

APPENDIX A

THE CITY OF PASADENA

The economic and demographic information provided below is presented as general background data and has been collected from sources which the City deems to be reliable. The General Fund of the City is not liable for the payment of the 2012A Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of the 2012A Bonds, any premium thereon upon redemption prior to maturity or their interest. No Owner of any 2012A Bond shall compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2012A Bonds and any premiums upon redemption thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income of the Electric System in the Light and Power Fund and other funds which are pledged to the payment of the 2012A Bonds, interest thereon and any premiums upon redemption pursuant to the Fiscal Agent Agreement.

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

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

City Council

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

Name	Occupation	Term Expiration
Bill Bogaard, Mayor	Attorney	May 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 the Pasadena City Manager since October 2008. His responsibilities include the overall operation of the City's government, including development of the annual operating and capital budget, which was over \$776 million in Fiscal Year 2012. Mr. Beck also manages 14 departments within the City, including Pasadena Water and Power, full service police and fire departments, a Department of Health and Management of almost 2,000 employees. He is also a member of the Rose Bowl Operating Company. Mr. Beck's initiatives have included the development of a five-year fiscal program to resolve a General Fund deficit brought on by the recent economic downturn with cumulative savings of more than \$150 million; streamlining the City's governmental functions and processes; increasing the use of technology to better serve residents; developing a financial solution to an unfunded liability in the closed Fire and Police Retirement System; creating a strategic investment plan to fund at least \$100 million in renovations to public facilities; and implementing a strategic planning process for the City. In addition, he has provided leadership to Pasadena's General Plan update and the Rose Bowl Stadium renovation project. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire with a population of more than 300,000 and a nearly \$1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the city departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. He developed the financial plan and implementation of the \$1.8 billion Riverside Renaissance program – 30 years of public infrastructure investment in just five years. Before working for the City of Riverside, he was Director of Economic Development and Real Estate Services for the University of California, Riverside, where he developed public/private partnerships to foster expansion of academic and research opportunities; and was instrumental in developing a regional economic development agenda that advanced managerial and technical job creation. He holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration, both 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 Associate's 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 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 2003.

**CITY OF PASADENA
POPULATION
For Years 2004 through 2012**

Year (as of January 1)	Population
2003	141,949
2004	143,616
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,768
2012	139,222

Source: State of California, Department of Finance revised, based upon revision to the US Census information with 2010 benchmark. Updates to estimates for years 2002 through 2009 incorporating the 2010 census counts are not available.

Education

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

**PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years 2003 through 2012**

Fiscal Year Ended June 30	Total Enrollment
2003	23,726
2004	22,669
2005	22,336
2006	21,321
2007	20,826
2008	20,905
2009	20,256
2010	18,742
2011	17,989
2012	18,569 ⁽²⁾

Source: Pasadena Unified School District.

⁽¹⁾ Includes students from the town of Sierra Madre and Altadena, an unincorporated area of the County of Los Angeles.

⁽²⁾ Projected.

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 2007 through 2011 and as of May 31, 2012.

**LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2007 THROUGH 2011
AND AS OF MAY 31, 2012
(in thousands)**

	2007	2008	2009	2010	2011	2012
County Employment	4,714	4,515	4,329	4,272	4,302	4,340
County Unemployment	254	374	568	637	564	540
County Civilian Labor Force	4,960	4,989	4,895	4,908	4,865	4,880
County Unemployment Rate	5.1%	9.5%	11.6%	13.0%	11.6%	11.1%
State Unemployment Rate	5.4%	9.1%	11.4%	12.4%	11.1%	11.0%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment updated July, 2009, 2010; 2012 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 2011 are listed below.

**CITY OF PASADENA
MAJOR EMPLOYERS
2011
[Update to come after 8/6/12]**

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	4,887	Aerospace Research
Kaiser Permanente	4,500	Health Care
California Institute of Technology-Campus	3,700	Education
Huntington Memorial Hospital	3,300	Hospital
Pasadena City College	3,465	Education
Pasadena Unified School District	2,665	Education
SBC/ATT	2,525	Communications
Bank of America	2,500	Financial
The City of Pasadena	1,967	Government
Art Center College of Design	897	Education
Parsons Corporation	717	Engineering/Construction
Hathaway-Sycamores	550	Social Services
Pacific Clinics Administration	550	Medical Clinics
The Langham Huntington Hotel (Ritz-Carlton)	550	Hotel
Avon Products	400	Cosmetics
East West Bank	400	Financial
Western Asset	400	Financial
Rusnak Pasadena	300	Auto Dealer

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 2003 through 2012.

