the City. Generally, the rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2016 Bonds.

FINANCIAL STATEMENTS

The City's financial statements for the fiscal year ended June 30, 2015, included in Appendix B hereto, have been audited by Lance, Soll & Lunghard, LLP, independent auditors, as stated in their report appearing in Appendix B hereto. Lance, Soll & Lunghard, LLP has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Lance, Soll & Lunghard, LLP with respect to any event subsequent to its report dated February 24, 2016.

The audited financial statements of the City for the year ended June 30, 2016 are currently expected to be presented to the City Council in December, 2016 and will be filed by the City with the MSRB through EMMA as soon as available.

LITIGATION

At the time of delivery of and payment for the 2016 Bonds, officials of the City and the Authority will certify that to the best of such officials' knowledge there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body that has been served or threatened, against the City or the Authority, respectively, seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2016 Bonds or the payments of the Base Rental Payments or challenging the validity or enforceability of the Sublease or the Indenture or the titles of the officers of the City or the Authority to their respective offices.

A number of suits and claims are pending against the City and related entities. See "APPENDIX A — CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION —Retirement Systems—SB481 Litigation." In the opinion of the City, the results of such legal activities will not have a material adverse effect on the financial position or results of operations of the City or such entities.

At all times, including the date of this Official Statement, there are certain other actions, claims, disputes, inquiries and investigations, including those currently in litigation, that arise in the normal course of the City's activities. Such actions could, if determined adversely to the City, affect expenditures by the City, and in some cases, its revenues. Management of the City and the Office of the City Attorney are of the opinion that no pending actions are likely to have a material adverse effect on the City's ability to pay the Base Rental Payments as they become due and payable under the Sublease.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the 2016 Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2016 Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the 2016 Bonds. Each of the Authority and the City has covenanted to maintain the exclusion of the interest on the 2016 Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2016 Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2016 Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the 2016 Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the 2016 Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2016 Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the Authority and the City in connection with the issuance of the 2016 Bonds, each of the Authority and the City will

make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the 2016 Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the Authority and the City with such covenants. In addition, Bond Counsel will rely upon the opinion of Hahn & Hahn LLP, counsel to TOR, regarding, among other matters, (i) the status of the TOR as an organization described in section 501(c)(3) of the Code, and (ii) the contemplated use of the Leased Property by TOR as other than in an "unrelated trade or business" of TOR within the meaning of section 513(a) of the Code. In its opinion, Bond Counsel notes that the opinion of Hahn & Hahn LLP is subject to a number of qualifications and limitations. Failure of TOR to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status or otherwise to continue as an organization described in section 501(c)(3) of the Code, or use of the Leased Property in an unrelated trade or business of TOR, may result in interest on the 2016 Bonds being included in gross income for federal income tax purposes from the date of issuance of the Bonds.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2016 Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the 2016 Bonds, or the interest thereon, if any action is taken with respect to the 2016 Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the 2016 Bonds may affect the tax status of interest on the 2016 Bonds or the tax consequences of the ownership of the 2016 Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an audit of the 2016 Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2016 Bonds, the Authority and/or the City may have different or conflicting interests from the owners. Public awareness of any future audit of the 2016 Bonds could adversely affect the value and liquidity of the 2016 Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the 2016 Bonds from personal income taxation by the State of California or of the exclusion of the interest on the 2016 Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2016 Bonds. Prospective purchasers of the 2016 Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2016 Bonds is included in Appendix F hereto.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on 2016 Bonds

To the extent that a purchaser of a 2016 Bond acquires that 2016 Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its 2016 Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the 2016 Bond to the owner.

The excess, if any, of the stated redemption price at maturity of 2016 Bonds of a maturity over the initial offering price to the public of the 2016 Bonds of that maturity is "original issue discount." Original issue discount accruing on 2016 Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that 2016 Bond. Original issue discount on any 2016 Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the 2016 Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a 2016 Bond accruing during each period is added to the adjusted basis of such 2016 Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2016 Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of 2016 Bonds who purchase such 2016 Bonds other than at the initial offering price and pursuant to the initial offering.

Bond Counsel is not opining on the accounting for or consequence to a 2016 Bond purchaser of bond premium or original issue discount on the 2016 Bonds. Persons considering the purchase of 2016 Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such 2016 Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2016 Bonds.

Other Tax Consequences

Although interest on the 2016 Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the 2016 Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2016 Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2016 Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the 2016 Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the 2016 Bonds, (iii) interest on the 2016 Bonds earned by certain

foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the 2016 Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2016 Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the 2016 Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2016 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Authority, relating to the sufficiency of monies to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements with respect to the 2010A Bonds. The report of the Verification Agent will include the statement to the effect that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

LEGAL MATTERS

The validity of the 2016 Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the City by Michele Beal Bagneris, City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, P.C., as counsel to Wells Fargo Bank, National Association (the "Underwriter"). The proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto. Bond Counsel and Underwriter's Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

Pursuant to a Bond Purchase Agreement among the Authority, the City and the Underwriter, the 2016 Bonds are being purchased by the Underwriter at a purchase price equal to \$ _____ (consisting of the principal amount of 2016 Bonds [plus/less] an original issue [premium/discount] of \$ _____ and less an Underwriter's discount of \$ _____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2016 Bonds if any are purchased, the obligation to make such purchase, if made, being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval or certain legal matters by counsel, and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price other than the offering price. The offering price may be changed from time to time by the Underwriter.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group ("WFBNA"), a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and

Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, the sole underwriter of the 2016 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the 2016 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2016 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of Bond Owners and beneficial owners of the 2016 Bonds to provide certain financial information and operating data relating to the City by not later than 240 days following the end of the City's fiscal year (currently ending June 30) (the "Annual Report"), commencing with the report for the fiscal year June 30, 2016. The City has also agreed in the Continuing Disclosure Agreement to provide notices within 10 business days of the occurrence of certain listed events. See "**APPENDIX E — FORM OF CONTINUING DISCLOSURE AGREEMENT.**" These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The City is not required to make any voluntary disclosures under the terms of the Continuing Disclosure Agreement.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of the Indenture, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under the Indenture and will not result in the acceleration of the maturity of any 2016 Bond; provided however that the Trustee, may, and in some cases, must, and an Owner or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any 2016 Bond (including persons holding 2016 Bond through any nominees, depositories or other intermediaries). See APPENDIX E — "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Due to the implementation of a new enterprise resource planning system, the City was 59 days late in filing its unaudited financial statements and its unaudited financial statements of the Light and Power Fund for fiscal year 2014-15, and did not file its unaudited Comprehensive Annual Financial Report or its unaudited financial statements of the Light and Power Fund but rather filed its audited Comprehensive Annual Financial Report and its audited financial statements of the Light and Power Fund when they became available on February 29, 2016. Digital Assurance Certification, L.L.C., will act as dissemination agent under the Continuing Disclosure Agreement.

ADDITIONAL INFORMATION

References made herein to certain documents and reports are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or the Owners of any of the 2016 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

At the time of delivery and payment for the 2016 Bonds, an authorized representative of the Authority and the City will deliver a certificate stating that to the best of his or her knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein (excepting therefrom the information contained herein describing DTC, and its book entry system), in the light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his or her knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

PASADENA PUBLIC FINANCING AUTHORITY

By: _____
Director of Finance

APPENDIX A

CITY OF PASADENA FINANCIAL AND DEMOGRAPHIC INFORMATION

APPENDIX B

**CITY OF PASADENA CALIFORNIA AUDITED FINANCIAL
STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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FORM OF OPINION OF BOND COUNSEL

\$ _____
Pasadena Public Financing Authority
Lease Revenue Refunding Bonds
(Rose Bowl Renovation Project)
Series 2016A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Pasadena Public Financing Authority (the "Authority"), in connection with the issuance of its \$ _____ Pasadena Public Financing Authority Lease Revenue Refunding Bonds (Rose Bowl Renovation Project), Series 2016A (the "Bonds"). The Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) and Article 9 (commencing with Section 53550), Chapter 3, Division 2, Title 5, of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of October 1, 2016 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the Authority secured under the Indenture by a pledge of Revenues and certain other moneys held under the Indenture. The Revenues consist primarily of (i) the Base Rental Payments made by the City of Pasadena (the "City") pursuant to the Sublease, dated as of February 1, 2006, as amended and supplemented, including as amended and supplemented by a Second Amendment to Amended and Restated Sublease, dated as of October 1, 2016 (collectively, the "Sublease"), between the City and the Authority, (ii) any proceeds of Bonds originally deposited with the Trustee and all moneys on deposit in the funds and accounts (other than the Rebate Fund) established under the Indenture, (iii) investment income with respect to such moneys held by the Trustee and (iv) any insurance proceeds or condemnation awards received by or payable to the Trustee relating to the Base Rental Payments. The City has leased certain real property and improvements (the "Leased Property") to the Authority pursuant to the Lease, dated as of February 1, 2006, as amended and supplemented, including as amended and supplemented by a First Amendment to Amended and Restated Lease, dated as of October 1, 2016 (collectively, the "Lease"), between the City and the Authority. Pursuant to the Indenture, the Authority has assigned to the Trustee, for the benefit of the Owners, certain of the Authority's rights under the Lease and the Sublease, including the right to receive Base Rental Payments under the Lease.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Authority and the City in connection with the issuance of the Bonds including, without limitation, the Indenture, the Lease, the Sublease, and the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, executed and delivered by the Authority and the City in connection with the execution and delivery of the Bonds (the "Tax Certificate"). We have also examined such certificates of officers of the Authority and the City and others as we have considered necessary for the purposes of this opinion. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

We have relied on the opinion of Hahn & Hahn LLP, counsel to the Pasadena Tournament of Roses Association (the "Association") regarding, among other matters, (i) the status of the Association as an organization described in section 501(c)(3) of the Code, and (ii) the contemplated use of the Leased Property by the Association as other than in an "unrelated trade or business" of the Association within the meaning of section 513(a) of the Code. We note that such opinion is subject to a number of qualifications

and limitations. Failure of the Association to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status or otherwise to continue as an organization described in section 501(c)(3) of the Code, or use of the Leased Property in an unrelated trade or business of the Association, may result in interest on the Bonds being included in gross income for federal income tax purposes from the date of issuance of the Bonds

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Lease and Sublease have been duly and validly authorized, executed and delivered by the Authority and the City and constitute the legally valid and binding obligations of the Authority and the City, enforceable against the Authority and the City in accordance with their terms.

4. Under existing statutes, regulations, rulings and court decisions, and assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income of that corporation. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed. We are further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Indenture and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Authority and the City in connection with the issuance of the Bonds, each of the Authority and the City is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by each of the Authority and the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the

interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

We have not examined title to any Leased Property and express no opinion with respect thereto, nor do we express any opinion as to the priority of any liens or security interest created by any document or the State of California or quality of title to any of the real or personal property described in or subject to any lien of the Indenture, the Lease, the Sublease and the Tax Certificate or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

The opinions expressed in paragraphs 1 through 3 above are qualified to the extent the enforceability of the Bonds, the Indenture, the Lease, and the Sublease may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds, the Indenture, the Lease, and the Sublease is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may hereafter come to our attention or to reflect any change in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of results and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning DTC and its book-entry system has been obtained from sources that the Authority and the City believe to be reliable, but the Authority and the City take no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2016 Bonds. The 2016 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 bond certificate will be issued for each maturity of the 2016 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on these websites is not incorporated by reference herein.

Purchases of 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 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.

Redemption notices shall be sent to DTC. If less than all of the 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy 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 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2016 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 Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2016 Bond certificates are required to be printed and delivered.

The City or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2016 Bond certificates will be printed and delivered.

