

semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such 2011 Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies, and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a 2011 Bond for an amount that is greater than the sum of all amounts payable on such 2011 Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such 2011 Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such 2011 Bond and may offset interest otherwise required to be included in respect of such 2011 Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a 2011 Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2011 Bond. However, if a 2011 Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such 2011 Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any 2011 Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such 2011 Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder’s tax basis in the 2011 Bond and (B) the sum of all amounts payable on such 2011 Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder’s tax basis in such 2011 Bond and (Y) the sum of all amounts payable on such 2011 Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a 2011 Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder’s tax basis in the 2011 Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the 2011 Bond will be treated as “reissued” on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section “Premium.” The rules relating to a 2011 Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of 2011 Bonds

Except as discussed above, upon the sale, exchange, redemption or retirement of a 2011 Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such 2011 Bond and such U.S. Holder’s adjusted tax basis in such 2011 Bond. A U.S.

Holder's adjusted tax basis in a 2011 Bond generally will equal such U.S. Holder's initial investment in the 2011 Bond increased by any original issue discount included in income (and accrued market discount, acquisition premium, if any, if the U.S. Holder has included such market discount in income and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such 2011 Bond. Such gain or loss generally will be long term capital gain or loss if the 2011 Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Health Care and Education Reconciliation Act of 2010

On March 30, 2010, President Obama signed into law the Health Care and Education Reconciliation Act of 2010 (the "Act"). The Act, which will be effective for taxable years beginning after December 31, 2012, will require certain U.S. Holders who are individuals, estates or trusts, to pay a special 3.8% tax on all or a portion of the interest and other income from the 2011 Bonds. Prospective purchasers should consult their tax advisors as to the applicability of such tax.

Non-U.S. Holders

A non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2011 Bonds on its own behalf will not be subject to U.S. federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on 2011 Bonds, unless the non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent (defined below) must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the 2011 Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN, which is effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a Form W-8BEN with a U.S. taxpayer identification number will remain effective until a change in circumstances makes any information on the form incorrect, provided the Withholding Agent reports at least annually to the beneficial owner on IRS Form 1042-S. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new Form W-8BEN. A non-U.S. Holder of 2011 Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding 2011 Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of 2011 Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. Holder of 2011 Bonds whose income from such 2011 Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. Holder of 2011 Bonds is a corporation, possibly subject to a branch profits tax at a

30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's Form W-8BEN.

Generally, a non-U.S. Holder will not be subject to U.S. federal income tax on any capital gain recognized on retirement or disposition of 2011 Bonds, unless the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such 2011 Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult his tax advisor.

2011 Bonds will not be includible in the estate of a non-U.S. Holder unless, at the time of the decedent's death, income from such 2011 Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

Information Reporting and Backup Withholding

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on 2011 Bonds to a noncorporate U.S. Holder within the United States or by a U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. holder of the proceeds from the sale of 2011 Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

Legal Defeasance

Under the terms of the Trust Agreement, the 2011 Bonds may be legally defeased. Prospective purchasers of 2011 Bonds should be aware that, for U.S. federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such 2011 Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of 2011 Bonds could differ from the timing and character of the amounts that would have been includible in gross income in respect of such 2011 Bonds had the legal defeasance not occurred. Prospective purchasers of such 2011 Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2011 Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed forms of opinion of Bond Counsel is attached hereto as Appendix C.

OTHER MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the 2011 Bonds are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, _____, _____, California, and for the City by the City Attorney, and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel.

Litigation

[To the best knowledge of the City there is no action, suit or proceeding known to be pending or threatened restraining or enjoining the execution or delivery of the 2011 Bonds or the Trust Agreement or any other document relating to the 2011 Bonds, or in any way contesting or affecting the validity of the foregoing.] [Confirm]

Ratings

Standard & Poor's Ratings Services ("Standard & Poor's") and Fitch Ratings ("Fitch") are expected to assign the 2011 Bonds the ratings of "____" and "____," respectively. Such ratings reflect only the view of such organizations and explanations of the significance of such ratings may be obtained only from the respective organizations at: Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2011 Bonds.

