

<b>Name</b>	<b>Occupation</b>	<b>Term Expiration</b>
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 2002. The population estimate for 2010 and 2011 incorporates 2010 US Census information as the benchmark and, as a result, the population for 2010, published in 2011, was noticeably lower from prior year estimates provided by the State Department of Finance. The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance to transmit an estimated of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2011, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2011-2012.

The population certification program applies only to cities and counties. The Federal 2010 Census population counts for cities and counties have been certified to the State Controller's Office. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceed the current certified population with the State Controller's Office.

**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	136,769
2011	138,915

Source: State of California, Department of Finance

**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 2011.

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

	2006	2007	2008	2009	2010	2011
County Employment	4,641	4,714	4,515	4,329	4,272	4,302
County Unemployment	246	254	374	568	637	564
County Civilian Labor Force	4,886	4,960	4,989	4,895	4,908	4,865
County Unemployment Rate	4.2%	5.1%	9.5%	11.6%	13.0%	11.6%
State Unemployment Rate	4.8%	5.4%	9.1%	11.4%	12.4%	11.1%

Source: State of California Employment Development Department. Current Labor Force and Industry Employment updated July, 2009; 2010; 2011 data as of August. 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.

**MAJOR EMPLOYERS  
2011**

<b>Company</b>	<b>Approximate Number of Employees</b>	<b>Business Line</b>
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 2002 through 2011.

**HOUSING UNITS<sup>(1)</sup>  
For Fiscal Years 2002 through 2011**

<b>Fiscal Year Ended June 30</b>	<b>Housing Units</b>
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

<sup>(1)</sup> 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. 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 2006 through 2011. Based on the data, building permit activity appears to have stabilized in 2010 and increased 13% in FY2011.

**BUILDING PERMIT VALUATION AND PERMIT ACTIVITY**  
**Fiscal Years 2006 through 2011**  
**(Valuation in Millions)**  
**Fiscal Year Ended June 30,**

	2006	2007	2008	2009	2010	2011
<b>Building Permit Valuations</b>						
Nonresidential	\$72.3	\$ 91.4	\$ 98.2	\$ 73.9	\$ 50.8	\$ 56.3
Residential	45.0	46.7	55.5	23.6	23.4	24.4
Residential New Construction	79.3	80.4	76.2	52.2	11.5	9.8
Total	\$196.6	\$218.5	\$229.9	\$149.7	\$ 85.7	\$ 90.5
<b>Number of Permits Issued</b>						
Non Residential	728	702	715	601	592	619
Residential	2,645	2,454	2,195	1,865	1,780	2,077
Residential New Construction	73	77	59	28	32	39
Total	3,446	3,233	2,969	2,494	2,404	2,735

Source: City of Pasadena, Planning and Permitting Department.

The building permit activity seems to have stabilized in 2010 and increased by 14% in Fiscal Year 2011.

## Taxable Sales

The following table indicates taxable transactions in the City by type of business from 2006 through 2011.

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

Type of Business	Twelve Month Periods Ended September 30				Nine months ended June 30	
	2007	2008	2009	2010	2010	2011 <sup>(1)</sup>
Apparel Stores	\$ 214.3	\$ 205.0	\$ 176.0	\$ 198.8	152.5	\$ 152.2
General Merchandise Stores	332.8	285.8	228.3	317.7	244.7	163.1
Food Stores	145.7	180.5	150.8	136.7	105.1	126.8
Eating & Drinking Places	488.5	466.5	395.1	418.4	318.9	332.0
Home Furnishings & Appliances	170.9	197.2	177.8	179.3	130.5	136.2
Bldg. Material & Farm Implements	139.6	107.7	80.4	93.4	68.9	74.6
Auto Dealers & Auto Supplies	474.0	451.0	313.0	354.0	260.5	265.0
Service Stations	138.9	154.4	107.7	123.9	90.2	122.4
Other Retail Stores	304.9	313.4	368.2	242.0	184.1	248.4
Retail Stores Total	2,409.6	2,362.4	1,997.3	2,064.2	1,555.4	1,620.7
All Other Outlets	718.8	710.2	650.3	555.1	417.3	388.4
Total All Outlets	\$3,128.4	\$3,072.6	\$2,647.6	\$2,619.3	1,972.7	\$2,009.1

<sup>(1)</sup> Most recent data available.