APPENDIX A

THE CITY OF PASADENA

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APPENDIX A

THE CITY OF PASADENA

General

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

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

In addition to general governmental services such as fire and safety, the City provides its approximately 140,000 residents with power, water and refuse services. The Southern California Gas Company supplies natural gas, and the County of Los Angeles provides sewage services.

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

City Council

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

Name	Occupation	Term Expiration
Terry Tornek, Mayor	Real Estate Investor	May 2019
Tyron A.L. Hampton (District 1)	Business Owner	May 2019
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2019
John J. Kennedy (District 3)	Executive Consultant	May 2017
Gene Masuda, Vice Mayor (District 4)	Business Owner	May 2019
Victor Gordo (District 5)	Attorney	May 2017
Steve Madison (District 6)	Attorney	May 2019
Andy Wilson (District 7)	Business Owner	May 2017

City Staff

Steve Mermell, City Manager, was appointed Pasadena City Manager in July 2016, after having served as the City's Interim City Manager for the previous five months, and as Assistant City Manager since 2009. Since joining the organization in 1989 as an analyst for the Water and Power Department, Mr. Mermell has spent his entire professional government service career at Pasadena, in a variety of

positions, and is well-acquainted with all aspects and operations of the City. In addition to the top management positions, he has held numerous key positions, including, among others, Acting Finance Director, 2008-2009; Deputy Finance Director, 2006-2007; Budget Administrator, 2001-2006, and Purchasing Administrator, 1995-2001. Mr. Mermell also fulfilled temporary assignments as the director for both the Planning and Public Health departments.

As Pasadena's City Manager, Mr. Mermell is responsible for implementing the policies and ordinances enacted by the Pasadena City Council; and ensuring that the City's Charter and Municipal Code are properly utilized by the City's 16 departments and 2,000-plus employees. He is responsible for development of the annual operating and capital improvement budgets of the City, which is \$835.9 million for Fiscal Year 2016-2017, beginning July 1, 2016, and also includes funding for the City's three Operating Companies—the Rose Bowl (Stadium) Operating Company; the Pasadena (Convention) Center Operating Company and the Pasadena Community Access Corporation, which oversees the public, education and government (PEG) cable channels for Pasadena.

During his time at Pasadena, Mr. Mermell has helped ensure stability for several city departments and has guided the City's economic development strategies during the recent Great Recession, including moving forward with a successor plan for redevelopment agency issues. He had a lead role in transforming the City Public Health Department's clinical programs from City to non-profit health providers; lead a task force to successfully address funding issues associated with the City's closed Fire and Police Retirement System and its \$150 million unfunded liability; developed working agreements to strengthen ties between the City and the Pasadena Unified School District to better use City and PUSD resources to benefit Pasadena children; and negotiated a new long-term lease for the historic Pasadena Playhouse, California's official State Theater, in wake of the theater organization's bankruptcy.

As City Manager, Mr. Mermell also now leads the City's Executive Leadership Team, comprised of 13 Department Directors, the City Attorney, City Clerk, Assistant City Managers and Public Information Officer; and is the City's chief executive liaison for the Tournament of Roses Association; the Chamber of Commerce and the numerous business improvement and management districts throughout town. Mr. Mermell has a master's degree in Public Administration and a bachelor's degree in Political Science, both from the California State University, Northridge.

Matthew E. Hawkesworth, Director of Finance, joined the City in October 2015. His responsibilities include management of the financial affairs of the City and the Successor Agency to the Pasadena Community Development Commission, which include: preparation of the annual operating budget; preparation of the Comprehensive Annual Financial Report (CAFR); purchasing; collections; payroll; investments; debt management and financing of major City capital improvements. Prior to his current position, he served as Assistant City Manager for the City of Rosemead for eight years overseeing Finance, Human Resources, Public Works, Technology and Risk Management; Finance Director/Treasurer for the City of Claremont for three years; and a variety of positions in the Finance Department for the City of El Monte over nine years. Mr. Hawkesworth received his Bachelor of Arts degree in Social Science (economics and political science) from the University of La Verne (California) in 1995. He has completed numerous advanced courses in finance and accounting through the Government Finance Officers Association and is a graduate of the Claremont Leadership Academy, sponsored by the Claremont McKenna College Kravis Leadership Institute. During his career, Mr. Hawkesworth has been an active participant of the Government Finance Officers Association and California Society of Municipal Finance Officers, serving as a budget and CAFR reviewer for the annual awards program; served on the League of California Cities Revenue and Taxation Committee and Other Post-Employment Benefits (OPEB) Taskforce. Mr. Hawkesworth also founded a non-profit organization in 2011 dedicated to providing refurbished bicycles and new helmets to low-income and at-risk youth.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized

in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September 1999, when she became the in-house City Attorney for the City of Pasadena. She currently serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including serving as member of the Board of Directors of the League of California Cities, Vice-President of the Board of Directors of the Institute for Local Government, past President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

The following table presents a ten-year history of the population of the City since 2007.

**TABLE A-1
POPULATION
For Years 2007 through 2016**

Year (as of January 1)	Population
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,768
2012	139,222
2013	140,102
2014	140,879
2015	139,781
2016	141,023

Source: State of California, Department of Finance. Revised based upon revision to the US Census information with 2010 benchmark. Updates to estimates for years 2007 through 2009 incorporating the 2010 census counts are not available.

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Education

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

**TABLE A-2
PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT
Fiscal Years 2006-07 through 2015-16**

Fiscal Year Ended June 30	Total Enrollment
2007	20,826
2008	20,905
2009	20,526
2010	20,084
2011	19,803
2012	19,805
2013	19,540
2014	19,102
2015	18,586
2016	18,492

Source: California Department of Education.

Employment

Although no annual calendar year information is regularly compiled on employment and unemployment in the City alone, fiscal year unemployment rates can be found in Table 18 of the City's financial statements. See APPENDIX B – "CITY OF PASADENA CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015"

The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2010 through 2015 and as of May 2016.

**TABLE A-3
LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2010 THROUGH 2016⁽¹⁾
(in thousands)**

	2010	2011	2012	2013	2014	2015	2016⁽¹⁾
County Employment	4,335	4,355	4,397	4,471	4,659	4,707	4,777
County Unemployment	612	569	500	490	376	284	213
County Civilian Labor Force	4,947	4,924	4,897	4,960	5,035	4,992	4,990
County Unemployment Rate	12.4%	11.6%	10.2%	9.9%	7.5%	5.7%	4.3%
State Unemployment Rate	12.1%	11.0%	9.8%	8.9%	7.0%	6.2%	5.7%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment. Los Angeles-Long Beach Metropolitan Statistical Area.

⁽¹⁾ As of May, 2016.

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2015 are listed below.

**TABLE A-4
MAJOR EMPLOYERS
2015**

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	5,000	Aerospace Research
Kaiser Permanente	4,813	Health Care
California Institute of Technology-Campus	3,900	Education
Huntington Memorial Hospital	3,328	Hospital
The City of Pasadena	2,106	Government
Pasadena Unified School District	2,037	Education
Bank of America	1,883	Financial
Pasadena City College	2,037	Education
Art Center College of Design	701	Education
Hathaway-Sycamores	681	Social Services
ATT	634	Communications
The Langham Huntington Hotel (Ritz-Carlton)	559	Hotel
One West Bank (IndyMac in 2006)	555	Financial
Western Asset	552	Financial
Parsons Corporation	547	Engineering/Construction
East West Bank	467	Financial
Rusnak Pasadena	346	Automotive Retail
Pacific Clinics Administration	280	Healthcare
Avon Products	170	Consumer Products

Source: City of Pasadena, Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2015.

Housing

The following table presents a ten-year history of total housing units within the City, for years 2007 through 2016.

**TABLE A-5
HOUSING UNITS⁽¹⁾
For Years 2007 through 2016**

<u>January 1,</u>	<u>Housing Units</u>
2007	57,266
2008	57,863
2009	58,800
2010	59,331
2011	60,178
2012	60,263
2013	60,314
2014	60,369
2015	60,361
2016	60,703

⁽¹⁾ As of January 1 for the years shown. Includes single family dwellings and multifamily units, including rental units and condominiums. Incorporates 2000 and 2010 census counts.

Source: State of California, Department of Finance; Years 2007-2010- E-8 Historical Population and Housing Estimates for Cities, Counties, and the State; Years 2011-2016- E-5 Population and Housing Estimates for Cities, Counties and the State.

Building Permit Activity

The City's General Plan targets development in the City, providing for growth in employment and housing. Since 1992 (the year the General Plan was approved), there have been seven specific plan areas established and approved by the City Council for the following areas: North Lake, West Gateway, South Fair Oaks, East Pasadena, East Colorado, Fair Oaks/Orange Grove and the Central District. The Land Use and Mobility Elements of the General Plan were updated in 2004 at the same time the City's Zoning Code was updated.

The following table shows the value of building permits issued in the City for fiscal years 2010-11 through 2015-16.

TABLE A-6
CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
for Fiscal Years 2010-11 through 2015-16
(Valuation in Millions)

	Fiscal Year Ended June 30,					
	2011	2012	2013	2014	2015	2016
Building Permit Valuations						
Nonresidential	\$ 56.3	\$ 92.5	\$ 62.8	\$ 97.5	\$ 103.3	\$ 72.8
Residential	24.4	24.3	34.5	37.4	48.6	47.4
Residential New Construction	9.8	61.2	23.3	81.1	124.7	118.8
Total	\$ 90.5	\$ 178.1	\$ 120.6	\$ 216.1	\$ 276.6	\$ 239.1
Number of Permits Issued						
Non Residential	619	717	663	606	663	570
Residential	2,077	3,022	2,106	2,234	2,188	2,867
Residential New Construction	39	25	20	27	40	38
Total	2,735	3,764	2,789	2,867	2,891	3,475

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business for the twelve-month periods ending September 30, 2011 through September 30, 2015.

TABLE A-7
CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(\$ in Millions)

Type of Business	Twelve Month Periods Ended September 30,				
	2011	2012	2013	2014	2015
Apparel Stores	\$ 195.0	\$ 203.8	\$ 216.7	\$ 217.8	\$ 222.7
General Merchandise Stores	213.7	216.3	207.8	196.0	190.6
Food Stores	116.3	137.2	139.8	137.9	142.8
Eating & Drinking Places	397.1	427.3	450.5	482.3	527.2
Home Furnishings & Appliances	176.8	189.8	185.7	181.0	202.5
Bldg. Material & Farm Implements	80.7	93.0	111.0	122.7	130.9
Auto Dealers & Auto Supplies	327.9	353.5	374.8	399.4	463.5
Service Stations	167.2	167.8	159.0	153.4	134.2
Other Retail Stores	358.3	361.2	373.0	372.1	426.2
Retail Stores Total	2,033.0	2,150.0	2,218.4	2,262.6	2,440.6
All Other Outlets	660.9	658.8	627.5	592.0	545.7
Total All Outlets	\$2,693.9	\$2,808.8	\$2,845.9	\$2,854.9	\$2,986.3

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

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 30 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of

Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 27 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride bus services for the elderly and disabled which is available for a nominal usage fee.

The nearest port facilities are located in the Los Angeles and Long Beach harbors which are approximately 30 and 35 miles away, respectively. The \$1 billion Alameda Corridor East project, being undertaken by the Alameda Corridor East Construction Authority, consists of safety upgrades, traffic signal control measures, road widening and grade separation projects to improve traffic conditions along the railroad facilities connecting the Ports of Los Angeles and Long Beach with the transcontinental rail network through the San Gabriel Valley, creating a faster more efficient method of distributing trade.