Underwriting

The 2011 Bonds are being purchased by Wedbush Morgan Securities (the "Underwriter") at a purchase price of \$_____ (which represents the aggregate principal amount of the 2011 Bonds, less an underwriter's discount of \$_____).

The Underwriter may offer and sell the 2011 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter. The Purchase Contract for the 2011 Bonds provides that the Underwriter thereunder will purchase all of the 2011 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract.

EXECUTION AND DELIVERY

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

CITY OF PASADENA

By _____
Director of Finance

APPENDIX A
THE CITY OF PASADENA

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.

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

Community Facilities

The City has a central library and eight branch libraries, four community centers, 24 parks and 33 playgrounds. Other entertainment and cultural facilities include the Rose Bowl, the Norton Simon Museum, the Pacific Asia Museum, the Gamble House, the Wrigley Estate, California Institute of Technology, Beckman Auditorium, the Pasadena Civic Auditorium and the Pasadena Playhouse. The City has long enjoyed a reputation as a community rich in culture, traditions and quality of life. The City is also home to the Tournament of Roses, sponsors of the well-known New Year's Day Parade and Rose Bowl football game held in the City each January.

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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Bill Bogaard, Mayor	Attorney	May 2015
Jacque Robinson (District 1)	Labor Community Organizer	May 2015
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2015
Chris Holden (District 3)	Commercial Real Estate Broker	May 2013
Gene Masuda (District 4)	Business Owner	May 2015
Victor Gordo (District 5)	Attorney	May 2013
Steve Madison (District 6)	Attorney	May 2015
Terry Tornek (District 7)	Real Estate Developer	May 2013

City Staff

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

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

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

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

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

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

Population

The following table presents a ten-year history of the population of the City since 2002.

POPULATION For Years 2002 through 2011

Year (as of January 1)	Population
2002	138,728
2003	141,949
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	151,576
2011	138,915

Source: State of California, Department of Finance revised, based upon revision to the US Census information with 2010 benchmark.

Employment

No annual information is regularly compiled on employment and unemployment in the City alone. The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2006 through 2010 and as of May 2011.

LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
Averages for Calendar Years 2006 through May 2011
(in thousands)

	2006	2007	2008	2009	2010	2011 ⁽¹⁾
County Employment	4,641	4,714	4,515	4,329	4,272	238
County Unemployment	246	254	374	568	637	600
County Civilian Labor Force	4,886	4,960	4,989	4,895	4,908	4,837
County Unemployment Rate	4.2%	5.1%	9.5%	11.6%	13.0%	12.4%
State Unemployment Rate	4.8%	5.4%	9.1%	11.4%	12.4%	11.8%

⁽¹⁾ Through May 2011

Source: State of California Employment Development Department. Current Labor Force and Industry Employment updated July, 2009; 2010; 2011 data as of May. Los Angeles-Long Beach Metropolitan Statistical Area.

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2010 are listed below.

**MAJOR EMPLOYERS
2010**

Company	Approximate Number of Employees	Business Line
Jet Propulsion Laboratory	5,038	Aerospace Research
Kaiser Permanente	4,500	Health Care
California Institute of Technology	3,628	Education
Huntington Memorial Hospital	3,260	Hospital
Pasadena City College	2,719	Education
Pasadena Unified School District	2,665	Education
SBC/ATT	2,525	Communications
The City of Pasadena	2,239	Government
Bank of America	1,500	Financial
Art Center College of Design	877	Education
Parsons Corporation	786	Engineering/Construction
Hathaway-Sycamores	615	Social Services
Pacific Clinics Administration	550	Medical Clinics
San Gabriel Valley Newspaper	525	Newspaper
The Langham Huntington Hotel (Ritz-Carlton)	511	Hotel
Rusnak Pasadena	450	Auto Dealer
Avon Products	238	Cosmetics

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

Housing

The following table presents a ten-year history of total available housing units within the City, from 2002 through 2011.

**HOUSING UNITS⁽¹⁾
For Fiscal Years 2002 through 2011**

Fiscal Year Ended June 30	Housing Units
2002	54,770
2003	55,521
2004	55,791
2005	56,255
2006	56,520
2007	56,753
2008	57,274
2009	58,135
2010	58,590
2011	60,178

⁽¹⁾ As of year end. Includes single family dwellings and multifamily units, including rental units and condominiums.
Source: City of Pasadena, Department of Planning and Permitting.