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

## 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	273	July 2, 2013
International Brotherhood of Electrical Workers	107	June 30, 2013
International Union of Operating Engineers	25	March 27, 2012
Service Employee International Union	24	April 26, 2013
Pasadena Association of Clerical and Technical Employees/Laborers		
International Union of North America	317	September 30, 2010 <sup>(1)</sup>
Pasadena Fire Fighters Association	143	August 28, 2011 <sup>(1)</sup>
Pasadena Police Officers Association	182	April 24, 2013
Pasadena Police Sergeant Association	33	April 24, 2012
Pasadena Fire Fighters Management Association	4	June 30, 2012
Pasadena Management Association	451	March 17, 2014

<sup>(1)</sup> Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

In recent contract negotiations employees represented by Pasadena Management Association and American Federation of State, County and Municipal Employees have agreed to pay the full 8% contribution to CalPERS, and employees represented by all other non-identified unions have agreed to pay 3.4 % of the 8% required contribution. 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. [CONFIRM] . See "Retirement Systems-California Public Employees' Retirement System" below.

## 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 269 participants in the FPRS as of June 30, 2011. See “Background” in the forepart of this Official Statement.

The last actuarial valuation (the “Report”) for the FPRS was completed as of June 30, 2011. According to the Report, as of June 30, 2011, the FPRS had actuarial assets valued at \$105.81 million and total actuarial liabilities for current retirees and others having a present value at June 30, 2011 of \$179 million. The difference, \$73.47 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, 2011, the unfunded liability would have been decreased by approximately \$1.64 million to \$71.83 million.

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

**CITY OF PASADENA**  
**FPRS**  
**(\$ in Millions)**

<b>Valuation Date (June 30)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as a % of Covered Payroll</b>
2006	\$184,852	\$127,841	\$57,011	69%	141	40.416%
2007	183,046	131,137	51,909	72	146	35.607
2008	178,748	131,321	47,427	73	179	26.506
2009	177,803	119,551	58,252	67	-	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, 2010.

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%.



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	Supplemental Payments to FPRS (in thousands)
2006	\$1,427
2007	3,839
2008	3,193
2009	956
2010	4,981
2011	8,036

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

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

Description of Assets	Market Value	Percentage of Portfolio
Cash and cash equivalents	5,234,332	4.87%
Interest Receivable	200,421	.19%
Government and agencies	22,206,282	20.65%
Domestic corporate obligations	15,235,215	14.17%
International corporate obligations	1,283,168	1.19%
Real estate (REITS)	9,660,250	8.99%
Domestic corporate stocks	33,204,990	30.88%
International corporate stocks	20,488,520	19.06%
TOTAL	<u>\$107,513,178</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 requirement are established [by state status] with employee bargaining groups. A recent Los Angeles County grand jury report (described below) recommended that the City negotiate reductions in the amount of the employee contributions “picked up” by the City.

In the report received on 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 previous year. Based upon this report for June 30, 2010 from CalPERS staff, the City reported that its CalPERS obligation was 82.2% actuarially funded with respect to the City’s miscellaneous employees and 82.2% 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, 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. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012 to June 30, 2013.

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)

<b>Valuation Date (June 30)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as a % of Covered Payroll</b>
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
2010	773,303	635,455	137,847	82.2	115,289	119.6

Source: CalPERS annual valuation report dated October, 2011.

**PERS - SAFETY EMPLOYEES**

(\$ in Millions)

<b>Valuation Date (June 30)</b>	<b>Actuarial Accrued Liability (AAL) – Entry Age</b>	<b>Actuarial Asset Value</b>	<b>(Overfunded) Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded AAL as a % of Covered Payroll</b>
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
2010	373,670	307,056	66,614	82.2	45,643	145.9

Source: CalPERS annual valuation report dated October, 2011.

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)**

<b>Fiscal Year Ended June 30</b>	<b>PERS Misc Employees</b>		<b>PERS Safety Employees</b>	
	<b>Total Contribution Misc Employees</b>	<b>General Fund Contribution Misc Employees</b>	<b>Total Contribution Safety Employees</b>	<b>General Fund Contribution Safety Employees</b>
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	10,346	4,381	12,518	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 2011.