In addition, the Gold Line of the Metro Line light rail system runs from Union Station in the City of Los Angeles, through the City and terminates in the City of Sierra Madre. The Gold Line began operations in 2003.

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of January 31, 2016, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

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

Name of Union	Number of Employees Represented As of June 30, 2016	Expiration of Contract
American Federation of State, County and Municipal Employees	278	June 30, 2018
International Brotherhood of Electrical Workers	102	June 30, 2016 ⁽¹⁾
International Union of Operating Engineers	17	June 30, 2017
Service Employee International Union	25	June 30, 2018
Laborers International Union of North America	320	June 30, 2019
Pasadena Fire Fighters Association	141	June 30, 2017
Pasadena Police Officers Association	200	June 30, 2018
Pasadena Fire Fighters Management Association	5	June 30, 2016 ⁽¹⁾
Pasadena Management Association	457	June 30, 2018

⁽¹⁾ Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

In contract negotiations between 2014-16, employees represented by the various unions and employee organizations agreed that employees will assume full or partial responsibility for their respective obligation owed by the employees to the California Public Employees' Retirement System ("CalPERS"). Prior to these negotiations, the City had agreed with the Police Officers Association ("POA"), Fire Fighters Association ("FFA"), American Federation of State, County and Municipal Employees ("AFSCME"), and Pasadena Management Association ("PMA") to pay (or "pick-up") all or a portion of the employees' required contribution to CalPERS. These employee contributions range from 8% to 9% in total compensation. As of July 1, 2015 the POA and FFA members began paying their full 9% obligation. As of January 1, 2016, the City picks-up 6% for PMA members (PMA members offset this amount by paying 6% of the City's employer rate), but the rate reduces by 2% each January 1. The City continues to pick-up the full 8% for AFSCME members (AFSCME members offset this amount by paying the City's 8% employer rate). These payment arrangements, for their duration, results in an increase in the income used to calculate pension benefits to employees under the CalPERS formula.

Retirement Systems

Pasadena Fire and Police Retirement System.

General.

Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to CalPERS either when FPRS closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2015, FPRS had an unfunded actuarial accrued liability of \$32.17 million and had a funded ratio of 80.2%. For fiscal year 2014-15, the City's annual pension cost was \$0 for FPRS. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Copies of FPRS' annual financial report may be obtained from the

City's Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

Funding History.

In 1960, the City Charter was amended to provide an unlimited cost of living adjustment ("COLA") for the FPRS members that was fully adjustable based on changes in the consumer price index. With inflation in the broader economy during the subsequent years, the FPRS saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the FPRS was modified to increase contribution rates for the City and for active FPRS members. Additionally, active FPRS members were given the option of transferring to the CalPERS plan. However, few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit.

The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a City Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 ("SB 481"), which established a funding mechanism for the FPRS. SB 481 authorized the City to utilize payments made by the Pasadena Community Development Commission (the "Commission") under a reimbursement agreement entered into in 1987 (the "Reimbursement Agreement"), after required deductions, for the purpose of funding the City's liabilities to FPRS. The Commission's payments consist of property tax increments from the City's Downtown Project Area (hereinafter defined as the "SB 481 Receipts"). The Reimbursement Agreement was validated by SB 481, which became law in 1987. Under SB 481, the right to receive SB 481 Receipts terminated on December 31, 2014. As described below, the enforceability of the Reimbursement Agreement is being challenged by the State.

In 1999, after the FPRS-funded status dropped to approximately 30%, the City and the FPRS negotiated a Contribution Agreement (the "Prior Contribution Agreement") whereby the City agreed to issue approximately \$100 million of pension obligation bonds (*i.e.*, the Series 1999 Bonds) and transfer the proceeds to the FPRS in order to increase the actuarial funding level to 70%. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Pension Obligation Bonds." Further, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by ½% each year for 20 years, in order to reach a funding level of 80% by 2020. FPRS, in turn, assigned to the City its rights to receive the SB 481 Receipts under a prior agreement, but required such revenues to be applied to the payment of the City's funding obligations to FPRS, including payments on the City's pension obligation bonds.

In 2004 the City issued approximately \$40 million of additional pension obligation bonds (*i.e.*, the Series 2004 Bonds) in order to maintain the contribution levels agreed upon in the Prior Contribution Agreement. This occurred after a dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% "corridor" around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the 2004 Bonds.

In November 2011, the City and FPRS agreed to amend the Prior Contribution Agreement (such amendment herein referred to as the "Amended Contribution Agreement") for the purpose of revising the methodology used to calculate the unfunded liability of the City and the City's required payments to the FPRS. To fulfill its commitment under the Amended Contribution Agreement, the City issued a third series of pension bonds (*i.e.*, the Series 2012 Bonds) in the principal amount of \$47,440,000 and deposited the proceeds with FPRS. Prior to the Amended Contribution Agreement, FPRS was required

to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties").

Under the Amended Contribution Agreement, the City must pay to FPRS, in addition to the net proceeds of the Series 2012 Bonds, supplemental payments ("Supplemental Payments") if FPRS falls below the required minimum funding percentage in any fiscal year, to fund the unfunded accrued actuarial liability (the "UAAL") of FPRS. The Amended Contribution Agreement requires FPRS to be at least 75.5% funded for the fiscal year in which the City paid the net proceeds of such bonds to FPRS (the "Minimum Funding Percentage"). For each succeeding year, the Minimum Funding Percentage increases by 0.5% per year over a nine-year period (through 2021), up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap, which is the lesser of certain benefit payments paid by FPRS in the prior fiscal year, or \$3 million, plus a varying percentage of any funding deficit in the Minimum Funding Percentage over \$3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement was to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by FPRS's actuary and approved by FPRS after consultation with the City and the City's consultants. When the Amended Contribution Agreement was executed in November 2012, the average investment rate used by 1937 Act Counties was approximately 8%; following execution, the actuarial rate as recommended by the system's actuary was reduced to 6%.

As of June 30, 2015, the FPRS was funded at 80.2%, satisfying the 80% requirement as calculated in accordance with the procedures of the Amended Contribution Agreement. The funding history for the FPRS is shown in Table A-14 herein. The FPRS actuary has projected, based on existing economic and demographic assumptions, that the FPRS funded ratio will remain at or above 80% and no Supplemental Payment will need to be made until fiscal year 2020.

Consistent with prior reimbursement agreements, the Amended Contribution Agreement requires that the City use SB 481 Receipts to make debt service payments due on the City's pension obligation bonds and supplemental payments due to the FPRS, and to hold excess SB 481 Receipts in the City Treasurer's Pool, pending use for permitted purposes at a later date. The use of SB 481 Receipts in accordance with the contribution agreements was validated in the judicial validation action undertaken in connection with the issuance of the Series 1999 Bonds.

Until 2011, ABx1 legislation receipts received by the City under the Reimbursement Agreement had been sufficient to cover the debt service on the City's pension obligation bonds, to provide funds for the City to make required supplemental payments to the FPRS under the contribution agreement, as amended and superseded, and to generate a reserve fund to be used for future obligations of the FPRS.

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies ("CRAs") and the disposition and winding-up of the operations of those agencies. Following the enactment of AB1x 26, the State Department of Finance of the State of California (the "DOF") challenged the enforceability of the Reimbursement Agreement, claiming that the agreement was not an "enforceable obligation" under AB1x 26 and, accordingly, claiming that all future payments under the Reimbursement Agreement, together with the SB 481 Receipts held by the City, should revert to the County (for redistribution to all taxing entities within the County). This issue is the subject of litigation in State court, herein referred to as the "SB 481 Litigation" and all SB 481 Receipts are required to be held in escrow by the County pending the resolution of the litigation. See "SB 481 Litigation" below.

As of the date of this Official Statement, the County holds all SB 481 Receipts in escrow, of which the City claims approximately \$40 million. The right to receive SB 481 Receipts terminated on December 31, 2014.

The City had structured \$121,490,000 principal amount of the Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds to mature, or to be subject to mandatory tender, on May 15, 2015, with the expectation that the SB 481 Receipts would have been sufficient to pay approximately \$40 million of the maturing principal amount or purchase price of such bonds, as applicable. However, as the SB 481 Litigation was not resolved on May 15, 2015, the City refinanced all its Pension obligation bonds in 2015. In the event the City ultimately prevails in the SB 481 Litigation, any SB 481 Receipts held by the County and subsequently received by the City may be reserved and utilized for the redemption of the bonds in the future or used to pay debt service payments of the 2015 Bonds.

SB 481 Litigation.

In 2011, the State of California enacted ABx1 26, which required the dissolution of CRAs, including the Commission, and the disposition and winding-up of the operations of CRAs. The CRAs, including the Commission, were dissolved on February 1, 2012, pursuant to ABx1 26. However, ABx1 26 required that the Commission's enforceable obligations "be honored." The City elected to serve as the Commission Successor Agency. The Commission Successor Agency is a separate legal entity from the City, and is required to administer the dissolution of the Commission and the winding down of the Commission's activities, including making enforceable obligation payments and disposing of the Commission's property.

By letter dated December 18, 2012, the DOF notified the City of Pasadena and its Commission Successor Agency that in the obligations under the Reimbursement Agreement (and certain other housing-related payment obligations of the Commission) had been determined by DOF to be unenforceable under ABx1 26 and to be ineligible for payment from former tax increment generated by the related redevelopment projects (known as Redevelopment Property Tax Trust Fund, or RPTTF, funding). Previously, the DOF, by letter dated June 29, 2012 had found such obligations of the Commission to be enforceable obligations and had found both such items to be eligible for payment from RPTTF funding.

On December 28, 2012, the City filed litigation in the Superior Court of the State of California and applied for a temporary restraining order so that the RPTTF funds would be made available (for payment under the Reimbursement Agreement and the housing obligations), as required by applicable statutory validation, judicial validation and application of law, and to restrain the distribution of these funds on January 2, 2013 to other property tax agencies. *City of Pasadena Successor vs. Ana Matosantos Director of the State of California Department of Finance*, Case No. 34-2012-000134585-CU-MC-GDS. The City obtained a Temporary Restraining Order and a Preliminary Injunction, which declare the Reimbursement Agreement obligations (and housing obligation) as valid, enforceable obligations payable by the Commission Successor Agency.

The DOF, through the State Attorney General's Office, filed appealed this judgment. After various procedural rulings, a hearing on the merits was held in Sacramento Superior Court, which issued a ruling on May 28, 2015 in favor of the DOF. However, the court also required the County to continue to maintain \$39.7 million in escrow, pending final adjudication of the case, which includes any appeal. The City filed a notice of appeal on June 19, 2015. Briefing on appeal has been completed and the parties are awaiting oral argument to be scheduled thereafter. If the City is unsuccessful in its claims on appeal, the City expects that the escrowed amounts will be distributed to the applicable participating agencies, including the City, with the City receiving approximately \$8.4 million of the tax revenues. The City has assumed in its 2016-2017 budget that no escrowed funds will be received by the City during the fiscal year.

Investment Status.

As of June 30, 2016, FPRS' investment assets were allocated as follows:

**TABLE A-9
CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
PORTFOLIO INFORMATION
as of June 30, 2016 (unaudited)**

<u>Description of Assets</u>	<u>Market Value</u>	<u>Percentage of Portfolio</u>
Cash and cash equivalents	\$ 587,697	0.47%
Interest	173,720	0.14
Government and agencies	31,319,542	24.80
Domestic corporate obligations	30,269,162	23.97
International corporate obligations	649,151	0.51
Real estate	17,843,493	14.13
Real estate investment trust (REITS)	145,174	0.11
Domestic corporate stocks	23,499,314	18.61
International corporate stocks	21,809,720	17.27
TOTAL	<u>\$126,296,972</u>	<u>100.00%</u>

Source: City of Pasadena, Department of Finance.

