

ATTACHMENT B

PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

(A Component Unit of the City of Pasadena, California)

Basic Financial Statements

Year Ended June 30, 2011

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Basic Financial Statements**

**Year Ended June 30, 2011**

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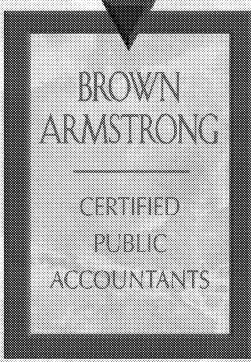
**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Basic Financial Statements**

**Year Ended June 30, 2011**

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BROWN ARMSTRONG  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
Pasadena Community Development Commission  
Pasadena, California

MAIN OFFICE  
4200 TRUXTON AVENUE

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

560 CENTRAL AVENUE  
SHAFTER, CALIFORNIA 93263

TEL 661.746.2145  
FAX 661.746.1218

8050 N. PALM AVENUE  
SUITE 300  
FRESNO, CALIFORNIA 93711

TEL 559.476.3592  
FAX 559.476.3593

790 E. COLORADO BLVD.  
SUITE 908B

PASADENA, CALIFORNIA 91101  
TEL 626.240.0920  
FAX 626.240.0922

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information the Pasadena Community Development Commission, a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Pasadena Community Development Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Pasadena Community Development Commission's financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2010. Those statements, presented for comparative purposes, were audited by other auditors whose report has been furnished to us.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pasadena Community Development Commission, as of June 30, 2011, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the basic financial statements, the Pasadena Community Development Commission is a redevelopment authority that is by inference a party to a petition that was before the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution. The Pasadena Community Development Commission has been apprised as to a ruling of the Supreme Court of the State of California regarding the status of Redevelopment Agencies in the State. The Supreme Court has ruled that the dissolution of the Redevelopment Agencies in the State pursuant to Assembly Bill 1X 26 is constitutional, but a secondary provision allowing voluntary payments from the Redevelopment Agencies to the State is not constitutional. The effect of these provisions and ruling is uncertain on the Pasadena Community Development Commission.



REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 51 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pasadena Community Development Commission's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the Pasadena Community Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Pasadena, California  
December 29, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Pasadena Community Development Commission (Commission), offers readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2011.

### FINANCIAL HIGHLIGHTS:

On December 29, 2011 the California Supreme Court issued an opinion in the California Redevelopment Association v. Matosantos case, upholding Assembly Bill 1X 26 (the "Redevelopment Dissolution" bill) and invalidated Assembly Bill 1X 27 (the "Voluntary Payment" bill). Please see Footnote 18 on pages 45 and 46 for further information.

The net assets of the Commission exceeded its liabilities at the close of the fiscal year 2011 by \$4,527,416. Of this amount, \$37,791,553 is restricted for Low and Moderate Housing, \$6,722,015 for three Capital Project funds, \$745,675 for two Debt Service funds and (\$40,731,827) is unrestricted. This deficit reflects the amount of bonds outstanding that will be paid for from future pledged revenues.

The Commission's net assets for Low and Moderate Housing have increased by \$2,838,866 over the previous fiscal year due to a drawdown of \$2,392,624 which consisted of \$376,546 in-lieu fee payments generated from Inclusionary housing projects (Heritage Square) and \$2,000,000 from the State Local Housing Trust Fund program for the Hudson Oaks project from which monies were awarded to the City in FY 2006.

The Commission's total long-term debt increased by \$1,586,748 when compared with the prior fiscal year because of an increase in advances of \$3,574,290 and repayment of \$1,987,542 toward bonded debt, advances, and notes payable.

### OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's financial statements consist of three components: government-wide financial statements, fund financial statements and notes to the financial statements. The financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in impacting cash flows in future fiscal periods.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20 through 47 of this report.

#### FINANCIAL ANALYSIS:

##### Attachment A – Comparative Statement of Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The Commission's net assets exceeded liabilities by \$4,527,416 at the close of the most recent fiscal year.