**TOTAL EMPLOYER CONTRIBUTION RATE TO PERS**

<b>Fiscal Year Ended June 30</b>	<b>Actual % of Payroll</b>	
	<b>Total Misc Employees</b>	<b>Total Safety Employees</b>
2006	8.313%	19.648%
2007	8.331%	21.321%
2008	8.625%	22.048%
2009	10.644%	21.898%
2010	10.855%	22.977%
2011	11.422%	23.599%
2012	15.484%	26.559%
2013	16.227%	25.621%

**Post-Retirement Medical Benefits (OPEB)**

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or the FPRS for medical post-retirement benefits. 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 \$105.00 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 established at the individual retiree levels of \$105.00 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 [or decreased?] through future negotiations between the City and respective unions.

The City has historically funded these post-retirement health care benefits on a “pay-as-you-go” basis. For fiscal year 2012-13, the annual contribution was approximately \$350,000. As described below, a recent grand jury report recommended that the City prefund its OPEB liability. FY 2009-10 was the first year of implementation of GASB Statement 45. As of June 30, 2010, the unfunded actuarial accrued OPEB liability was approximately \$30.8 million.

### **Grand Jury Report on Public Pensions in LA County—Including Pasadena FPRS**

On June 30, 2011 the Los Angeles County Civil Grand Jury released a report (available as part of the Final Report 2010-2011 at [Grandjury.co.la.ca.us/gjreports.html](http://Grandjury.co.la.ca.us/gjreports.html)) following an investigation into a number of public pension plans for agencies located within the County. The Grand Jury selected five agencies for in-depth review including the Pasadena Fire and Police Retirement System (FPRS).

Although the investigation focused on FPRS, the final Grand Jury report commented on the City’s CalPERS pension plan as well as CalPERS post retirement health benefit program. Specifically, the Grand Jury made three 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.

The California Government Code requires a response to the recommendations of a Grand Jury within 90 days of release of the report. When the City responds, it will report that on March 28, [2011] the City Council unanimously approved the staff recommendations associated with the FPRS; hence, the recommendation of the Grand Jury is consistent with action already being taken by the City.

In regard to decreasing the City’s contribution towards the employee portion of CalPERS pension costs, the City will be able to report that it is moving in this direction as part of the overall strategy towards compensation and benefits. See “Employee Relations” above.

As to the final recommendation, pre-funding the City’s obligation related to the CalPERS health program, the City’s independent auditor has recently recommended that the City pursue such an approach. Accordingly, during the 2012-13 fiscal year, staff will be working on a plan that addresses this liability. The City historically made all required payments (calculated on a “pay-as-you-go” basis) which total

approximately \$350,000 annually. The City anticipates that the actuarially required contribution for fiscal year 2012-13 will total approximately \$\_\_\_\_\_.

**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. 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, 2000 through 2011 are reflected in the following table:

**CITY OF PASADENA  
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES  
Fiscal Years 2000 through 2011  
(Unaudited)**

Fiscal Year <sup>(1)</sup> Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims <sup>(1)</sup>
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

<sup>(1)</sup> 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. The City's insurance policies are renewed annually and the current policies expire on July 1, 2012.

**CITY FINANCIAL INFORMATION**

*Certain statements included or incorporated by reference in the discussion below constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or*

*achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.*

### **Budget Preparation and Approval Process**

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

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

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 Financial Planning and Forecasting**

*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 Five Year Financial Plan.* In mid-2009 as the realities and depth of the recession were becoming clear, the City Council adopted 5-year plan to address the growing structural deficit in the General Fund. The Plan takes a measured approach to reducing expenditures to minimize the impacts on services and programs. The Plan utilizes over \$25 million in undesignated General Fund reserves to offset the devastating programmatic reductions that would have otherwise been necessary to eliminate the structural deficit earlier. The most significant factor in eliminating the growth in expenses has been the willingness of City employees to forego salary increases. Personnel-related expenses account for more

than 75% of all General Fund operating expenditures. Since the beginning of FY 2009 the city has cut nearly 300 positions, most of which were achieved through voluntary separations, elimination of vacant positions, and a limited number of layoffs. Additionally, the City has now gone three years without across the board cost of living increases for staff. Selected labor groups have received salary increases; however, each of these increases was paid for through other negotiated labor cost reductions. For example, recent negotiations with some labor groups have eliminated the City's partial payment of the employee's share of PERS pension costs. See "Employee Relations" above. [Description of Employee Concessions to be discussed there]