FPRS has a number of investment objectives. The primary goals are to provide participants with scheduled retirement benefits and meet or exceed the rate of inflation in its investments, as measured against the consumer price index. In addition, its objective is to achieve a higher rate of return over a three- to five-year period with less than average volatility, with enhanced return over a longer period, such as five years, being more important than the preservation of capital during a one-year period of time.

Under its investment guidelines, FPRS must maintain sufficient liquidity to meet FPRS' cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or better by nationally recognized rating agencies. The assets of FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

The City is responsible for paying benefits to FPRS, as described above. A variety of factors will affect the extent of the City's liability to FPRS, including actual investment performance of FPRS' assets, actual changes in the consumer price index, FPRS' actual mortality and benefit payment experience, all as compared with the assumptions, and changes in actuarial assumptions and methods, including the assumed rate of investment return. Further continued market volatility and the possibility of a "double dip" recession may require substantial additional contributions to FPRS over time.

California Public Employees' Retirement System.

General.

Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS for purposes of pension benefits. CalPERS is an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and

disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. The most recent annual report issued by CalPERS to the City was dated August 2016 (the "2015 Actuarial Valuation"). The 2015 Actuarial Valuation includes information based on the June 30, 2015 Actuarial Valuation of assets. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov. The CalPERS report to the City can also be found on the City's website at <http://cityofpasadena.net/Finance/PERS-Actuarial-Reports>.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earnings from investments. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different employee bargaining groups have different reimbursement rates ranging from the 8% to 9%. The City is also required to contribute at an actuarially determined rate. Benefit provisions and all other requirements are established by state statute or collective bargaining agreements with employee bargaining groups. See "Employee Relations" above.

Recent Actuarial Changes and Related Developments.

On March 14, 2012, CalPERS gave approval to a one-quarter point reduction in its annual investment return forecast (from 7.75% to 7.5%). CalPERS has phased-in the impact of the adjustment over two years, to lessen the strain on local governments. As shown under "Funding Status of Plans" below, this reduction increased the City's reported unfunded pension liability. There can be no assurances that CalPERS will not make additional changes in actuarial assumptions in the future.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 ("PEPRA") took effect. The impact of the PEPRA changes is reflected in the projected 2015-16 CalPERS contribution rates shown below.

In April 2013, CalPERS approved new actuarial policies that are aimed at returning the CalPERS system to fully-funded status within 30 years. These new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the new policy until fiscal year 2015-16. These new policies have increased the City's required contribution rates, as shown under "Annual Payments and Contribution Rates" below.

In 2014, CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The CalPERS Board of Administration also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in its membership and expected continued improvements. The new actuarial assumptions will be used to set fiscal year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions was calculated in the 2014 actuarial valuation and was amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with CalPERS Board of Administration policy.

Annual Payments and Contribution Rates

Under GASB 27, an employer reports an annual pension cost ("APC") equal to the annual required contribution ("ARC") plus an adjustment for the cumulative difference between the APC and

the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. In order to calculate the dollar value of the ARC for inclusion in the financial statements, the applicable contribution rate is multiplied by the payroll of the covered employees that were paid during the relevant period.

Effective for financial statements beginning after June 15, 2014, GASB 68 replaces GASB 27. Hence, the annual report issued by CalPERS for 2015 will reflect GASB 68. GASB 68 will require additional reporting that CalPERS is intending to provide upon request by its members.

Set forth below is a history of the City's contributions to the CalPERS, including projected payments, from fiscal year 2005-06 through fiscal year 2020-21. The City contributed 100% of its APC in each completed year shown. The City estimates that approximately 60% of the payments to these plans is made from the City's General Fund. The City's contributions shown below do not include the employee pick up in prior years. See "Employee Relations."

Also set forth below are the historic and projected contribution rates to the CalPERS plans. The projected contribution rates for fiscal year 2016-17 through 2022-23 are provided by CalPERS in its August 2016 report. The CalPERS projections assume, among other things, that CalPERS earns 0.00% for fiscal year 2015-16 and 7.50% every fiscal year thereafter, that all other actuarial assumptions will be realized. In July 2016, CalPERS reported a preliminary 0.61% net return on investments for the fiscal year ended June 30, 2016. In the two prior fiscal years ended June 30, 2015 and 2014, the reported return was 2.4% and 18.4%, respectively. CalPERS investment returns for the past five, ten and twenty years ending June 30, 2015 are 10.7, 6.2 and 7.8% respectively. A complete explanation of the CalPERS assumptions can be found in the 2015 Actuarial Valuation.

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TABLE A-10
ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY
(\$ in Millions)

Fiscal Year Ended June 30	CalPERS— Misc. Employees Total Contribution	CalPERS- General Fund Contribution Misc. Employees ⁽²⁾	CalPERS— Safety Employees Total Contribution	CalPERS- General Fund Contribution Safety Employees ⁽²⁾
2006	\$ 7,402	\$2,887	\$7,402	\$6,728
2007	10,056	3,295	10,056	8,498
2008	12,228	3,435	9,283	9,097
2009	12,580	3,768	9,916	9,718
2010	12,566	3,765	10,459	10,250
2011	12,518	4,381	10,346	10,139
2012	16,744	5,860	11,370	11,143
2013	17,439	5,929	10,993	10,773
2014	17,909	6,089	11,176	10,952
2015	18,552	6,308	10,533	10,322
2016	20,751	7,055	11,641	11,409
2017 ⁽¹⁾	25,894	8,804	15,724	15,410
2018 ⁽¹⁾	27,999	9,520	16,782	16,446
2019 ⁽¹⁾	31,343	10,657	18,688	18,315
2020 ⁽¹⁾	34,847	11,848	20,714	20,300
2021 ⁽¹⁾	36,965	12,568	22,018	21,578

⁽¹⁾ Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus unfunded Accrual Liability actuarial report dated August 2016.

⁽²⁾ Historic payments are net of City "pick-up." See "Employee Relations" herein.

Source: City of Pasadena, Department of Finance.

**TABLE A-11
ANNUAL CONTRIBUTION RATES
TO CALPERS RETIREMENT PLANS BY CITY**

<u>Fiscal Year Ended June 30</u>	<u>CalPERS Misc. Employees</u>	<u>CalPERS Misc. UALS</u>	<u>CalPERS Safety Employees</u>	<u>CalPERS Safety UALS</u>
2011	11.4%	--	23.6%	--
2012	15.5	--	26.6	--
2013	16.2	--	25.6	--
2014	17.4	--	27.2	--
2015	19.2	--	29.3	--
2016	21.1	--	31.8	--
2017 ⁽¹⁾	22.8	--	35.1	--
2018 ⁽²⁾	8.0	\$18,895,540	17.141	\$ 9,230,863
2019 ⁽²⁾	8.0	22,041,626	17.1	11,004,335
2020 ⁽²⁾	8.0	25,359,472	17.1	12,875,908
2021 ⁽²⁾	8.0	27,287,672	17.1	14,023,412
2022 ⁽²⁾	8.0	29,544,896	17.1	15,355,789
2023 ⁽²⁾	8.0	31,425,427	17.1	15,993,375

⁽¹⁾ Projected annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated October 2015. Does not include City "Pick Up".

⁽²⁾ Projected annual payment to retirement plan based on projected contribution rates on CalPERS plus Unfunded Accrued Liability (UAL) actuarial report dated August 2016.

Source: City of Pasadena, Department of Finance.

Funding Status of Plans. Based on the 2015 Actuarial Valuation (which is the most recent actuarial valuation available), CalPERS reported an unfunded liability, as of June 30, 2015, of \$247.8 million for the City's miscellaneous employees as compared to an underfunding of \$218.3 million the previous year and an unfunded liability of \$129.6 million for safety employees as compared to \$106.0 million the previous year. Based upon this report, the City reported that its CalPERS obligation had a funded ratio of 74.8% based upon the market value of plan assets with respect to the City's miscellaneous employees and a funded ratio of 75.6% based upon the market value of plan assets for safety employees. As noted above, CalPERS changed its amortization and smoothing policies in 2013. Beginning with the June 30, 2015 Actuarial Valuations (that set fiscal year 2015-16 CalPERS contribution rates), CalPERS no longer uses an actuarial value of assets and instead employs an amortization and rate smoothing policy that will account for all gains and losses over a fixed 30-year period with the increases and decreases in the rate phased over a 5-year period.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System ("PARS"), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As of December 31, 2012, the covered employees are required to contribute the full 7.5% of their earnings. Prior to such date, the City contributed an amount equal to 4.0% of the employee's earnings and the covered employee contributed 3.5%. The City's payroll for employees covered by PARS for fiscal year 2014-15 was \$4,114,866. The covered employees made the total required 7.5% contributions of \$308,615.

The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 18 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "CITY OF PASADENA CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR

ENDED JUNE 30, 2015", and in the CalPERS reports to the City, which can be accessed at www.cityofpasadena.net/Finance/Annual_Finance_Reports.

TABLE A-12
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
(\$ in thousands)

CALPERS - MISCELLANEOUS EMPLOYEES

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value*	(Overfunded) Unfunded AAL	Funded Ratio*		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2007	\$585,908	\$539,717	\$46,191	92.1%	106.8%	\$102,135	45.2%
2008	638,095	579,068	59,027	90.7	92.6	111,186	53.1
2009	732,713	607,710	125,003	82.9	60.6	116,952	106.9
2010	773,303	635,455	137,847	82.2	64.4	115,289	119.6
2011	819,327	666,290	153,037	81.3	72.3	110,571	138.4
2012	852,217	695,108	157,109	81.6	68.0	105,201	149.3
2013	882,572	641,333	241,239	72.7*	72.7*	104,378	231.1
2014	956,142	737,836	218,306	77.2	77.2	103,617	210.7
2015	982,774	734,946	247,827	74.8	74.8	104,325	237.5

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations through June 30, 2011 data is taken from annual valuation report dated October 2012. CalPERS actuarial valuation for June 30, 2012 and June 30, 2013 data is taken from annual valuation report dated October 2014. CalPERS actuarial valuations through June 30, 2014 data is taken from annual valuation report dated October 2015. CalPERS actuarial valuations through June 30, 2015 data is taken from annual valuation report dated August 2016.

TABLE A-13
CALPERS - SAFETY EMPLOYEES

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value*	(Overfunded) Unfunded AAL	Funded Ratio*		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2007	\$285,822	\$238,041	\$47,781	83.3%	95.4%	40,138	119.0%
2008	317,140	262,817	54,323	82.9	83.5	42,996	126.3
2009	352,610	283,880	68,730	80.5	58.7	45,516	151.0
2010	373,670	307,056	66,614	82.2	64.7	45,643	145.9
2011	403,626	331,603	72,023	82.2	73.6	44,058	163.5
2012	429,718	355,015	74,703	82.6	69.5	42,612	175.3
2013	457,271	338,082	119,189	73.9*	73.9*	41,383	288.0
2014	501,785	395,729	106,056	78.9	78.9	41,014	258.5
2015	530,414	400,797	129,617	75.6	75.6	40,318	321.5

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

Source: CalPERS actuarial valuations through June 30, 2011 data is taken from annual valuation report dated October 2012. CalPERS actuarial valuation for June 30, 2012 and June 30, 2013 data is taken from annual valuation report dated October 2014. CalPERS actuarial valuations through June 30, 2014 data is taken from annual valuation report dated October 2015. CalPERS actuarial valuations through June 30, 2015 data is taken from annual valuation report dated August 2016.