The largest portion of the Commission's net assets reflects its cash and investments less any outstanding related debt used to pay for redevelopment activities. Although the Commission's investment is reported net of related debt, it should be noted that the resources needed to repay this outstanding debt must be provided from incremental property taxes. This portion of net assets is restricted.

An additional portion of the Commission's net assets represents resources that are subject to restrictions on how they may be used. Unrestricted net assets decreased by \$2,673,133 or 7.0 percent due to an increase of \$2,838,866 in Restricted net assets from Low and Moderate Housing. This increase is due to a drawdown of \$2,392,624 which includes \$376,546 of in-lieu fee payments generated from Inclusionary housing projects (Heritage Square) and \$2,000,000 from the State Local Housing Trust Fund program for the Hudson Oaks project awarded to the City in FY 2006. We also have a net asset decrease of \$1,115,461 in the Downtown project area and \$1,336,045 in the Villa Parke project area contributing to a total net loss of \$1,993,256. The decrease in Downtown is due to current year total expenditures (administration overhead, planning cost and transfers to the City) exceeding total revenues (rental income and investment earning). The decrease in the Villa Parke project area is due to transfers out to capital projects in the amount of \$1,569,611.

While this is an increase, the balance of the unrestricted net assets is still negative reflecting the amount of restricted fund balance exceeding total fund balance.

##### Attachment B – Comparative Statement of Revenue, Expenditures and Changes in Net Assets:

The overall net assets of the Commission decreased by \$1,993,256, or 30.6 percent, from the prior year. The key elements of this decrease are as follows:

- Property tax increment revenues of \$31,195,238 are the Commission's major revenue source. This revenue increased by \$2,612,709 or 9.1% from prior year, as a result of higher assessed values.
- Operating contributions and grant revenues of \$2,813,029 increased by \$1,232,012 or 77.9 percent from the prior year, due to a drawdown of \$2,000,000 from State Local Housing Grant for the Hudson Oaks project awarded to the City in FY2006.
- Capital grants and contributions decreased by \$402,974 or 63.6 percent from fiscal year 2010. Revenue of \$1,225,887 from American Recovery and Reinvestment Act of 2009 grant was received for the Hudson Oaks project. This revenue was deferred because there were no expenditure incurred in the current year.
- Investment earnings decreased by \$563,609 or 93.4 percent from fiscal year 2010 as a result of the global effects of the economy.
- Redevelopment activities expenditures increased by \$1,328,202 or 28.0 percent from fiscal year 2010 due to ongoing improvements made to the Downtown, Villa Parke and Old Pasadena Project Areas.
- This year the State Supplemental Educational Revenue Augmentation Fund (SERAF) payment was \$2,234,672 compared to \$10,854,119 in the prior year; a decrease of \$8,619,447 or 79.4 percent.

Although, there was an overall increase of \$2,893,670 in total revenues and decrease of \$6,261,012 in total expenditures over the previous fiscal year, the Commission still has a net asset decrease because total expenses exceeded total revenues.

#### Attachment C – Comparative Schedule of Outstanding Debt:

The Commission's total debt increased by \$1,586,748 for the current fiscal year, due to an increase in advances of \$3,574,290 and repayment of bonded debt, advances, and notes payable of \$1,987,542.

#### ECONOMIC FACTORS AND NEXT YEAR BUDGET:

In July of 2009, The State of California Legislature approved a \$2.05 billion shift of Redevelopment Tax Increment funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal years 2009-10 and 2010-11. The State approved \$1.7 billion in transfers for fiscal year 2009-10 and \$350 million for fiscal year 2010-11. The State Department of Finance calculated each Agency's SERAF payment each year. Payments are due by May 10 of the applicable year. The Commission made payments to the SERAF in the amount of \$10.8 million in May 2010 and \$2.2 million in May 2011. A portion of the property tax increment received by Commission was used to pay into the SERAF in both fiscal years.