**CITY OF PASADENA
HOUSING UNITS⁽¹⁾
For Fiscal Years 2003 through 2012**

Fiscal Year Ended June 30	Housing Units
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
2012	60,263

Source: City of Pasadena, Department of Planning and Permitting.

⁽¹⁾ As of year end. Includes single family dwellings and multifamily units, including rental units and condominiums.

Building Permit Activity

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

The following table shows the value of building permits issued in the City for the fiscal years 2008 through 2012.

**CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years 2008 through 2012
(Valuation in Millions)
Fiscal Year Ended June 30,**

	2008	2009	2010	2011	2012
Building Permit Valuations					
Nonresidential	\$ 98.2	\$ 73.9	\$ 50.8	\$56.3	\$ 92.5
Residential	55.5	23.6	23.4	24.4	24.3
Residential New Construction	76.2	52.2	11.5	9.8	61.2
Total	\$229.9	\$149.7	\$ 85.7	\$90.5	178.1
Number of Permits Issued					
Non Residential	715	601	592	619	717
Residential	2,195	1,865	1,780	2,077	3,022
Residential New Construction	59	28	32	39	25
Total	2,969	2,494	2,404	2,735	3,764

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business from 2007 through 2011.

CITY OF PASADENA TAXABLE TRANSACTIONS BY TYPE OF BUSINESS (\$ in Millions)

<u>Type of Business</u>	<u>Twelve Month Periods Ended September 30</u>				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Apparel Stores	\$ 227.0	\$ 209.0	\$ 179.0	\$ 199.1	\$ 195.0
General Merchandise Stores	251.2	216.28	218.3	210.6	213.7
Food Stores	121.9	127.5	118.2	116.1	116.3
Eating & Drinking Places	421.2	419.8	389.0	381.2	397.1
Home Furnishings & Appliances	200.9	210.6	167.0	177.7	176.8
Bldg. Material & Farm Implements	105.9	97.9	82.3	79.2	80.7
Auto Dealers & Auto Supplies	442.6	407.7	299.4	320.2	327.9
Service Stations	148.8	168.7	113.9	135.1	167.2
Other Retail Stores	<u>430.1</u>	<u>411.3</u>	<u>360.9</u>	<u>350.1</u>	<u>358.3</u>
Retail Stores Total	2,349.6	2,268.7	1,928.0	1,969.3	2,033.0
All Other Outlets	<u>802.3</u>	<u>852.3</u>	<u>795.3</u>	<u>682.8</u>	<u>660.9</u>
Total All Outlets	<u>\$3,151.9</u>	<u>\$3,121.0</u>	<u>\$2,723.3</u>	<u>\$2,652.1</u>	<u>\$2,693.9</u>

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

Community Facilities

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

Transportation

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

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

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

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 30, 2012, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

CITY OF PASADENA EMPLOYEE UNION REPRESENTATION

Name of Union	Number of Employees Represented As of June 30, 2012	Expiration of Contract
American Federation of State, County and Municipal Employees	273	July 2, 2013
International Brotherhood of Electrical Workers	107	June 30, 2013
International Union of Operating Engineers	25	March 27, 2012 ⁽¹⁾
Service Employee International Union	24	April 26, 2013
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	317	September 30, 2015
Pasadena Fire Fighters Association	143	August 25, 2011 ⁽¹⁾
Pasadena Police Officers Association	182	April 24, 2013
Pasadena Police Sergeant Association	33	April 24, 2012 ⁽¹⁾
Pasadena Fire Fighters Management Association	4	June 30, 2012 ⁽¹⁾
Pasadena Management Association	451	March 17, 2014