TABLE A-14
FPRS

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2008	178,748	131,321	47,427	73.5	179	26.5
2009	177,803	119,551	58,252	67.2	-	N/A
2010	166,096	109,740	56,356	66.1	-	N/A
2011	179,284	105,811	73,473	59.0	-	N/A
2012	174,249	136,272	39,977	78.2	-	N/A
2013	168,781	127,985	40,796	75.8	-	N/A
2014	159,516	130,183	29,333	81.6	-	N/A
2015	162,154	129,984	32,170	80.2	-	N/A

Source: FPRS actuarial valuations through June 30, 2015.

Post-Retirement Medical Benefits (OPEB)

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or FPRS. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered. Benefit provisions are established and amended through negotiations between the City and the respective unions.

The City's current contribution requirements have been established at the individual retiree levels of \$122.00 or \$54.90 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State law. These minimum requirements are established by CalPERS and adjusted annually. The prior contribution requirements were \$122.00 or \$54.60 per month depending on the

bargaining unit or the unrepresented group of which the employee was a member. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For fiscal year 2014-15, the City's contributions totaled \$623,000 (representing 22.80% of the annual other post-employment benefit ("OPEB") cost (expense)). The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2015, the City's unfunded actuarial accrued OPEB liability was \$28,619,000. See Note 20 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "CITY OF PASADENA CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015."

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

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. Liability claims, losses and expenses paid averaged about \$1,086,072 per year for the past 10 years and, when existing "reserves" are added, averaged around \$1,114,221 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. The City carries excess liability coverage, with limits of \$20 million, with a self-insured retention of \$3 million dollars. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of fiscal years 2006-07 through 2015-16 are reflected in the following table:

TABLE A-15
CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2006-07 through 2015-16

Fiscal Year ⁽¹⁾ Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims ⁽¹⁾
2007	629,163.33	140,224.34	769,387.67	25,100.00
2008	532,823.08	1,351,869.19	1,884,692.27	1,624,138.00
2009	3,097,196.51	471,126.06	3,568,322.57	1,025,000.00
2010	639,875.83	24,824.15	664,699.98	2,565,000.00
2011	897,720.69	10,282.83	908,003.52	2,111,700.00
2012	2,003,021.32	366,982.82	2,370,004.14	5,295,579.50
2013	166,779.05	---	166,779.05	968,501.00
2014	338,386.96	40,795.50	379,182.46	3,922,731.91
2015	32,609.68	---	32,609.68	1,184,613.16
2016	97,036.00	---	97,036.00	281,494.00

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

The City maintains commercial property insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with limits of \$250,000,000, subject to various application sub-limits and deductible. Policy coverage excludes earth movement, including earthquake, nuclear hazard and military action. The City does not currently maintain separate earthquake coverage under another insurance policy. The City maintains boiler & machinery, and equipment breakdown insurance, on specified types of equipment/property, with limits

of \$100,000,000 for each policy, subject to variety of applicable sub-limits and deductibles. In addition, the City purchases property terrorism/Nuclear, Chemical, Biological and Radiological Terrorism & Sabotage coverage, along with pollution, storage tank, and cyber liability coverage, with limits of \$1,000,000 for the pollution, storage tank and cyber liability policies, subject to variety of applicable sub-limits and deductibles.

Stormwater Improvements

The Clean Water Act ("CWA") regulates the discharges of pollutants into the waters of the United States by establishing quality standards. The CWA requires states to identify "impaired" water bodies and to develop a Total Maximum Daily Load ("TMDL") for each pollutant contributing to impairment. The CWA makes it unlawful to discharge any pollutant into waters protected by the CWA, unless a permit is first obtained. The U.S. Environmental Protection Agency's ("EPA's") National Pollutant Discharge Elimination System ("NPDES") permit program controls these discharges. With respect to the City, the EPA has delegated permitting and direct enforcement under its NPDES program to the Los Angeles Regional Water Quality Control Board ("LARWQCB").

On November 8, 2012, the LARWQCB adopted the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System Permit ("MS4 permit") Order No. R4-2012-0175, which became effective on December 28, 2012. The MS4 permit establishes the TMDL of pollutants that can be discharged into water while still meeting water quality standards and objectives. The MS4 covers 84 of the 88 public agencies in the Los Angeles County area, including the City, the Los Angeles County Flood Control District and the County, that are responsible for compliance with the MS4 permit. The City is currently subject to four TMDLs in the Los Angeles River and Los Angeles/Long Beach Harbors. The City is likely to receive more TMDLs in the coming years. The TMDL compliance deadlines spread out through 2037.

The MS4 permit allows for the option to work together to develop and implement an Enhanced Watershed Management Program ("EWMP") to address permit and TMDL requirements. The MS4 permit has safe harbor provisions, whereby the City was deemed in compliance with the TMDLs during the development of the EWMP, provided that all requirements and deadlines related to the EWMP development were met. As the EWMP crosses multiple local jurisdictions, the City collaborated with other participating agencies on the development of the EWMP. In June 2015, the EWMP was submitted in accordance with the required schedule, and it was approved by the LARWQCB on April 20, 2016.

Non-compliance with the MS4 permit and applicable TMDLs could result in enforcement action by the LARWQCB, civil penalties and fines, and potentially third-party lawsuits. For example, the LARWQCB may levy administrative fines of up to \$10,000 per pollutant per day of violation. In addition, the State can impose mandatory minimum penalties of \$3,000 per pollutant per day of violation and seek civil liabilities of up to \$25,000 per pollutant per day. Additionally, private citizens or EPA can pursue penalties if the LARWQCB does not enforce on a violation. The City is responsible for its own fines, penalties and costs incurred as a result of non-compliance.

The City is currently in substantial compliance with the MS4 permit, but requires significant funding for capital, and operation and maintenance costs to implement the EWMPs to meet the TMDL compliance deadlines contained in the MS4 permit. The City has partially funded the monitoring and reporting programs required by the MS4 permit. The City's share of the costs of the approved EWMP projects required to meet the TMDLs over the next 20 years is preliminarily estimated by the LARWQCB to be approximately \$485 million. Estimating project costs over such a long time period is inherently difficult, and no assurance can be provided by the City that LARWQCB's approved projections are accurate. The City has been collaborating with other public agencies through the California Contract Cities Association to evaluate stormwater funding options, including other revenue sources outside of the General Fund, to begin the projects necessary to satisfy just the current TMDLs.

Without other revenue sources, these costs would be obligations of the City's General Fund and could have a material adverse impact on the General Fund.

The Fiscal Year 2016-17 Adopted Budget contains \$750,000 for stormwater expenditures. However, at the time of budget preparation some implementation costs were unavailable. Therefore, if a mid-year adjustment to funding were needed, it would be addressed through the City's clean-up report process.

CITY FINANCIAL INFORMATION

Certain statements included or incorporated by reference in the discussion below, as well as in the statements under the City's pension systems disclosure above, constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

Budget Preparation and Approval Process

No later than January of each year, the Mayor must present a thematic budget message for the upcoming fiscal year to the City Council and the community. The City Council must establish procedures whereby public suggestions and comments on the Mayor's budget proposals may be received and considered prior to the preparation and submission of budget requests by the City Departments to the City Manager.

On or before the third Monday in May of each year, the City Manager must submit to the City Council the recommended balanced budget for the following fiscal year, as required by the City Charter. Also at this time, a public hearing is opened for residents and businesses to make any comments or suggestions regarding the recommended budget. Copies of the recommended budget are available for inspection by the public in the office of the City Clerk and at the City's libraries at least ten days prior to the hearing. The recommended budget can also be found on the City's website at <http://www.cityofpasadena.net/Finance/Budget/>. Such website is not incorporated herein by reference.

At the conclusion of the public hearing, the City Council further considers the recommended budget and makes any revisions. On or before June 30, the City Council adopts a balanced budget with revisions, if any, by the affirmative vote of at least five members of the City Council.

From the effective date of the budget, funds become appropriated to City Departments for the objects and purposes named. At any subsequent City Council meeting following the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by the affirmative vote of a minimum of five members of the City Council.

The Director of Finance prepares the City's financial statements and submits them to the City Council within four months after the close of each fiscal year. The City Council employs an independent certified public accounting firm to review the City's financial statements for conformity with generally accepted accounting principles for municipal governments and issues an opinion letter regarding the accuracy and fairness of the financial information presented in the City's Comprehensive Annual Financial Report.

Budgetary Principles and Developments

Budgetary Principles and Policies. In preparing the City's budget, City staff is guided by certain principles and goals set by the City Council. Among them, staff is directed to match revenues with expenditures when developing a balanced operating budget, and minimize reliance on "carry-forward" fund balances from previous years to fund expenditures in future years.

General Fund Five Year Financial Plan. The City's five-year financial plan is an ongoing plan and is continually reviewed based on an analysis of current trends. The City's fiscal situation has improved since the recession and the City has shown signs of economic growth, including increases in retail sales activity, more tourism and business travel activity, lower unemployment rates, and improvement in residential and commercial real estate markets. The most recent five-year plan shows continued improvement in the City's finances, and includes modest amounts for reserve replenishment. A summary of the most recent five-year plan is provided in the table below.

In preparing its financial forecasts for the five-year plan, City staff made a variety of assumptions, including, among others:

1. Continued modest revenue growth;
2. Transfer from the Power Fund to the General Fund of 10% of the prior year's gross income for fiscal year 2016-17 and then 10% through fiscal year 2021;
3. Minimal amounts above the pay-as-you-go cost for OPEB in fiscal years 2015-16, 2016-17, and 2018-19; and
4. CalPERS contributions will be as shown on the most recent CalPERS actuarial valuation report and based on CalPERS' projections. (See "Retirement Systems—California Public Employees' Retirement System" above).

There can be no assurance that assumptions described above not yet realized will be realized. Accordingly, there can be no assurance that the City's financial forecasts as shown in the table below will correspond with its actual financial results.

The table below shows estimated operating projections for the five-year forecast period based upon actions previously taken and those adopted in the 2016-17 Adopted Budget. The five-year financial forecast presentation differs from the City's presentation of its financial results; among other differences, it is calculated on a cash basis and line items will not correspond to audited financial or budget presentations. The City's financial forecast is reviewed monthly and updated no less often than quarterly. It was last updated as of July 2016.