In January 2007 the Commission and the City Council approved the commencement of a merger process to combine the five redevelopment project areas in Northwest Pasadena (Orange Grove, Lincoln Avenue, Villa-Parke and Lake/Washington) in accordance with the provisions and requirements of California Redevelopment Law-Health and Safety Code 33000 et seq. In addition to the merger, the Commission also sought to amend the tax increment cap limit in the Villa-Parke Redevelopment Plan. The amendment increased the cap from \$20.4 million to \$65 million. Even though the Commission completed all of the required legal actions necessary per the California Health and Safety Code to gain the Commission's final approval of the merger, the Commission chose not to pursue its adoption given the uncertainty of the State's approval. As such, the Commission has put the merger of the five redevelopment project on an indefinite hold.

The Community Redevelopment Law Reform Act of 1993 requires local agencies to prepare and adopt a Five Year Implementation Plan every five years to ensure that each redevelopment agency plans and implements its redevelopment programs in a manner that is directly related to eliminating blight. On April 26, 2010, the Commission adopted a Resolution that approved the 2009-2014 Five Year Implementation Plan. The Implementation Plan is intended to be a guide, rather than a rigid unchangeable course of action. The Implementation Plan presents Commission priorities for future redevelopment activities within the project areas as appropriate and permissible by the California Redevelopment Law and other applicable statutes for the 2010-2015 planning period. Commission goals, objectives, policies, project areas and programs included in the Implementation Plan have been tailored to meet the needs of the Project Areas and the Affordable Housing Programs within the City of Pasadena.

#### REQUEST FOR INFORMATION:

This financial report is designed to provide a general overview of the Commission's financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Pasadena Community Development Commission, 100 North Garfield Avenue – Third Floor, Pasadena, California, 91101-1726.

ATTACHMENT A

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Statement of Net Assets

	<u>2011</u>	<u>2010</u>	Amount of Increase (Decrease)	Percent of Increase (Decrease)
<u>Assets</u>				
Cash and investments	\$ 16,868,167	18,538,898	(1,670,731)	(9.01)
Cash and investments with fiscal agents	1,313,816	1,310,918	2,898	0.22
Other assets	<u>41,106,451</u>	<u>37,290,911</u>	<u>3,815,540</u>	<u>10.23</u>
Total assets	<u>59,288,434</u>	<u>57,140,727</u>	<u>2,147,707</u>	<u>3.76</u>
<u>Liabilities</u>				
Other liabilities	4,263,722	1,709,507	2,554,215	149.41
Long-term liabilities outstanding	<u>50,497,296</u>	<u>48,910,548</u>	<u>1,586,748</u>	<u>3.24</u>
Total liabilities	<u>54,761,018</u>	<u>50,620,055</u>	<u>4,140,963</u>	<u>8.18</u>
<u>Net assets</u>				
Restricted for:				
Low and Moderate	37,791,553	34,952,687	2,838,866	8.12
Downtown	4,421,864	5,537,325	(1,115,461)	(20.14)
Villa Parke	404,627	1,740,672	(1,336,045)	(76.75)
Old Pasadena	2,153,618	2,115,154	38,464	1.82
Halstead Sycamore	146,533	61,286	85,247	139.10
Affordable Housing	341,048	172,242	168,806	98.01
Unrestricted	<u>(40,731,827)</u>	<u>(38,058,694)</u>	<u>(2,673,133)</u>	<u>7.02</u>
Total net assets, as restated	<u>\$ 4,527,416</u>	<u>6,520,672</u>	<u>(1,993,256)</u>	<u>(30.57)</u>