⁽¹⁾ Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

In recent contract negotiations employees represented by Pasadena Management Association, Pasadena Association of Clerical and Technical Employees/Laborers and American Federation of State, County and Municipal Employees have agreed to pay the full 8% contribution to CalPERS (defined below), and employees represented by all other non-identified unions have agreed to pay 3.6% of the 8% required contribution. These concessions represent approximately \$7 million in overall annual savings to the General Fund; 40% of these savings (approximately \$2.8 million) accrues to the benefit of the General Fund. The City is currently negotiating with the safety employee unions to bear a portion the 9% contribution to CalPERS, which is currently entirely borne by the City. In addition most bargaining units have agreed to a zero cost-of-living increase on their contracts.

Retirement Systems

Pasadena Fire and Police Retirement System. 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. The system 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 the California Public Employees' Retirement System ("CalPERS") either when the system closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2011, FPRS has an unfunded actuarial accrued liability of \$73.47 million and had a funded ratio of 59.0%. For fiscal year 2011, the City's annual pension cost was \$5,175,000 for FPRS. The City's required and actual fiscal year contributions were \$13,582,000 and \$8,036,000, respectively. 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). Under a supplemental contribution agreement between the City and FPRS, there is a specific funding plan whereby the City will provide supplemental payments to FPRS to ensure that all benefits will be paid. Copies of FPRS' annual financial report may be obtained from the Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

In March 2011, the City Council approved a restructuring and refunding of outstanding pension obligation bonds relating to FPRS in order to address a mandatory tender of such bonds in 2015 and the issuance of new bonds up to a maximum amount of \$65 million. On October 24, 2011, the City Council approved an Amended and Restated Contribution Agreement with the FPRS that sets the initial actuarial assumptions of 6% investment earnings rate and 3% inflation rate and authorized the issuance of not-to-exceed \$50 million pension obligation bonds to fund the system at 85% funding ratio. On March 29, 2012, the City issued \$47.440 million of taxable pension obligation bonds pursuant to such authorization.

California Public Employees' Retirement System. Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS with respect to pension benefits. CalPERS is an agent multiple-employer plan 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. 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.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earning 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 full 8% to 3.6%. 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.

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.

The City contributed 100% of its annual pension cost for the Miscellaneous Plan for the Fiscal Years ended June 30, 2009, June 30, 2010 and June 30, 2011 in the amount of \$9,916,000, \$10,459,000 and \$10,346,000, respectively. The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. The contribution rate indicated for the period is 25.621% of payroll for the safety plan and 16.227% of payroll for the Miscellaneous Plan. No assurances can be given that the contribution rates and the annual required contributions will not increase in future years.

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 for the Miscellaneous Plan, 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%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. 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.

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 indicated that it would phase-in the impact of the adjustment over two years, to lessen the strain on local governments. This will increase 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.

In the report received in October 2011 (being the most recent report available from CalPERS), as of June 30, 2010, the actuarial staff of CalPERS reported unfunded liability of \$138.0 million for the City's miscellaneous employees as compared to an underfunding of \$125 million the previous year and an unfunded liability of \$66.6 million for safety employees compared to \$68.7 million the previous year. Based upon this report for June 30, 2010 from CalPERS staff, the City reported that its CalPERS obligation had a funded ratio of was 82.2% based upon the actuarial value of plan assets (64.4% based upon the market value of plan assets) with respect to the City's miscellaneous employees and a funded ratio of 82.2% based upon the actuarial value of plan assets (64.7% based upon the market value of plan assets) for safety employees.

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. The plan agreement requires the City to contribute an amount equal to 4.0% of the employees' earning and the covered employee contributes 3.5%. The City's payroll for employees covered by PARS for the fiscal year ended June 30, 2011 was \$3,022,406. Both the City and the covered employees made the total required 7.5% contributions of \$120,896 from the City and \$105,784 from the covered employees.

Funding Status of Plans. 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 24 to the City's comprehensive annual financial report, which may be obtained from the City or at www.ci.pasadena.ca.us.

**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		
2005	\$485,657	\$463,019	\$22,632	95.3%	98.1%	\$ 86,571	26.1%
2006	534,487	496,180	38,307	92.8	98.5	93,252	41.1
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

Source: CalPERS actuarial valuations through June 30, 2010 data is taken from annual valuation report dated October, 2011.