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,

Transportation

The City is served by an extensive surface and air transportation network. Several major freeways make the City accessible to the entire Los Angeles Basin. The City is served by three commercial airports: Bob Hope Airport, located in nearby Burbank, is within 15 miles, Los Angeles International Airport is within 35 miles and Ontario International Airport is within 45 miles. Continental Trailways and Greyhound bus lines have local depots in the City. The City supplements the local Metropolitan Transit Authority and the Foothill Transit Authority bus routes with the Pasadena Area Rapid Transit Services ("ARTS") bus services to expand the covered area. The ARTS buses provide convenient and nominal-fare transportation between many of the City's residential neighborhoods, retail, business and entertainment centers within the City. There are currently two ARTS routes that offer service seven days per week. In addition, the City provides Dial-A-Ride bus services for the elderly and disabled which is available for a nominal usage fee.

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

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

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 30, 2011, 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.

EMPLOYEE UNION REPRESENTATION

Name of Union	Number of Employees Represented As of June 30, 2011	Expiration of Contract
American Federation of State, County and Municipal Employees	313	July 2, 2013
International Brotherhood of Electrical Workers	106	June 30, 2010 ⁽¹⁾
International Union of Operating Engineers	25	March 27, 2012
Service Employee International Union	25	April 26, 2013
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	371	September 30, 2010 ⁽¹⁾
Pasadena Fire Fighters Association	158	August 28, 2011 ⁽¹⁾
Pasadena Police Officers Association	196	April 24, 2013
Pasadena Police Sergeant Association	37	April 24, 2012
Pasadena Fire Fighters Management Association	7	June 30, 2012
Pasadena Management Association	514	March 17, 2014

⁽¹⁾ Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

Retirement Systems

Pasadena Fire and Police Retirement System. Police and Fire personnel hired prior to July 1, 1977 are covered by the City's Fire & Police Retirement System (the "FPRS"). The FPRS was originally established by the City Charter in 1919. The FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. The FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1997, except those who elected to transfer to the California Public Employees' Retirement System (CALPERS) when the FPRS closed. The FPRS is managed by a five-member retirement board. One of the features of the FPRS is that beneficiaries receive post-retirement cost of living increases reflecting the full adjustment to the cost of living. In 1981, the City sought to impose a limit on this by a voter-approved ballot measure but in 1983 an appellate court ruled that the ballot measure was unenforceable. There were 275 participants in the FPRS as of June 30, 2010. See "Background" in the forefront of this Official Statement.

The last actuarial valuation (the "Report") for the FPRS was completed as of June 30, 2010. According to the Report, as of June 30, 2010, the FPRS had actuarial assets valued at \$109.74 million and total actuarial liabilities for current retirees and others having a present value at June 30, 2010 of \$166 million. The difference, \$56.35 million is the accrued unfunded actuarial liability herein referred to as the "unfunded liability." The actuarial value of the FPRS assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. Had the Report used the market value of the assets held by the FPRS, as of June 30, 2010, the unfunded liability would have been increased by approximately \$17.8 million to \$74.18 million.

The table set forth below sets forth the funding status for FRPS for the past five years.

CITY OF PASADENA
FPRS
(\$ in Millions)

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
2006	\$127,841	\$184,852	\$57,011	69%	141	40.416%
2007	131,137	183,046	51,909	72	146	35.607
2008	131,321	178,748	47,427	73	179	26.506
2009	119,551	177,803	58,252	67	-	N/A
2010	109,740	166,096	56,356	66.1	-	N/A

Source: FPRS actuarial valuations through June 30, 2009.

In calculating the unfunded liability, a number of assumptions are made. In the case of the Report, current key assumptions include an investment return on assets of the FPRS of 8% per annum (against an actual return averaged over the last ten years of 2.8% per annum) and an assumed cost of living increase of 3.8% per annum.