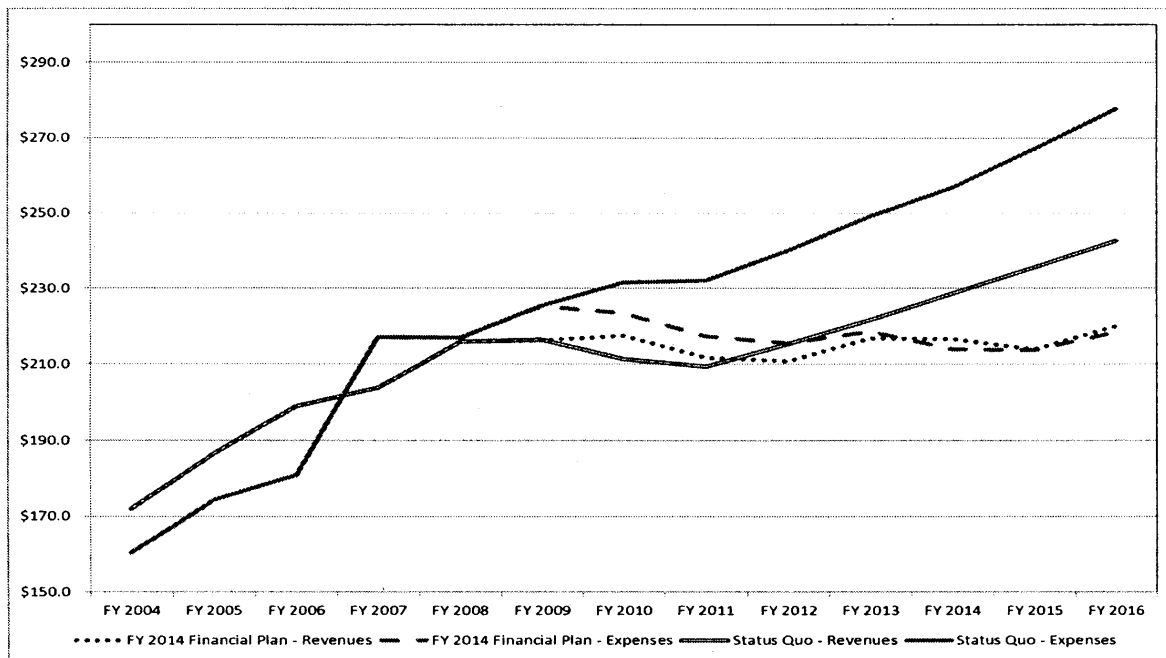
Additional deficit reductions actions have included:

- Reductions to discretionary spending on consultants and material supplies;
- Reductions to police overtime;
- Civilianization of fire building inspectors;
- Temporary closure of fire station 39 for seismic retrofit;
- Reductions to maintenance cycles at City parks and public buildings.

As shown on the pictorial forecast below, if actions had not been taken, the City projected in its financial forecast that the General Fund would face a widening gap between projected baseline revenues and expenses, with the City's annual deficit in the General Fund projected to grow to more than \$28.5 million by FY 2014. Cost reductions began to be implemented in mid-FY 2009 and have continued in each succeeding fiscal year. Through the actions already taken and those incorporated into the FY 2012 Budget, the City is on track to eliminate over \$150 million in cumulative costs between FY 2009 and FY 2016 in the General Fund. It is noteworthy that additional cost reductions of approximately \$4.5 million were included in the FY 2012 Adopted Budget to offset the significant increases to the City's pension contribution rates. As shown below, the City has forecasted that it will eliminate its structural deficit by end of FY13 (instead of FY 14 as originally forecasted in 2009).