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		
2005	\$227,202	\$190,415	\$36,787	83.8%	85.9%	\$33,934	108.4%
2006	247,233	211,753	35,480	85.6	90.2	35,030	101.3
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

Source: CalPERS actuarial valuations through June 30, 2010 date is taken from annual valuation report dated October, 2011.

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
2007	183,046	131,137	51,909	72	146	35.607
2008	178,748	131,321	47,427	73.5	179	26.506
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

Source: FPRS actuarial valuations through June 30, 2011.

Annual Payments to Retirement Plans by City
(\$ in Thousands)

Fiscal Year Ended June 30	CalPERS— Misc Employees	CalPERS— Safety Employees	FPRS ⁽²⁾
2005	\$ 8,274	\$11,030	\$7,284
2006	7,402	6,936	6,533
2007	10,056	8,671	6,744
2008	12,228	9,283	5,019
2009	12,580	9,916	3,630
2010	12,566	10,459	5,766
2011	12,518	10,346	5,175
2012 ⁽¹⁾	13,666	11,644	N/A ⁽³⁾
2013 ⁽¹⁾	14,322	11,233	N/A ⁽³⁾
2014 ⁽¹⁾	16,769	12,416	N/A ⁽³⁾

⁽¹⁾ Projected annual payment to retirement plan based on future contribution rates on CalPERS actuarial report dated October 2011.

⁽²⁾ Annual pension cost does not include supplemental payments required to be made by the City pursuant to Amended Contribution Agreement with FPRS. Supplemental payments were \$956,000 in 2009, \$4,981,000 in 2010 and \$8,036,000 in 2011.

⁽³⁾ Projected FPRS contributions not available.

Post-Retirement Medical Benefits (OPEB)

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 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 \$112.00 or \$33.60 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 \$108.00 or \$27.00 per month depending on the bargaining unit or the unrepresented group the employee was a member of. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For the Fiscal Year ended June 30, 2011, the City's contributions totaled \$416,176 (representing 13.68% of the annual other post-employment benefit ("OPEB") cost (expense)). The City's annual OPEB cost (expense) is calculated based on the annual required contribution (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, 2011, the City's unfunded actuarial accrued OPEB liability was \$31,678,052.

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 \$1,568,328 per year for the past 10 years and, when existing "reserves" are added, averaged around \$2,965,314 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. Since 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, 2002 through May 2012 are reflected in the following table:

**CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2001 through 2012
(Unaudited)**

Fiscal Year ⁽¹⁾ Ended June 30,	<u>Loss Paid</u>	<u>Expense Paid</u>	<u>Total Paid</u>	Remaining Reserves for Unpaid Claims ⁽¹⁾
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	25,000
2006	314,867	440,187	755,054	0
2007	646,367	140,224	786,591	23,439
2008	553,300	1,354,058	1,907,358	2,507,647
2009	3,111,889	439,483	3,551,372	788,208
2010	720,926	24,507	745,433	1,510,531
2011	169,820	10,171	179,991	3,003,995
2012	55,827	0	55,827	6,111,042

⁽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, 2012, 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 instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. The current reserve is approximately \$23.0 million. Under current City policy, only under emergency conditions does the City use the reserve fund. Cash reserves may be in the form of actual cash or investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Fiscal Year 2013 Budget. The budget preparation process for fiscal year ending June 30, 2013 began in October 2011. In February and March 2012, 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.

The City Council adopted the budget for fiscal year ending June 30, 2013 on June 11, 2012. The General Fund portion of the appropriation budget for fiscal year ending June 30, 2013 is \$215.7 million.