As described in the forepart of the Official Statement, the City and the FPRS have entered into a Amended Contribution Agreement. The City is required to make Supplemental Payments to the FPRS to ensure that all benefits are paid for purposes of determining Supplemental Payments required to be made in the future. In calculating the assets and liabilities of the FPRS, the FPRS will annually review and adopt an assumed interest rate and inflation assumption. Such assumptions shall be based on analysis performed by the FPRS' Actuary and shall be approved by the FPRS after consultation with the City and the City's professional investment advisors. In the past, FPRS has been 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"). The Amended Contribution Agreement permits the FPRS to use, in its actuarial calculations, the rates of investment and cost of living increases recommended by the FPRS's actuary and approved by the FPRS after consultation with the City and the City's consultants. The current average investment rate used by 1937 Act Counties is approximately 8%; the City expects that the actuarial rate to be recommended by the system's actuary to be closer to 6%. A reduced assumed investment return will, by its nature, immediately result in an increased actuarial unfunded liability.

Set forth below is a table showing annual City Supplemental Payments to the FPRS for the past five fiscal years. All of these payments are made from the City's General Fund.

Fiscal Year	FPRS
2006	\$6,533
2007	6,744
2008	5,019
2009	3,630
2010	5,766

As of June 30, 2011 the FPRS' investment assets were allocated as follows:

TABLE 4
CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
Portfolio Information
as of June 30, 2011

Description of Assets	Market Value	Percentage of Portfolio
Short-term Securities	\$774,539	2.13%
Investment Grade Fixed Income Securities	37,802,333	35.71
Common Stocks and other equity securities	63,353,760	62.16
TOTAL	<u>\$101,930,632</u>	<u>100.00%</u>

The 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, the FPRS must maintain sufficient liquidity to meet the 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 the 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 the FPRS, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS – Amended Contribution Agreement." A variety of factors will affect the extent of the City's liability to the FPRS, over and above the proceeds of the 2011 Bonds, including actual investment performance of the FPRS' assets, actual changes in the consumer price index, the 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. In fact, the payment of the 2011 Bond proceeds to the FPRS may not result in achieving the targeted funding level of 85% for the system. Further continued market volatility and the possibility of a "double dip" recession may require substantial additional contributions to the FPRS over time.

As previously, noted, the City has previously issued \$142.6 principal amount of pension obligation bonds to fund the FPRS, of which \$104.7 million are outstanding. Approximately \$_____ of these pension bonds [including the 2011 Bonds] are scheduled to mature or are subject to mandatory tender on or May 15, 2015. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2011 BONDS—Outstanding Pension Obligation Bonds.

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

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is partially reimbursed by employees. Different labor unions have different reimbursement rates ranging from 3.6% to 4.8%. Benefit provisions and all other requirements are established [by state status and town contract] with employee bargaining groups.

In the report received on October 2010 (being the most recent report available from CalPERS), as of June 30, 2009, the actuarial staff of CalPERS reported unfunded liability of \$125.0 million for the City's miscellaneous employees as compared to an underfunding of \$59 million the previous year and an unfunded liability of \$68.7 million for Safety employees compared to \$54.3 million previous year. Based upon this report for June 30, 2009 from CalPERS staff, the City reported that its CalPERS obligation was 82.9% actuarially funded with respect to the City's miscellaneous employees and 80.5% for Safety Employees.

The City provides pension benefits for employees not covered by CalPERS or the FPRS through the Public Agency Retirement System (PARS), a defined contribution plan. The City's payroll for employees covered by PARS for the year ended June 30, 2010 was \$3,083,374. Both the City and the covered employees made the total required 7.5% contributions of \$123,335 from the City and \$107,918 from the covered employees.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 26.559% of payroll for the safety plan and 15.484% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

Among the assumptions used to determine the ARC include entry age actuarial cost method, an amortization method including a level percent of payroll over an average remaining period of 18 years (miscellaneous) and 23 years (Safety), a 15-year smoothing methodology for asset valuation, and an assumed investment return (net of administrative expenses of 7.75% and an inflation rate of 3%.

Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The tables below summarize the funded status of the City's CalPERS 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 24 to the City's audited financial statements attached as Appendix B hereto.