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**TABLE A-16
(GENERAL FUND 5-YEAR FINANCIAL PLAN)**

	FY 2015 Amended Budget	FY 2015 Actual	FY 2016 Adopted Budget	FY 2016 Revised Budget	FY 2016 Projected	FY 2017 Adopted Budget	FY 2018 Forecast	FY 2019 Forecast	FY 2020 Forecast	FY 2021 Forecast
Beginning Amount Available for Appropriation:	9,154,404	9,154,404	11,694,123	11,694,123	11,694,123	14,187,150	14,209,822	10,118,965	7,201,917	9,680,701
REVENUES										
Property Taxes	44,120,000	55,213,637	52,542,743	52,542,743	55,942,743	56,674,400	58,374,632	60,125,871	61,929,647	63,787,537
Sales Tax	33,140,000	32,876,698	34,000,000	34,000,000	36,549,565	35,469,400	36,926,769	38,441,487	40,015,893	40,816,211
Utility User Tax	30,601,500	29,315,684	30,352,000	30,352,000	29,386,000	30,400,500	30,400,500	30,400,500	30,400,500	30,400,500
Transient Occupancy Tax	12,800,500	13,165,496	14,025,500	14,025,500	14,025,500	14,638,900	15,898,922	17,458,523	20,631,473	23,081,062
Franchise Taxes	3,237,100	2,903,136	2,556,000	2,556,000	2,306,000	2,469,100	2,534,112	2,601,074	2,668,702	2,738,089
Other Taxes	15,250,000	17,789,776	17,375,000	17,375,000	17,375,000	17,225,000	17,855,995	18,511,070	19,195,979	19,906,230
Total Taxes	139,149,100	151,264,427	150,851,243	150,851,243	155,584,808	156,877,300	161,990,930	167,538,525	174,842,194	180,729,628
Licenses & Permits	3,444,575	3,808,842	3,302,545	3,302,545	3,471,545	3,486,534	3,592,322	3,699,846	3,810,841	3,925,167
Intergovernmental Revenues	16,837,704	16,537,124	16,640,014	16,996,669	17,542,669	17,496,585	17,910,007	18,333,766	18,773,776	19,224,346
Charges for Services	22,493,766	22,621,475	22,344,221	22,174,607	21,850,091	23,566,662	24,556,462	25,583,577	26,658,088	27,777,727
Fines & Forfeitures	6,763,091	7,328,695	6,791,251	6,791,251	6,791,251	6,995,700	7,200,142	7,410,718	7,625,629	7,846,772
Investment/Interest Earnings	3,404,797	2,725,579	1,333,962	1,333,962	3,313,865	6,545,600	800,957	807,876	815,146	822,483
Rental Income	1,185,589	1,137,286	1,246,150	1,246,150	1,246,150	1,189,500	1,192,247	1,195,077	1,197,467	1,199,862
Miscellaneous	1,600,154	1,814,801	1,430,220	1,775,953	1,996,953	1,468,400	1,492,805	1,517,942	1,543,747	1,569,991
TOTAL REVENUES	194,878,776	207,238,229	203,939,606	204,472,380	211,797,332	217,626,281	218,735,873	226,087,327	235,266,889	243,095,977
EXPENDITURES										
Personnel	130,203,830	129,617,042	135,918,858	137,207,904	136,082,904	150,651,344	155,595,146	160,263,001	165,070,891	170,023,017
Services & Supplies	35,925,467	36,041,122	34,966,476	36,384,951	37,764,956	37,955,271	38,714,376	39,488,664	40,278,437	41,084,006
Equipment	846,476	114,593	270,548	511,020	511,020	340,822	347,638	354,591	361,683	368,917
Internal Services	18,307,993	18,594,778	19,126,549	19,121,872	19,121,872	20,073,959	20,475,438	20,884,947	21,302,646	21,728,699
TOTAL EXPENDITURES	185,283,766	184,367,535	190,273,738	193,225,747	193,480,752	209,021,396	215,132,599	220,991,203	227,013,657	233,204,639
EXCESS REVENUES OVER (EXPENSES)	9,595,010	22,870,694	13,665,867	11,246,633	18,316,580	8,604,885	3,603,274	5,096,124	8,253,233	9,891,338
OPERATING TRANSFER (IN / (OUT))										
Debt Service	(9,122,446)	(8,591,386)	(14,475,956)	(14,475,956)	(14,475,956)	(13,807,988)	(14,114,690)	(14,075,270)	(11,473,406)	(11,480,033)
Contributions to Other Funds/Misc	(14,599,056)	(15,348,525)	(15,046,323)	(16,869,268)	(17,994,268)	(14,985,889)	(14,617,469)	(14,909,818)	(15,208,015)	(15,512,175)
Abatements for Svcs to Other Funds	386,548	450,539	270,548	270,548	270,548	533,060	537,539	542,152	547,031	551,954
Enterprise Contributions	18,705,678	18,067,258	19,962,602	19,962,602	19,876,123	19,678,604	20,500,489	20,429,764	20,359,941	20,563,540
NET OPERATING TRANSFER (IN / (OUT))	(9,695,464)	(5,422,114)	(9,289,129)	(11,112,074)	(12,323,553)	(8,582,213)	(7,694,131)	(8,013,172)	(5,774,448)	(5,876,713)
OPERATING INCOME/(LOSS)										
Contribution toward OPEB Unfunded Liability	(1,000,000)	17,448,580	4,376,738	134,559	5,993,027	22,672	(4,090,857)	(2,917,048)	2,478,784	4,014,625
NET OPERATING INCOME/(LOSS)	(1,100,454)	16,448,580	3,376,738	(865,441)	4,993,027	22,672	(4,090,857)	(2,917,048)	2,478,784	4,014,625
Allocation to Policy Reserve	(10,000,000)	(10,000,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
NET INCOME/(LOSS)	(11,100,454)	6,448,580	876,738	(3,365,441)	2,493,027	22,672	(4,090,857)	(2,917,048)	2,478,784	4,014,625
Ending Amount Available for Appropriations	(1,946,050)	11,694,123	12,570,861	8,328,682	14,187,150	14,209,822	10,118,965	7,201,917	9,680,701	13,695,326
Committed Fund Balance	64,123,108	20,552,957	54,004,440	18,052,957	18,052,957	52,388,151	52,388,151	52,388,151	52,388,151	52,388,151
Emergency Contingency Reserve		30,951,483		33,451,483	33,451,483	33,451,483	33,451,483	33,451,483	33,451,483	33,451,483
TOTAL FUND BALANCE	62,177,058	63,198,563	66,575,301	59,833,122	65,691,590	66,597,973	62,507,116	59,590,068	62,068,852	66,083,477

Source: City of Pasadena, Department of Finance.

General Fund Cash Reserve Policy Beginning in fiscal year 2010-11, the City instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. On August 15, 2011, the City Council approved an increase in the General Fund Emergency Contingency Commitment to a target of 20% of the General Fund annual appropriations. The policy permits the City to take steps annually, starting in fiscal year 2014-15, to reach this goal by increasing the commitment by up to 2% per year over the course of five years, based on each year's budget resolution, and also permits the City to commit to an increase of less than 2% by formal action. The current operating reserve is approximately \$33.5 million. Under current City policy, only under emergency conditions does the City use this operating reserve. Cash reserves may be in the form of cash or other legal investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Set forth below is a summary of the condition of the City's General Fund reserve for the past five years.

**TABLE A-17
GENERAL FUND RESERVES
FOR FISCAL YEARS 2011-12 THROUGH 2015-16**

As of June 30,

	2012	2013	2014	2015	2016 (Estimated and Unaudited)
Nonspendable	\$ 8,352,397	\$ 8,351,508	\$ 8,351,508	\$ 8,620,189	\$ 8,338,403
Committed	80,043,268	37,380,218	34,868,425	30,951,483	33,451,483
Restricted	--	--	--	400,000	400,000
Assigned	-	4,249,148	5,042,986	11,086,848	11,000,000
Unassigned	(34,619,797)	11,965,386	15,014,593	12,140,043	9,810,114
Total Fund Balance ⁽¹⁾	<u>\$ 53,775,868</u>	<u>\$ 61,946,260</u>	<u>\$ 63,277,512</u>	<u>\$ 63,198,563</u>	<u>\$ 63,000,000</u>

⁽¹⁾ Excludes balance in SB481 Fund.
Source: City of Pasadena, Department of Finance

Capital Budgeting. The City prepares a 5-year capital improvement program ("CIP") budget, which is adopted yearly as part of the budget process. The CIP includes projects that have no funding sources. The most current 5-year CIP budget includes approximately \$901.1 million, including all enterprise funds (Water & Power, Rose Bowl, and Pasadena Conference Operational Center), in total estimated project cost for 226 active projects. In fiscal year 2013-14, \$94.8 million was appropriated to 99 projects. Implementation of the CIP is discretionary and will depend upon City resources. The City does not intend to issue general fund indebtedness in the near future to fund the CIP.

Adopted General Fund Budgets for Fiscal Years 2015-16 and 2016-17

The budget preparation process for fiscal year 2016-17 began in November 2015. In February and March 2016, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for the upcoming fiscal year. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council and a public hearing was opened from which to obtain comments from the City's residents and other stakeholders.

Set forth below is the City's adopted General Fund budget for fiscal year 2015-16 and shows the budget as adopted, the actual budget results (based upon unaudited results) and the variance for such fiscal year. The General Fund portion of the appropriation budget for fiscal year 2015-16 is \$238 million. Also shown below is the City's adopted General Fund budget for fiscal year 2016-17, which was approved by the City Council on June 27, 2016.

TABLE A-18
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND PROJECTED ACTUAL- UNAUDITED FOR FISCAL YEAR 2015-16

	Fiscal Year 2015-16		
	Budget	Projected 2016 Actual - Unaudited	Variance
Revenues			
Taxes	\$150,851,243	\$155,584,808	\$ 4,733,565
Licenses and permits	3,302,545	3,471,545	169,000
Intergovernmental revenues	16,640,014	17,542,669	902,655
Charges for services	22,344,221	21,850,091	(494,130)
Fines and forfeits	6,791,251	6,791,251	--
Investment earnings	1,333,962	3,313,865	1,979,903
Rental income	1,196,150	1,246,150	50,000
Miscellaneous revenues	1,480,220	1,996,953	516,733
Total Revenues	\$203,939,606	\$211,797,332	\$ 7,857,726
Expenditures			
General Government	28,771,576	28,858,098	(86,522)
Public safety	106,255,799	105,750,928	504,871
Transportation	27,616,940	28,460,610	(843,670)
Culture and leisure	20,058,562	22,839,985	(2,781,423)
Community development	7,571,131	7,571,131	--
Total Expenditures	\$190,274,008	\$193,480,752	\$ (3,206,744)
 Excess of revenues over expenditures	 \$ 13,665,598	 \$ 18,316,580	 \$ 4,650,982
 Other financing sources (uses)			
Transfer in	20,233,150	20,146,671	(86,479)
Transfer out	(33,022,279)	(35,970,224)	(2,947,945)
Total other financing sources (uses)	\$ (12,789,129)	\$(15,823,553)	\$ (3,034,424)
 Change in fund balance	 \$ 876,469	 \$ 2,493,027	 \$ 1,616,558

Source: City of Pasadena, Department of Finance.

TABLE A-19
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ADOPTED BUDGET FOR 2016-17

	Fiscal Year 2016-17 Adopted
Revenues	
Taxes	\$ 156,877,300
Building Licenses & Permits	665,000
Non-building Licenses & Permits	2,821,534
Federal Grants Direct	0
Federal Grants Indirect-State	0
State Non-Grant Direct	16,083,576
State Grant Direct	1,063,009
Intergovernmental-Local	350,000
Charges for Services	11,740,520
Charges for Services Quasi-External	11,826,142
Fines & Forfeitures	6,995,700
Investment Earnings	6,545,600
Rental Income	1,139,500
Miscellaneous Revenues	1,518,400
Total Revenues	\$ 217,626,281
Expenditures	
General Government	32,952,872
Public Safety	114,849,977
Transportation	42,521,383
Culture & Leisure	10,586,790
Community Development	8,121,530
Total Expenditures	\$ 209,032,552
Excess of Revenues over Expenditures	\$ 8,593,729
Other Financing Sources (uses)	
Transfer In	\$ 20,211,664
Transfer Out	(28,782,721)
Total Other Financing Sources (uses)	\$ (8,571,057)
Change in Fund Balance	\$ 22,672

Source: City of Pasadena Adopted Budget for fiscal year 2016-17.

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum number of funds is maintained consistent with legal and contractual requirements.

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

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

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

Government Funds

General Fund
Special Revenue Funds
Debt Services Funds
Capital Projects Funds

Fiduciary Funds

Trust and Agency Funds

Proprietary Funds

Enterprise Funds
Internal Service Funds

Capital Assets

Capital Assets used in the Operation
of Governmental Funds

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

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

Recent audit and newly adopted policies. The City has recently completed an investigation, following an internal audit in November of 2014, which revealed the misappropriation of public funds in excess of \$6.4 million dollars over the course of eleven years. The audit is available on the City's website at www.cityofpasadena.net/invoiceinvestigation.