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:

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

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

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

General Fund Comparative Operating Budget

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

CITY OF PASADENA ADOPTED GENERAL FUND COMPARATIVE OPERATING BUDGET Fiscal Years 2011 through 2013

REQUIREMENTS	2011	2012	2013
Operating Expenditures	\$168,104,559	\$169,404,258	\$169,292,712
Capital Expenditures	-	-	-
Debt Service	34,930,000	32,683,158	32,683,497
Transfers Out	<u>14,122,093</u>	<u>13,755,839</u>	<u>13,679,864</u>
TOTAL REQUIREMENTS	<u>\$217,156,652</u>	<u>\$215,843,255</u>	<u>\$215,656,073</u>
AVAILABLE FUNDS			
Revenues	\$193,635,968	\$194,412,034	\$196,583,525
Transfers In	1,906,741	1,071,762	1,921,300
Reserves	-	-	-
Utility Contributions	<u>16,167,840</u>	<u>15,490,972</u>	<u>17,317,177</u>
TOTAL AVAILABLE FUNDS	<u>\$220,264,507</u>	<u>\$210,974,768</u>	<u>\$215,822,002</u>

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

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

**CITY OF PASADENA
TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
TO GENERAL FUND
Fiscal Years 2009 through 2013
(Dollar Amounts in Thousands)**

	Fiscal Year Ended June 30,				
	2009 ⁽²⁾	2010 ⁽²⁾	2011	2012 ⁽³⁾	2013 ⁽⁴⁾
<u>Light and Power Fund</u>					
Amount Transferred	\$12,722	\$15,475	\$12,742	\$15,808	\$14,308
Amount a Percentage of Prior Year's Gross Income ⁽¹⁾	8.0%	9.2%	8.0%	10.0%	9.0%
<u>Water Fund</u>					
Amount Transferred	\$2,332	\$2,526	\$25,464	\$3,395	\$3,009
As a Percentage of Prior Year's Gross Income ⁽¹⁾	6.0%	6.0%	6.0%	6.0%	6.0%

- ⁽¹⁾ Reflects percentage of prior fiscal year's gross revenue of the Water Fund and the Light and Power Fund, respectively.
⁽²⁾ Includes Public Benefit Charge Contribution to City Hall Retrofit of \$1.1 million.
⁽³⁾ Revised Budget.
⁽⁴⁾ Adopted Budget.

Tax Revenue Sources

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

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

Constitutional amendment Proposition 1A, passed by statewide voters in 2004, and Proposition 22 passed by voters in 2010 limits the State's ability to divert or borrow these revenues in the future.

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

**CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years 2006 through 2011
(in Thousands)**

	Fiscal Year Ended June 30,					
	2006	2007	2008	2009	2010	2011
Tax						
Property ⁽¹⁾	\$ 51,116	\$ 61,763	\$ 63,449	\$ 69,062	\$ 68,353	\$70,803
Sales	33,992	34,634	36,519	32,913	28,949	30,301
Utility Users	26,766	28,063	29,640	31,162	29,520	29,355
Street Light & Traffic Signal	5,480	6,352	6,779	7,051	6,565	6,675
Transient Occupancy	10,246	10,358	10,731	8,987	8,406	9,088
Total	<u>\$127,600</u>	<u>\$141,170</u>	<u>\$147,818</u>	<u>\$149,175</u>	<u>\$141,793</u>	<u>\$146,222</u>

⁽¹⁾ Includes assessments.

Source: City of Pasadena, Comprehensive Annual Financial Report.

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

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

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

The tax roll for fiscal year ended June 30, 2011, reflected a total assessed valuation of approximately \$20.9 billion for the City, of which \$2.8 billion reflected the redevelopment project areas incremental assessed valuations of which the payable taxes are due to its redevelopment agency. Assessed net valuation for revenue purposes increased by approximately 1.13% for the fiscal year ended June 30, 2011, over the assessed net valuation for fiscal year ended June 30, 2010, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2000 and the fiscal year ended June 30, 2011 was approximately 7.5%.

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

date for and the date on which California redevelopment agencies were dissolved pursuant to AB1X 26. AB1X 26 provides a framework for the dissolution and winding up of California redevelopment agencies and the management of the remaining obligations of the dissolved redevelopment agencies by their respective successor agencies and oversight boards to oversee those successor agencies. Pursuant to AB1X 26, tax increment will continue to flow to the payment of “enforceable obligations” (such as tax allocation bonds) of the dissolved redevelopment agencies.