PERS - MISCELLANEOUS EMPLOYEES

(\$ in Millions)

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	\$485,657	\$463,019	\$22,632	95.3%	\$86,571	26.1%
2006	534,487	496,180	38,307	92.8	93,252	41.1
2007	585,908	539,717	46,191	92.1	102,135	45.2
2008	638,095	579,068	59,027	90.7	111,486	53.1
2009	732,713	607,710	125,003	82.9	116,951	106.9

Source: CalPERS actuarial valuations through June 30, 2009 data is taken from annual valuation report dated October, 2010.

PERS - SAFETY EMPLOYEES

(\$ in Millions)

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
2005	\$227,202	\$190,415	\$36,787	83.8%	\$33,934	108.4%
2006	247,233	211,753	35,480	85.6	35,030	101.3
2007	285,822	238,041	47,781	83.3	40,138	119.0
2008	317,140	262,817	54,323	82.9	42,996	126.3
2009	352,610	283,880	68,730	80.5	45,516	151.0

Source: CalPERS actuarial valuations through June 30, 2009 date is taken from annual valuation report dated October, 2010.

Set forth below is a summary of the City's history of annual payments to CalPERS since 2005, as well as the City's projection of future payments through fiscal year 2013-2014. [The City has always contributed the full amount of the annual contribution recommended by CalPERS.] The City's projection of future payments based on future contribution rates on CalPERS actuarial report dated October 2010. Changes by CalPERS in their contribution rate calculations and underlying assumptions will alter these future contributions. Approximately 35% (on average) of the contributions to the Miscellaneous Plan and approximately 97% of the contributions to the Safety Plan have been or are expected to be made from the General Fund, as shown below. Market volatility and the possibility of a "double dip" recession may substantially increase the City's required contributions to CalPERS in the future.

ANNUAL PAYMENTS TO CalPERS RETIREMENT PLANS BY CITY
(\$ in Millions)

Fiscal Year Ended June 30	Total PERS— Misc Employees	Misc Employees General Fund	Total PERS— Safety Employees	PERS— Safety Employees General Fund
2005	\$8,274	\$ 3,144	\$11,030	\$10,699
2006	7,402	2,887	6,936	6,728
2007	8,671	3,295	10,056	9,855
2008	9,283	3,435	12,228	11,983
2009	9,916	3,768	12,580	12,328
2010	10,459	3,765	12,566	12,315
2011	12,517	4,381	10,346	10,139
2012*	13,666	4,778	9,873	9,676
2013*	14,386	5,030	10,112	9,909
2014*	16,769	5,863	11,227	11,002

* Projected annual payment to retirement plan based on future contribution rates on CalPERS actuarial report dated October 2010.

Post Retirement Medical Benefits

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

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

The City Contribution requirements have been establish at the individual retiree levels of \$101.00 or \$23.50 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State Law. These minimum requirements may be increased through future negotiations between the City and respective unions.

The City’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. FY 2009-10 was the first year of implementation of GASB Statement 45 and the City’s liability is based on “pay-as-you-go” funding. If the City were to select the “prefunding” method, the annual OPEB cost would be reduced. As of June 30, 2010, the unfunded actuarial accrued liability was \$30,819,156.

Results of Recent Los Angeles Civil Grand Jury Report into County Retirement Benefits.

On June 30, 2011, the 2010-2011 Los Angeles County Civil Grand Jury released its report relating to an investigation of the state of public pension pensions in Los Angeles County. The purpose of the report was to investigate the financial profile and status of public pension systems within the County.

For illustrative purposes, the study included an in-depth profile of five jurisdictions based upon the attributes of their pension plans. One of the jurisdictions and pension systems selected for a review was the City of Pasadena and the FPRS.

The Findings and Recommendations made by the Grand Jury Report with respect to the City of Pasadena and the FPRS are excerpted below. The full report can be found at: <http://grandjury.co.la.ca.us/gjreports.html>.