Accounting irregularities with the underground utilities fund were discovered by City employees in late May 2014. An initial internal investigation was completed and the results were provided to City Manager Beck and City Attorney Michele Beal Bagneris. The District Attorney was notified within days of the completion of the preliminary internal investigation.

In 2014, KPMG was hired to assist the City of Pasadena in an internal investigation into suspected misappropriation and misuse of City funds. KPMG issued a report with 43 recommendations to strengthen the City's internal controls. In addition to KPMG's report, two more reports were issued regarding the alleged misappropriation of funds. One report was issued by Management Partners, which reviewed the Underground Utility Program where the alleged misappropriation took place. The other report was issued by a Citizens Task Force on Financial Administration and Internal Controls that was convened by City Council to review the City's financial administration and reporting controls, assess the City's internal audit function and make recommendations to strengthen the City's internal controls. In total 103 corrective actions were recommended by the 3 reports to address the issues associated with the alleged misappropriation of funds. As of June 30, 2016, 76 (74%) of the corrective actions have been implemented, the 27 remaining corrective actions are expected to be fully implemented by June 30, 2017.

One of the recommendations, was to hire an Internal Auditor for the City of Pasadena, the Internal Audit Manager was hired in November 2015 and an additional Senior Internal Auditor was hired in June 2016. The Internal Audit function reports to the Office of the City Manager and regularly communicates with City Council.

General Fund Comparative Operating Budget

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

**TABLE A-20
CITY OF PASADENA
ADOPTED GENERAL FUND
COMPARATIVE OPERATING BUDGET
FOR FISCAL YEARS 2014-15 THROUGH 2016-17**

<u>REQUIREMENTS</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Operating Expenditures	\$ 185,283,766	\$190,274,008	\$209,032,552
Debt Service	9,122,446	15,078,591 ⁽¹⁾	13,807,988
Transfers Out	19,665,244	16,943,688	14,974,733
TOTAL REQUIREMENTS	\$214,071,456	\$222,296,287	\$237,815,273
AVAILABLE FUNDS			
Revenues	\$194,878,776	\$203,939,606	\$217,626,281
Transfers In	934,788	818,788	533,060
Utility Contributions	18,157,438	19,414,362	19,678,604
TOTAL AVAILABLE FUNDS	\$213,971,002	\$224,172,756	\$237,837,945

⁽¹⁾ Debt service on the City's POBs were being funded by the Downtown Redevelopment Project Area tax increment revenues in accordance with SB481. SB481 sunsetted in December 2014 and the City refunded all its outstanding POBs in May 2015. Beginning 2015, debt service on the POBs is paid from the General Fund.

Source: City of Pasadena, Department of Finance.

Water and Power Enterprise Fund Transfers to General Fund

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.

**TABLE A-21
CITY OF PASADENA
TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
TO GENERAL FUND
FISCAL YEARS 2011-12 THROUGH 2016-17
(DOLLAR AMOUNTS IN THOUSANDS)**

	Fiscal Year Ended June 30,					
	2012	2013	2014 ⁽²⁾	2015 ⁽²⁾	2016	2017
Light and Power Fund						
Amount Transferred	\$15,861	\$14,093	\$15,047	\$16,613	\$17,870	\$17,936
Amount as Percentage of Prior Year's Gross Income ⁽¹⁾	8.0%	9.0%	9.0%	10.0%	10.0%	10.0%
Water Fund						
Amount Transferred	\$2,773	\$3,116	\$3,273	\$1,544 ⁽³⁾	\$1,544	\$1,544
As a Percentage of Prior Year's Gross Income ⁽¹⁾	6.0%	6.0%	6.0%	NA	NA	NA

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

⁽²⁾ Budget.

⁽³⁾ Decrease in fiscal year 2014-15 is due to new methodology outlined under the terms of the *Rooney* case discussed below.

Source: City of Pasadena, Department of Finance.

In *Rooney v. City of Pasadena*, Los Angeles Superior Court case no. BS145352, the City was sued in a Proposition 218 lawsuit challenging its annual, Charter-authorized transfer its Water Fund to the General Fund, which lawsuit claimed the transfer violated Proposition 218 by exceeding the cost-of-service. In fiscal year 2013-14, the transfer amounted to approximately \$3.3 million (see Table A-21 above). During 2014, the City obtained a cost-of-service study that found that approximately \$1.5 million of General Fund costs were incurred for the benefit of the Water Fund. Later in 2014, the City settled the *Rooney* lawsuit on three general terms. First, the City agreed to transfer from the General Fund to the Water Fund a total of \$7.2 million (inclusive of attorney's fees) over the course of seven years. On June 22, 2015, by action of the Pasadena City Council, the City completed the transfer several years ahead of schedule. Second, the City agreed to limit its annual transfer from the Water Fund to the General Fund to only that amount justified by the cost-of-service. Finally, the plaintiffs agreed not to file suit to challenge future transfers the City makes from the Water Fund to the General Fund, so long as the transfers are consistent with the methodology outlined in the 2014 cost-of-service study.

Proposition 26, adopted by voters in November 2010, added additional State constitutional restrictions to the City's ability to charge fees. For a discussion of Proposition 26's potential impact on the transfers from the Light and Power Fund and the Water Fund to the City's General Fund, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution— Proposition 218 and Proposition 26."

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, including the City, 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 is 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. Early prepayment of the economic recovery bonds, as is proposed in the Governor's proposed 2015-16 budget, would have no effect on City revenues. 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, limit 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.

TABLE A-22
CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years 2012 -13 through 2015-16
(in Thousands)

<u>Tax</u>	<u>Fiscal Year Ended June 30,</u>			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> <u>(Unaudited)</u>
Property ⁽¹⁾	\$ 42,957 ⁽²⁾	\$ 44,066	\$ 56,446	\$ 57,145
Sales	30,871 ⁽³⁾	33,198	33,706	36,721
Utility Users	29,531	28,893	29,316	27,917
Street Light & Traffic Signal	6,503	6,610	7,184	7,057
Transient Occupancy	11,109	12,043	13,165	14,747
Total	\$120,971	\$124,810	\$139,817	\$143,587

(1) Includes assessments.

(2) \$11.0 million decrease in Property taxes related to reduced tax increment after the implementation of ABx1 26 and dissolution of the Pasadena Community Development Commission.

(3) Sales tax was \$1.3 million less than in fiscal year 2011-12, reflecting a one-time reduction by the State for overpayment in the previous year due to the State's method of making estimated payments.

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 a lien on which 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 2015-16 reflected a total assessed valuation of approximately \$25.83 billion for the City. Assessed net valuation for revenue purposes increased by approximately 6.58% for fiscal year 2015-16 over the assessed net valuation for fiscal year 2014-15, and the compounded average annual increase between assessed valuation for fiscal year 2006-07 and fiscal year 2015-16 was approximately 4.97%.

In 2011, the State of California enacted legislation commonly referred to as “ABx1 26,” which required the dissolution of California redevelopment agencies and the dissolution and winding up of the operations of those agencies. The original effective date of ABx1 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding ABx1 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 ABx1 26. ABx1 26 provided 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 ABx1 26, tax increment will continue to flow to the payment of “enforceable obligations” (such as tax allocation bonds) of the dissolved redevelopment agencies. See “THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation.”

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TABLE A-23
CITY OF PASADENA
ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2006-07 through 2015-16
(\$ 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
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)	22,399,945	575,006	22,974,952	-	22,974,951
2015	23,756,525	(131,812)	23,624,713	608,539	24,233,252	-	24,233,252
2016	25,354,223	(130,237)	25,223,987	602,659	25,826,644	-	25,826,646

⁽¹⁾ Pasadena Community Development Commission, the former redevelopment agency for the City.
Source: California Municipal Statistics, Inc.

The City believes that assessed valuation levels will continue growing at a modest rate over the near term given the continued positive employment growth in the area and the number and scope of development projects within the City, including several new hotels, 1,700 residential units, a large-scale mixed use project, and several new commercial and retail developments.

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

TABLE A-24
CITY OF PASADENA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years 2006-07 through 2015-16

Fiscal Year ended June 30	General City	City Debt Service*	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
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
2013	1.000000	0.000000	0.000000	0.114033	0.020556	0.000000	0.003500	1.138089
2014	1.000000	0.000000	0.000000	0.103507	0.018993	0.000000	0.003500	1.126000
2015	1.000000	0.000000	0.000000	0.106010	0.010315	0.000000	0.003500	1.119825
2016	1.000000	0.000000	0.000000	0.111679	0.008722	0.000000	0.003500	1.123901

* In 2004, the City paid off its outstanding general obligation debt.
Source: California Municipal Statistics, Inc.

**TABLE A-25
CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2016**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>June 30, 2015 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
Ppf Off 100 West Walnut Street LP	Office Building	\$ 334,328,420	1.29%
Kaiser Foundation Health Plan Inc.	Office Building	276,571,250	1.07
Paseo Colorado Holdings LLC	Shopping Center	187,817,215	0.73
PR 155 North Lake LLC	Office Building	183,443,403	0.71
Western Asset Plaza LLC	Office Building	162,758,350	0.63
Pacific Huntington Hotel Corporation	Office Building	155,242,123	0.60
Tishman Speyer Archstone Smith	Office Building	144,943,716	0.56
Spf 888 Walnut Pasadena LLC	Office Building	133,500,000	0.52
Bcsp Pasadena Towers Property LLC	Office Building	127,998,427	0.50
Teachers Insurance Annuity Association	Apartment Building	126,297,605	0.49
Total principal property taxpayers gross assessed value		<u>\$ 1,832,900,509</u>	<u>7.10%</u>
Total city assessed value		<u>\$25,826,644,971</u>	<u>100.00%</u>

⁽¹⁾ 2015-16 Local Secured Assessed Valuation: \$25,354,223,000.
Source: California Municipal Statistics, Inc.

General Fund Comparative Financial Statements

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

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TABLE A-26
CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2012-13 through 2014-15

Assets	As of June 30,		
	2013	2014	2015
Cash and investments	\$ 35,468,139	\$ 38,804,030	\$50,988,932
Accounts receivable	16,036,315	14,500,506	15,474,511
Less allowance for uncollectible amounts	-	-	-
Notes receivable	51,508	51,508	51,508
Due from other funds	4,214,228	5,042,986	5,347,965
Prepays and other assets	25,000	184,923	-
Restricted cash and investment	-	25,000	25,000
Advances to other funds	45,919,450	45,919,450	7,136,545 ⁽¹⁾
Advances to component units	1,841,417	1,618,824	1,432,136
Allowance uncollectible for long term receivables	-	-	-
Property held for resale	8,300,000	8,300,000	-
Total assets	\$111,856,057	\$114,447,227	\$80,456,597
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 6,811,667	\$ 8,754,174	\$12,423,192
Deposits	2,279,530	1,756,560	3,902,706
Due to other governments	-	709,314	3,969
Advances from other funds	1,100,000	990,000	880,000
Total liabilities	\$ 10,191,197	\$ 12,210,048	\$17,209,867
Deferred inflow of resources	\$ 39,718,600	\$ 38,959,667	\$ 48,167 ⁽¹⁾
Fund Balances:			
Nonspendable	\$8,351,508	\$ 8,351,508	\$ 8,620,189
Restricted	-	-	400,000
Committed	37,380,218	34,868,425	30,951,483
Assigned	4,249,148	5,042,986	11,086,848
Unassigned	11,965,386	15,014,593	12,140,043
Total Fund balances	\$ 61,946,260	\$ 63,277,512	\$63,198,563
Total liabilities and fund balances	\$111,856,057	\$114,447,227	\$80,456,597

⁽¹⁾ Per City's Auditors recommendation, the City has written off \$39 Million advance related to SB481. See "Retirement Systems- Pasadena Fire and Police Retirement System- SB 481 Litigation."