**CITY OF PASADENA
 ASSESSED VALUATION OF TAXABLE PROPERTY
 Fiscal Years 2002 through 2012
 (in thousands)**

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

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

⁽¹⁾ Pasadena Community Development Commission, the former redevelopment agency for the City.

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

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

Fiscal Year	General City	City Debt Service*	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
2001	1.000000	0.016731	0.001314	0.067891	0.000000	0.001552	0.008800	1.096288
2002	1.000000	0.015297	0.001128	0.090396	0.000000	0.001073	0.007700	1.115594
2003	1.000000	0.014611	0.001033	0.070304	0.000000	0.000811	0.006700	1.093529
2004	1.000000	0.012515	0.000992	0.088903	0.006814	0.000462	0.006100	1.115786
2005	0.340900	0.000000	0.333200	0.331600	0.101900	0.000300	0.005800	1.113700
2006	0.340500	0.000000	0.322500	0.355500	0.964000	0.000100	0.005200	1.120200
2007	0.369100	0.000000	0.306700	0.284700	0.112200	0.000000	0.004700	1.077400
2008	0.337300	0.000000	0.327700	0.299300	0.110300	0.000000	0.004500	1.079100
2009	0.332800	0.000000	0.363500	0.276500	0.010180	0.000000	0.004300	1.078900
2010	1.000000	0.000000	0.000000	0.108364	0.023002	0.000000	0.004300	1.135666
2011	1.000000	0.000000	0.000000	0.101949	0.019864	0.000000	0.003700	1.125513

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

**CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2012**

Property Owner	Primary Land use	June 30, 2012 Assessed Valuation	% of Total
Marangi Leonard M Les	Hospital	\$ 488,979,482	2.29
Kaiser Foundation Health Plan Inc.	Office Building	218,721,478	1.02
Paseo Colorado Holding LLC	Shopping Center	192,186,749	0.90
Pacific Huntington Hotel Corp	Office Building	145,584,783	0.68
Equity Office Properties Trust	Office Building	127,400,000	0.60
Tishman Speyer Archstone Smith	Apartments	119,279,517	0.56
SSR Paseo Colorado LLC	Apartments	110,712,369	0.52
Wells Reit II Pasadena Corp	Office Building	103,446,418	0.48
Pasadena Towers LLC	Office Building	97,500,000	0.46
SPF 888 Walnut Pasadena LLC	Office Building	<u>89,600,000</u>	<u>0.42</u>
Total principal property taxpayers gross assessed value		<u>\$1,693,410,796</u>	<u>7.93%</u>
Total city assessed value		<u>\$21,399,216,248</u>	<u>100.00%</u>

Source: MuniServices

General Fund Comparative Financial Statements

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

**CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2009 through 2011**

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

Source: City of Pasadena, Department of Finance

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

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

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

Source: City of Pasadena, Department of Finance

Investment Practices

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

The Treasurer invests temporarily idle cash for the City as part of a pooled investment program which combines general receipts with special funds for investment purposes. The City's accounting division then allocates interest earnings on a *pro rata* basis when the interest is earned and distributes interest receipts based on the previously established allocations. All funds of the City, other than bond proceeds, the investment assets of the Commission, the City's Capital Endowment Fund and the Stranded

Investment Reserve Fund, are invested pursuant to this pooled investment program. Funds of the Commission are invested pursuant to the Investment Policy, but are kept separate from other City funds. The Treasurer does not invest funds of any other governmental entities as part of its pooled investment program. All bond proceeds are invested in accordance with the permitted investments described in the applicable trust indenture.

Pooled Investment Portfolio. As of June 30, 2012, the funds invested pursuant to the pooled investment program had a market value of \$335,314,524. 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, 2012 was 2.02 years. Of the investments on that date, approximately 28.69% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2012 are shown in the following table:

**CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO**

	Market Value	Percentage of Total⁽¹⁾
Money Market Fund	\$ 47,292	.01%
Money Market – Collateralized	41,738,013	12.48
Certificate of Deposit	1,744,000	.52
LAIF	44,548,709	13.32
Municipal Bonds	42,325,828	12.66
Corporate Bonds	92,606,375	27.69
Mortgage Backed Securities/GNMAs	85	0.00
Federal Agencies	102,746,530	30.73
Cash in Bank	<u>8,624,909</u>	<u>2.58</u>
Total	334,381,740	100.00
Accrued Interest Receivable	<u>932,784</u>	
Grand Total	335,314,524	

Source: City of Pasadena.