**General Fund 5-Year Financial Plan Forecast  
(Updated with projections through FY 2016)  
(\$'s in Millions)**



Source: City of Pasadena Finance Department

. In preparing its financial forecasts reflected in the graph above and the table below, City staff made a variety of assumptions, including, among others: :

- 1 The City will continue to make annual transfer from its Water and Power Fund including; including a 6% transfer from the Water Fund and a 9% transfer from the Light & Power Fund through FY15 and 8% thereafter. (See “Transfers from the General Fund to the Utility Funds” below);
- 2 The City will continue to receive SB481 tax increment revenues until 2014. (See “SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS-Historic and Projected Tax Increment” in the forepart of this Official Statement);
- 3 CalPERS contributions will be as shown on the most recent CalPERS actuarial valuation report and based on CalPERS’ projections. (See “Retirement Systems-California Public Employees’ Retirement System” above);
- 4 The City will continue to make contributions to its OPEB liability on a “pay-as-you-go basis.” (See “Post Retirement Medical Benefits” above);
- 5 The issuance of the 2011 Bonds; and
- 6 The City will continue to obtain concessions for minimal cost of living adjustments (COLA) from its employees;

*There can be no assurance that the assumptions described above will be realized. Accordingly, there can be no assurance that the City's financial forecasts as shown in the graph above and in the table below will correspond with its actual financial results.*

The table below shows estimated operating projections for the five-year forecast period based upon actions previously taken and those recommended in the FY 2012 budget. The five-year financial forecast presentation differs from the City's presentation of its financial results; among other differences it is calculated on a cash basis and line items will not correspond to audited financial or budget presentations. The City's financial forecast is reviewed monthly and updated no less often than quarterly.

**General Fund 5-Year Financial Plan  
(\$000)**

	Year Ending June 30,				
	2012	2013	2014	2015	2016
Beginning Total General Fund Balance <sup>(1)</sup>	\$ 46,565	\$ 42,453	\$ 42,641	\$ 43,016	\$ 43,127
<b>Revenues</b>					
Tax Revenues	\$123,826	\$126,838	\$130,657	\$136,422	\$141,355
Other Revenues	86,223	87,848	80,109	72,779	72,893
<b>TOTAL REVENUES</b>	<b>\$210,049</b>	<b>\$214,686</b>	<b>\$210,766</b>	<b>\$209,201</b>	<b>\$214,248</b>
<b>Operating Expenditures</b>					
Personnel	\$127,117	\$128,633	\$130,904	\$133,564	\$136,750
Debt Service	31,811	32,683	23,175	17,557	18,076
Contributions to other funds/misc purposes	13,393	12,887	14,683	15,032	15,391
Other Expenditures	41,840	40,295	41,629	42,937	43,493
<b>TOTAL EXPENDITURES</b>	<b>\$214,161</b>	<b>\$214,498</b>	<b>\$210,391</b>	<b>\$209,090</b>	<b>\$213,710</b>
Net Income/(Loss) <sup>(2)</sup>	\$ (4,112)	\$ 188	\$ 375	\$ 111	\$ 538
Total Ending General Fund Balance	\$ 42,453	\$ 42,641	\$ 43,016	\$ 43,127	\$ 43,665

<sup>(1)</sup> Includes City 10% Unrestricted Reserves per its General Fund Cash Reserve Policy.

<sup>(2)</sup> Calculated on a cash flow basis

Source: City Finance Department.

*General Fund Cash Reserve Policy.* Beginning in FY 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 operating reserve is approximately \$23.0 million. Under current City policy, only under emergency conditions does the City use this operating reserve. 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.

Set forth below is a summary of the condition of the City's General Fund reserves for the past five years. Until FY 2010, the City's 10% operating reserve was identified as "Designated for-General Fund Reserve;" however, in FY 2011, accounting changes resulted in the operating reserve being divided between that line item and the line item "Reserve Balance."