Findings

1. The City of Pasadena will be facing a significant financial challenge when it no longer receives funds from the Redevelopment Agency for the payment of Pension Obligation Bond debt presently used to finance the Fire and Police Retirement System. This funding source is due to end in 2014.
2. The City is actively considering solutions to the chronic underfunding of the FPRS which are reasonable and prudent.
3. The City's unfunded retiree health liability of \$30.8 million is a substantial obligation and is expected to grow with planned increases to the subsidy level for the FPRS members and the rapidly rising costs of health care. The City has adopted a pay-as-you go policy, which is more costly in the long run because reserve balances are not available to generate investment income that discounts annual required contributions.

Recommendations

1. The City Council endorse the recommendations being made by management staff regarding actuarial assumptions, cost stabilization, administrative restructuring and funding for the FPRS.
2. The City Council direct the City Manager to negotiate reductions in the amount of employee contribution picked up by the city for its CalPERS pension plans, up to the full amount of 8% for Miscellaneous and 9% for Safety employees.
3. The City Council adopt a policy to fully fund the OPEB actuarially determined Annual Required Contribution each year, to build reserves toward future benefit obligations and earn investment income that can reduce the amount of the ARC in future years.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. On liability claims losses and expenses paid averaged about \$1,653,950 per year for the past 10 years and, when existing "reserves" are added, averaged around \$2,611,691 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. As of October 30, 2008, the City has carried a liability policy of \$20 million excess of \$5 million Self Insurance Retention. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of the fiscal years ended June 30, 2000 through 2010 are reflected in the following table:

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

Fiscal Year ⁽¹⁾ Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims ⁽¹⁾
2000	\$ 403,997	\$ 511,683	\$ 915,680	\$ 190,764
2001	1,132,093	1,123,095	2,255,188	0
2002	830,199	216,976	1,047,175	0
2003	1,619,698	341,655	1,961,353	0
2004	3,190,864	627,493	3,818,357	0
2005	1,046,266	875,675	1,921,941	0
2006	314,867	440,187	755,054	0
2007	646,367	133,156	779,523	53,439
2008	553,300	1,239,857	1,790,157	1,431,058
2009	3,086,889	435,948	3,522,837	5,007,684
2010	234,676	9,502	244,178	2,013,343
2011	92,641	5,041	97,682	2,029,626

⁽¹⁾ Reserves reflect fiscal year in which claim occurred. Payments reflect money spent on all claims during a fiscal year.

The City maintains commercial property insurance and boiler and machinery insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of \$1 billion per occurrence per location subject to a \$25,000 deductible. Exclusions include earthquake, corrosion, sabotage, terrorism, electronic data processing electronic erasure, asbestos and mold. There are various sub-limits and/or higher deductibles on specified types of properties.

CITY FINANCIAL INFORMATION

Budget Preparation and Approval Process

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

On or before the third Monday in May of each year, the City Manager must submit to the City Council the recommended balanced budget for the following fiscal year, as required by the City Charter. Also at this time, a public hearing is opened for residents and businesses to make any comments or suggestions regarding the recommended budget. Copies of the recommended budget are available for inspection by the public in the office of the City Clerk and at the City's libraries at least ten days prior to the hearing.

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

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

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

Budgetary Principles and Developments

Budgetary Principles and Policies. In preparing the City's budget for fiscal year ending June 30, 2010, City staff was guided by certain principles and goals set by the City Council. Among them, staff was directed to match revenues with expenditures when developing a balanced operating budget, and minimize reliance on "carry-forward" fund balances from previous years to fund expenditures in future years.

General Fund Cash Reserve Policy. Beginning in fiscal year 2011, the City will maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current reserve is approximately \$34.0 million. [Confirm] Under current City policy, only under emergency conditions does the City use the reserve fund. Cash reserves may be in the form of actual cash or investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Fiscal Year 2012 Budget. The budget preparation process for fiscal year ending June 30, 2012 began in October 2010. In February and March 2011, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for fiscal year ended June 30, 2012. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council for a public hearing from which to obtain comments from the City's residents.

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 CIP budget includes approximately \$___ in projects (describe any significant ones). 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.

The City Council adopted the budget for fiscal year ending June 30, 2012 on June 27, 2011. The General Fund portion of the appropriation budget for fiscal year ending June 30, 2012 is \$215,843,255.