⁽¹⁾ At market value.

The Weighted Average Maturity of the above portfolio is 2.11 years.

The Investment Policy. The City’s treasury operations are managed according to the Investment Policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturities. The Investment Policy is reviewed and authorized by the City Council on an annual basis. The City Council approved the Investment Policy for fiscal year ending June 30, 2012 on September 26, 2011.

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

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

2. **Liquidity.** The City will maintain sufficient liquidity in the investment portfolio to enable the City to meet all operating requirements which might be reasonably anticipated and investments will be authorized only in securities that are actively traded in the secondary market. The City operates its own electric and water utility and bills monthly for these services. The utility billing program generates

significant cash flow on a daily basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

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

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

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

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

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

The Government Code stipulates that no investments may be made in securities with maturities in excess of five years without express authority from the City's legislative body. The Government Code and the City's Investment Policy place various other restrictions on investment in and allocation of funds to various investment categories, including the following:

- The value of bankers acceptances, bills of exchange or time drafts drawn on and accepted by commercial banks may not exceed 40% of the City's portfolio book value as measured on the date of purchase and the days to maturity of such investments may not exceed 180 days.
- Commercial paper must be rated P1 and issued by U.S. corporations with assets greater than \$500 million and a long-term debenture rating of A or better. The City is not permitted to purchase commercial paper that exceeds 270 days to maturity nor hold more than 10% of a corporation's outstanding commercial paper. The value of the City's holdings of commercial paper may not exceed 15% of the book value of the City's portfolio as measured on the date of purchase.

- The value of the City's holdings of negotiable certificates of deposits may not exceed 30% of the book value of the City's portfolio as measured on the date of purchase.
- The market value of the securities used as collateral for repurchase agreements may not be permitted to fall below 102% of the value of the repurchase agreement. Execution of a PSA Master Repurchase Agreement is required for all repurchase agreements transacted and the maturity of repurchase agreements may not exceed one year.
- The value of City's reverse repurchase agreement holdings may not exceed 20% of the book value of the City's portfolio as measured on the day of purchase. Reverse repurchase agreements may not exceed 92 days to maturity unless the agreement includes a written guarantee of minimum earnings for the entire period. Term reverse repurchase transactions in excess of 92 days are only permitted if the securities underlying the reverse are matched to the maturities of the reinvestments.
- No more than 25% of the City's investment portfolio may be invested in time deposits.
- Medium-term corporate bonds must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. The value of the City's holdings of medium-term corporate bonds is limited to 30% of the City's portfolio book value as measured on the date of purchase and no more than 5% of the cost value may be invested in bonds held by one corporation.
- The value of the City's mutual fund holdings may not exceed 20% of the City's portfolio book value as measured on the date of purchase.
- Any eligible mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond must be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. In addition, purchases of such securities may not exceed 20% of all of the City's surplus funds that may be invested in accordance with the foregoing investment guidelines and restrictions.

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

General Obligation Debt

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

Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of June 30, 2011 is shown below. {update to come by 8/6/12}

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

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

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 06/30/11</u>
Los Angeles County Flood Control District	2.131%	\$1,146,371
Metropolitan Water District	1.024	2,331,341
Pasadena Area Community College District	32.841	37,827,028
La Cañada Unified School District	0.234	74,377
Pasadena Unified School District	71.118	205,939,949
City of Pasadena Community Facilities District No. 1	100.000	8,685,000
Los Angeles County Improvement District No. 2658-M	98.287	3,253,300
Los Angeles County Regional Park and Open Space Assessment District	1.998	3,941,754
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$263,199,120</u>

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

COMBINED TOTAL DEBT \$914,838,163⁽²⁾

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt 1.25%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$608,465,254) 3.33%

Combined Total Debt..... 5.01%

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

Source: MuniServices, LLC

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF PASADENA
WATER AND POWER ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

APPENDIX C

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2012A Bonds, payment of principal of and interest on the 2012A Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2012A Bonds, and other 2012A Bonds-related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2012A Bonds (the “2012A Bonds”). The 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the 2012A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2012A 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 2012A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012A Bonds, except in the event that use of the book-entry system for the 2012A Bonds is discontinued.