Source: City of Pasadena, Department of Finance.

**TABLE A-27
CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2012-13 through 2014-15**

	Fiscal Year Ended June 30,		
	2013	2014	2015
Revenues:			
Taxes	\$122,014,755	\$128,501,059	\$144,340,761
Licenses and permits	3,046,516	4,107,361	3,893,689
Intergovernmental revenues	14,709,095	15,248,230	16,655,508
Charges for services	32,475,987	32,642,104	35,750,911
Fines and forfeits	7,452,899	6,768,360	7,328,696
Investment earnings	9,874,106	3,301,390	2,732,825
Rental income	1,602,381	1,384,077	1,164,906
Miscellaneous revenue	2,644,508	2,721,496	2,913,798
Total revenues	<u>\$193,820,247</u>	<u>\$194,674,077</u>	<u>\$214,781,094</u>
Expenditures:			
Current:			
General government	\$ 30,945,835	\$ 34,581,118	\$ 43,849,726
Public Safety	96,012,393	97,690,524	104,423,027
Transportation	22,804,610	24,783,817	25,354,951
Culture and leisure	14,470,287	16,675,755	17,761,268
Community development	6,808,301	6,686,614	6,605,206
Total expenditures	<u>\$171,041,426</u>	<u>\$180,417,828</u>	<u>\$197,994,178</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 22,778,821</u>	<u>\$ 14,256,249</u>	<u>\$ 16,786,916</u>
Other financing sources (uses):			
Issuance of long-term debt			
Transfers in	\$ 21,783,098	\$ 20,195,112	\$ 18,452,797
Transfers out	(42,141,527)	(33,120,109)	(24,412,739)
Total other financing sources (uses)	<u>\$ (20,358,429)</u>	<u>\$ (12,924,997)</u>	<u>\$ (5,959,942)</u>
Extraordinary gain (loss)			
Change in fund balances	2,420,392	1,331,252	10,826,974
Fund balances at beginning of year, as restated	<u>59,525,868</u>	<u>61,946,260</u>	<u>52,371,589⁽¹⁾</u>
Fund balances at end of year	<u>\$ 61,946,260</u>	<u>\$ 63,277,512</u>	<u>\$ 63,198,563</u>

(1) Fund balance at beginning of Fiscal Year 2015 adjusted to account for fixed asset reclassification adjustment of Notes Receivable, sundry projects deposit and a successor agency participation income adjustment.

Source: City of Pasadena, Department of Finance, and City of Pasadena California Comprehensive Annual Financial Report Year Ended June 30, 2015.

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, 2016, the funds invested pursuant to the pooled investment program had a market value of \$447,340,959. 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, 2016 was 1.93 years. Of the investments on that date, approximately 23.65% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2016 are shown in the following table:

**TABLE A-28
CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO
as of June 30, 2016**

	Market Value	Percentage of Total⁽¹⁾
Money Market – Collateralized	\$ 32,341,311	7.25%
Municipal Bonds	17,867,572	4.01
Corporate Bonds	72,947,584	16.36
Federal Agencies	221,711,487	49.71
US Treasury Securities	15,014,110	3.37
Supranationals	18,965,398	4.25
LAIF	64,111,541	14.38
Cash in Bank	3,014,246	0.68
Total	\$445,973,253	100.00%
Accrued Interest Receivable	1,367,706	
Grand Total	\$447,340,959	

⁽¹⁾ At market value. The Weighted Average Maturity of the above portfolio is 1.93 years.
Source: City of Pasadena, Department of Finance.

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 2016-17 on August 8, 2016. See APPENDIX C – "CITY OF PASADENA STATEMENT OF INVESTMENT POLICY."

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 P-1 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 the 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.

STATE OF CALIFORNIA BUDGET INFORMATION

A number of the City's revenues are collected and subvented 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. 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, after which the Governor has 12 calendar days to either sign or veto the enrolled budget. The Legislature has adopted timely the past four State budgets, although the Legislature has failed to meet the June 15 deadline in prior years. 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.ebudget.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.

The State budget for fiscal year 2016-17 ("2016-17 State Budget") was adopted by the Legislature on June 15, 2016 and signed by the Governor on June 27, 2016. The 2016-17 State Budget was the fifth consecutive balanced budget and the sixth consecutive budget to be enacted timely. The 2016-17 State Budget reflects continued improvement in the State's finances (resulting in significant part from the enhanced revenues from Proposition 30, described below). The 2016-17 State Budget assumes a \$2.7 million operating surplus at the end of fiscal year 2016-17 and includes the third deposit into the Budget Stabilization Account since 2007, in the amount of \$2.0 billion, bringing the total Budget Stabilization Account balance up to \$6.7 billion.

With the approval by the voters in November 2012 of Proposition 30's seven-year personal income tax increase and four-year sales tax increase (collectively known as "Proposition 30"), the State significantly improved its general fiscal condition. The sales tax portion and the personal income tax portion of Proposition 30 expire on December 31, 2016 and December 31, 2018, respectively. As a result of the passage of Proposition 30 and other measures taken by the administration, the Department of Finance reported in April 2016 that the State budget has been structurally balanced for the last five fiscal years.

While the State's general fiscal condition has improved since the recession, there can be no assurances that the State will not experience future budget challenges. The City cannot anticipate how any future State budget challenges might impact the revenues or expenditures of the City.

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, 2016, the City had total long-term debt obligations payable from the City's General Fund of approximately \$624.6 million. Of this total, obligations for general government purposes represented approximately 14.2%, pension obligation bonds approximately 19.8% and "self-supporting" obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 65.9%. For the past ten years, the City has made no contribution from its General Fund towards the payment of "self supporting" obligations (which include Authority lease revenue bonds for the Rose Bowl). Further, the City does not expect to make any contribution to the payment of such "self supporting" obligations in the near future.

Fiscal Year ended June 30	Total General Fund Obligations Debt Service (including Self Supporting Obligations)	General Fund Obligations Debt Service (excluding Self Supporting Obligations)
2013	\$32,096,418	\$15,450,970
2014	35,138,825	15,515,792
2015	30,337,777	10,160,698
2016	37,322,592	15,647,062

Source: City of Pasadena, Department of Finance.

Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

TABLE A-29
LONG TERM OBLIGATIONS PAYABLE FROM CITY GENERAL FUND
AS OF June 30, 2016
(\$ in Thousands)

City Issues	Original Par	Outstanding	Final Maturity	Variable/Fixed Synthetic Fixed (SWAP)	Letter of Credit Expiration Date	Letter of Credit Bank
<u>Pension Obligation Bonds</u>						
2015 AB Taxable POBs	\$119,460	\$119,460	2045	Fixed	-	-
Sub-Total Pension Obligation Bonds	\$119,460	\$119,460				
<u>City Leases</u>						
2000 Lease Financing	4,000	912	2020	Fixed	-	-
2011 (2006) VRDBs (City Hall Portion)	10,355	5,080	2023	Variable/SWAP(Synthetic Fixed)	-	-
2008 B Refunding COPs	26,759	9,101	2019	Fixed	-	-
2008 C Refunding COPs	71,450	3,490	2018	Fixed	-	-
2011 Equip Lease Financing – ARTS Buses	2,073	1,432	2022	Fixed	-	-
2012 Equip Lease Financing – Helicopter	1,584	626	2018	Fixed	-	-
2012 Equip Lease Financing – 911 System	3,947	1,554	2018	Fixed	-	-
2013 Equip Lease Financing – Dental Clinic	265	135	2018	Fixed	-	-
2013 Equip Lease Financing – Meter Equip	351	214	2018	Fixed	-	-
2015 Equip Lease Financing – Meter Equip	113	102	2020	Fixed	-	-
2015A Certificates of Participation	55,350	54,555	2038	Fixed	-	-
Sub-Total City Leases	\$176,247	\$ 77,201				
<u>Self-Supporting Obligations</u>						
1993 Refunding COPs (Old Pasadena Parking)	\$ 28,050	\$ 4,055	2018	Fixed	-	-
1999 Marriott Garage Lease Financing	2,600	659	2019	Fixed	-	-
2006 A CAB COPs (Conference Center)	27,140	26,280	2023	Fixed	-	-
2008 A COPs (Conference Center)	134,720	134,720	2035	Variable/SWAP(Synthetic Fixed)	4/16/2018	Bank of America
2008 B Refunding COPs	891	304	2019	Fixed	-	-
2008 Paseo Colorado Taxable Revenue Bonds	28,800	24,700	2038	Variable	9/1/2019	Bank of the West
2010 A PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-Exempt ⁽¹⁾	36,808	40,910	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	4,120	2020	Fixed	-	-
2010 D PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-RZEDBS	7,400	7,400	2043	Fixed	-	-
2013 A Rose Bowl VRD Lease Revenue Bonds (Tax-Exempt)	11,035	11,035	2042	Variable	-	-
2013 A Rose Bowl VRD Lease Revenue Bonds (Tax-Exempt) – Refunding Portion	23,965	23,865	2042	Variable/SWAP(Synthetic Fixed)	-	-
2013 B Rose Bowl VRD Lease Revenue Bonds (Taxable)	19,065	15,875	2027	Variable	-	-
Sub-Total Self-Supporting	\$432,139	\$401,990				
Total General Fund Obligations	\$727,846	\$598,651				

⁽¹⁾ To be refunded with the 2016A Lease Revenue Refunding Bonds.
Source: City of Pasadena, Department of Finance.

Revenue Bonds and Certificates of Participation

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. 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. See Note 9 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "CITY OF PASADENA CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2015"

Cash-flow Borrowings

In the past ten years, the City has not 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 August 1, 2016 is shown on the following page.

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**TABLE A-30
CITY OF PASADENA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of August 1, 2016**

CITY OF PASADENA

2015-16 Assessed Valuation: \$25,956,882,771

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/16</u>
Los Angeles County Flood Control District	2.078%	\$ 262,451
Metropolitan Water District	1.059	983,440
Pasadena Area Community College District	34.623	28,472,224
La Canada Unified School District	0.199	45,029
Pasadena Unified School District	73.370	300,241,046
Los Angeles County Improvement District No. 2658-M	0.987	17,618
Los Angeles County Regional Park and Open Space Assessment District	2.037	<u>1,030,926</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$331,052,734

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	2.037%	\$ 40,844,207
Los Angeles County Superintendent of Schools Certificates of Participation	2.037	146,766
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.439-58.566	6,395,349
Pasadena Unified School District Certificates of Participation	73.370	855,981
City of Pasadena General Fund Obligations	100	456,241,949
City of Pasadena Pension Obligation Bonds	100	<u>119,460,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$623,944,252
Less: City of Pasadena General Fund Obligations supported by other revenue sources		<u>387,504,790</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$236,439,462

<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100%	\$1,105,000
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GROSS COMBINED TOTAL DEBT	\$956,101,986 ⁽¹⁾
NET COMBINED TOTAL DEBT	\$568,597,196

⁽¹⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.28%
Total Gross Direct Debt (\$575,701,949).....	2.22%
Total Net Direct Debt (\$188,197,159).....	0.73%
Gross Combined Total Debt.....	3.68%
Net Combined Total Debt	2.19%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$3,831,016,176):

Total Overlapping Tax Increment Debt	0.03%
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LITIGATION

The City 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.

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