	As of June 30,				
	2007	2008	2009	2010	2011
Reserved Balance	6,971,067	7,126,932	11,981,577	7,996,500	39,373,296
Designated for:					
General Fund Reserve	15,065,942	15,984,369	22,788,068	22,594,334	8,582,519
Budget Stabilization Reserve	-	-	-	-	-
Utility Users Tax Reserve	6,206,318	6,559,898	-	-	-
City Hall Seismic Retrofit	12,044,942	5,793,420	5,603,009	5,618,447	-
Retirement System	-	-	-	-	-
Future Projects – Rose Bowl	-	68,035	-	-	-
Designated balance	33,317,202	28,405,722	28,391,077	28,212,781	8,582,519
Unreserved Fund Balance	26,199,444	30,392,479	20,010,389	16,967,906	(1,390,808)
Total Fund Balance	66,487,713	65,925,133	60,383,043	53,177,187	46,565,007

Source: City Finance Department

*Capital Budgeting.* The City prepares a 5-year capital improvement program (CIP) budget, which is adopted yearly as part of the budget process. The CIP includes projects that have no funding sources. The most current 5-year CIP budget includes approximately \$955.5 million including all enterprise funds (Water & Power, Rose Bowl, and Pasadena Conference Operational Center) in total estimated project cost for 207 active projects. In FY 2012 \$154.6 million was appropriated to 88 projects. Implementation of the CIP is discretionary and will depend upon City resources. The City does not intend to issue general fund indebtedness in the near future to fund the CIP.

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 \$215.8 million.

#### **Adopted General Fund Budgets for Fiscal Year 2010-11 and 2011-12.**

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.

Set forth below is the City's adopted budgets for 2010-11 and 2011-12. The budget for 2010-11 shows the budget as adopted, the actual budget results and the variance for the fiscal year.

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual For Fiscal 2011 and Budget for 2012**

	Fiscal Year Ended June 30, 2011			Fiscal Year Ended June 30, 2012	
	Budget	Actual	Variance	Adopted	Revised
<b>Revenues</b>					
Taxes	116,845,801	113,809,641	(3,036,160)	128,447,351	128,507,351
Licenses and permits	2,660,160	2,471,544	(186,616)	2,550,240	2,550,240
Intergovernmental revenues	14,146,734	14,570,521	423,787	14,371,083	14,775,392
Charges for services	33,194,497	32,092,354	(1,102,143)	21,577,987	21,677,987
Fines and forfeits	6,311,000	6,362,032	51,032	6,351,000	6,351,000
Investment earnings	21,010,000	22,927,674	1,917,674	19,301,200	19,301,200
Rental income	1,126,773	1,073,420	(53,353)	614,153	614,153
Miscellaneous revenues	2,105,342	2,307,555	202,213	1,199,020	1,209,020
Total Revenues	<u>197,400,307</u>	<u>195,614,741</u>	<u>(1,785,566)</u>	194,412,034	194,986,343
<b>Expenditures</b>					
General Government	34,998,010	39,277,386	4,279,376	31,185,873	30,913,960
Public safety	99,696,764	97,209,419	(2,487,345)	97,612,565	97,567,206
Transportation	24,353,258	23,026,269	(1,326,989)	24,187,980	24,200,184
Culture and leisure	13,768,865	13,783,967	15,102	9,022,729	8,960,345
Community development	8,210,177	8,104,996	(105,181)	7,395,111	7,497,163
Total Expenditures	<u>181,027,074</u>	<u>181,402,037</u>	<u>374,963</u>	169,404,258	169,138,858
Excess of revenues over expenditures	16,373,233	14,212,704	(2,160,529)	25,007,776	25,847,485
<b>Other financing sources (uses)</b>					
Transfer in	26,294,197	26,931,281	637,084	16,562,734	19,734,837
Transfer out	<u>(51,666,438)</u>	<u>(47,756,165)</u>	<u>3,910,273</u>	<u>(46,438,997)</u>	<u>(46,438,997)</u>
Total other financing sources (uses)	(25,372,241)	(20,824,884)	4,547,357	(29,876,263)	(26,704,160)
Change in fund balances	(8,999,008)	(6,612,180)	2,386,828	(4,868,487)	(856,675)
<b>Fund balance at beginning of year</b>	53,177,187	53,177,187	-	46,565,007	46,565,007
<b>Fund balance at end of year</b>	44,178,179	46,565,007	2,386,828	41,696,520	45,708,332

Source: 2011 CAFR

**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.