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds

according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum number of funds is maintained consistent with legal and contractual requirements.

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

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

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

Government Funds

General Fund
Special Revenue Funds
Debt Services Funds
Capital Projects Funds

Fiduciary Funds

Trust and Agency Funds

Proprietary Funds

Enterprise Funds
Internal Service Funds

Capital Assets

Capital Assets used in the Operation
of Governmental Funds

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

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

General Fund Comparative Operating Budget

The following table shows a three-year history of the City’s Comparative Operating Budget. The Fiscal Year 2010-11 results are estimated and the Fiscal Year 2011-12 results are budgeted.

**GENERAL FUND
COMPARATIVE OPERATING BUDGET
Fiscal Years 2010 through 2012**

	For Fiscal Year Ending June 30		
	2010	2011	2012
REQUIREMENTS			
Operating Expenditures	\$177,586,081	\$168,034,120	\$169,404,258
Capital Expenditures	-	-	-
Debt Service	34,697,156	34,930,000	32,683,158
Transfers Out	12,860,109	14,122,093	13,755,839
TOTAL REQUIREMENTS	\$225,143,346	\$217,086,213	\$215,843,255
AVAILABLE FUNDS			
Revenues	\$197,991,875	\$193,662,176	\$194,412,034
Transfers In	6,104,792	1,906,741	1,071,762
Reserves	-	-	-
Utility Contributions	16,167,840	16,167,840	15,490,972
TOTAL AVAILABLE FUNDS	\$220,264,507	\$211,736,757	\$210,974,768

Source: City of Pasadena, Department of Finance

Pursuant to City Charter Sections 1407 and 1408 the City makes annual transfers from the City’s Water Fund (the “Water Fund”) and from the City’s Light and Power Fund (the “Light and Power Fund”) to the General Fund. The amount transferred from the Water Fund is not to exceed 6% of gross income received during the preceding fiscal year and shall not exceed net income. This transfer may be used for any municipal purpose. The amount transferred from the Light and Power Fund is not to exceed 16% of gross income received during the preceding fiscal year and shall not exceed net income. Of the total 16% which may be transferred, up to 8% may be used for any municipal purpose and the remaining 8% is restricted for municipal improvements and bond redemption.

Set forth below is a table indicating the amount transferred from the Light and Power Fund and the Water Fund to the City’s General Fund during each of the last four fiscal years and the amount budgeted for the current fiscal year, expressed in dollars and as a percentage of the prior year’s gross income.

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

	Fiscal Year Ended June 30,				
	2008 ⁽²⁾	2009 ⁽²⁾	2010 ⁽²⁾	2011	2012 ⁽⁴⁾
<u>Light and Power Fund</u>					
Amount Transferred	\$11,341	\$12,922	\$15,475	\$13,899	\$12,636
Amount a Percentage of Prior Year's Gross Income ⁽¹⁾	8.0%	8.0%	9.2%	8.0%	8.0%
<u>Water Fund</u>					
Amount Transferred	\$2,923	\$2,872	\$2,624	\$2,854	\$2,855
As a Percentage of Prior Year's Gross Income ⁽¹⁾	6.0%	6.0%	6.0%	6.0%	6.0%

- (1) Reflects percentage of prior fiscal year's gross revenue of the Water Fund and the Light and Power Fund, respectively.
(2) Includes Public Benefit Charge Contribution to City Hall Retrofit of \$1.1 million.
(3) Does not include a transfer of \$540,000 relating to a lease of certain property. **[What does this footnote tie to?]**
(4) Budgeted.

Tax Revenue Sources

The City relies on a number of revenue sources, including, among others, sales and use taxes, property taxes and motor vehicle license fees that have in recent years been affected by the State's budgetary difficulties. The State has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. The State's fiscal year 2009-10 budget act included a diversion of a portion of the share of property tax revenues allocated by the State to cities, counties and local agencies. Constitutional amendment Proposition 1A, passed by Statewide voters in 2004, and Proposition 22 passed by the voters in 2010 limits the State's ability to divert or borrow these revenues in the future. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" herein.