To facilitate subsequent transfers, all 2012A 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 2012A 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 2012A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012A Bonds, such as redemptions, defaults and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of 2012A Bonds may wish to ascertain that the nominee holding the 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2012A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the 2012A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2012A Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, the 2012A Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2012A Bond certificates will be printed and delivered.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2012A Bonds, Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, proposes to render its final opinion with respect to the 2012A Bonds in substantially the following form:

[Closing Date]

City of Pasadena
Pasadena, California

§ _____
City of Pasadena, California
Electric Revenue Refunding Bonds, 2012A Series

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pasadena, California (the "City") in connection with the issuance of the City's Electric Revenue Refunding Bonds, 2012A Series (the "2012A Bonds") in the aggregate principal amount of \$ _____. The 2012A Bonds are being issued pursuant to the Charter of the City, as amended (the "Charter"), including Article XIV thereof, Ordinance No. ____ (the "Ordinance"), adopted by the City Council of the City (the "Council") on ____, 2012, and by an Electric Revenue Bond Fiscal Agent Agreement, dated as of August 1, 1998, by and between the City and The Bank of New York Mellon Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), as amended and supplemented, including as amended and supplemented by a Seventh Supplement to Electric Revenue Bond Fiscal Agent Agreement, dated as of October 1, 2012, each by and between the City and the Fiscal Agent (collectively, the "Fiscal Agent Agreement").

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

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2012A Bonds to be included in gross income for federal income tax purposes.

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

1. The City is authorized and empowered by law, including the Charter, to adopt the Ordinance, to execute and deliver the Fiscal Agent Agreement, to issue the 2012A Bonds, to use

the proceeds from the sale thereof for the purposes stated in the Ordinance and the Fiscal Agent Agreement and to pledge the Net Income of the Electric System to the payment of the 2012A Bonds.

2. The Fiscal Agent Agreement has been, pursuant to law, including the Charter and the Ordinance, duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the City. The Fiscal Agent Agreement creates a valid pledge, to secure the payment of the principal of and interest on the 2012A Bonds, of the Net Income as and to the extent set forth in the Fiscal Agent Agreement and subject to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The 2012A Bonds are valid and binding special obligations of the City and are payable exclusively from the Light and Power Fund of the City's Water and Power Department and certain other funds as provided in the Fiscal Agent Agreement, and are secured by a pledge of and lien upon Net Income of the Electric System on a parity with other obligations of the Electric System payable from Net Income of the Electric System and issued from time to time pursuant to the Fiscal Agent Agreement. The general fund of the City is not liable for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any Bond may not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Income and other funds, security or assets which are pledged to the payment of the 2012A Bonds, interest thereon and any premiums upon redemption.

4. The Internal Revenue Code of 1986 (the "Code") establishes certain requirements that must be met subsequent to the issuance and delivery of the 2012A 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 2012A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2012A Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to maintain the exclusion of the interest on the 2012A Bonds from the gross income of the owners thereof for federal income tax purposes.

In our opinion, under existing statutes, regulations, rulings and court decisions, interest on the 2012A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the 2012A Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes and 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. However, we note that interest on the 2012A Bonds owned by a corporation (other than an "S" corporation or a qualified mutual fund, real estate mortgage investment conduit, real estate investment trust, or financial asset securitization investment trust) is includable in its adjusted current earnings for purposes of calculating its 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 is computed.

Except as stated in the preceding two paragraphs, we express no opinion as to any federal

or state tax consequences of the ownership or disposition of the 2012A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2012A Bonds, or the interest thereon, if any action is taken with respect to the 2012A Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

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 facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result 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.

The opinions expressed in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the 2012A Bonds and the Fiscal Agent Agreement 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 2012A Bonds and the Fiscal Agent Agreement 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 (including, but not limited to, rights of indemnification).

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2012A Bonds.

Very truly yours,