ATTACHMENT B

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
 Comparative Statement of Revenue, Expenditures and  
 Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Revenues:				
Program revenues:				
Operating contributions and grants	\$ 2,813,029	1,581,017	1,232,012	77.93
Capital grants and contributions	230,676	633,650	(402,974)	(63.60)
General revenues:				
Incremental property tax	31,195,238	28,582,529	2,612,709	9.14
Grants and contributions not restricted to specific programs				
Rental income	1,093,462	1,072,008	21,454	2.00
Investment earnings	261,243	603,473	(563,609)	(93.39)
Other revenues	118,257	124,179	(5,922)	(4.77)
Total revenues	<u>35,711,905</u>	<u>32,596,856</u>	<u>2,893,670</u>	<u>8.88</u>
Expenditures:				
Administration overhead	2,944,797	3,165,627	(220,830)	(6.98)
Redevelopment activities	6,072,394	4,744,192	1,328,202	28.00
SERAF payment	2,234,672	10,854,119	(8,619,447)	(79.41)
Property tax pass-through	641,588	647,640	(93,596)	(14.45)
Interest expense	25,811,710	24,554,595	1,257,115	5.12
Total Expenses	<u>37,705,161</u>	<u>43,966,173</u>	<u>(6,261,012)</u>	<u>(14.24)</u>
Increase in net assets	(1,993,256)	(11,369,317)	9,376,061	82.47
Net assets (deficit) at beginning of year, as restated	<u>6,520,672</u>	<u>17,889,989</u>	<u>(11,369,317)</u>	<u>(63.55)</u>
Net assets (deficit) at end of year, as restated	<u>\$ 4,527,416</u>	<u>6,520,672</u>	<u>(1,993,256)</u>	<u>(30.57)</u>

ATTACHMENT C

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
Comparative Schedule of Outstanding Debt

	<u>Initial Amount</u>	<u>Interest Rate</u>	<u>Balance 06/30/10</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/11</u>
<u>Bonded debt</u>						
Fair Oaks Project						
2006 Tax Allocation Refunding Bonds	2,470,000	3.8%-4.9%	2,095,000	-	(135,000)	1,960,000
Orange Grove						
2000 Tax Allocation Refunding Bonds	2,801,000	4.35-5.50%	1,029,000	-	(234,000)	795,000
Villa Parke						
2000 Tax Allocation Refunding Bonds	1,814,000	4.35-5.50%	665,000	-	(151,000)	514,000
2006 Tax Allocation Refunding Bonds	710,000	3.8%-4.5%	360,000		(80,000)	280,000
Lake Washington						
2006 Tax Allocation Refunding Bonds	805,000	3.8%-4.7%	620,000	-	(65,000)	555,000
Low Moderate Housing						
1991 Tax Allocation Bonds	4,540,000	6%	373,412	-	(373,412)	-
2006 Tax Allocation Refunding Bonds	1,935,000	3.8%-4.3%	<u>1,280,000</u>	<u>-</u>	<u>(235,000)</u>	<u>1,045,000</u>
Total tax allocation bonds payable			6,422,412	-	(1,273,412)	5,149,000
Advances payable - City			39,763,081	3,574,290	(409,797)	42,927,574
Notes Payable - Other			<u>2,725,055</u>	<u>*</u>	<u>(304,333)</u>	<u>2,420,722</u>
Total outstanding debt			<u>\$48,910,548</u>	<u>3,574,290</u>	<u>(1,987,542)</u>	<u>50,497,296</u>

\*Beginning balance restated - see footnote (16)

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Statement of Net Assets**

**June 30, 2011**

	Governmental Activities	
	2011	2010
<b>Assets:</b>		
Cash and investments (note 3)	\$ 16,868,167	18,538,898
Accounts receivable	747,921	192,977
Interest receivable	84,639	72,498
Taxes receivable	1,524,232	691,418
Notes receivable (note 4)	32,480,279	30,067,406
Prepaid Rent	2,768	
Allowance for uncollectible long-term receivables (note 4)	(7,331,501)	(7,331,501)
Advance to City of Pasadena Del Mar Garage	2,959,136	2,959,136
Property held for resale (note 7)	10,638,977	10,638,977
<b>Restricted assets:</b>		
Cash and investments with fiscal agents (note 3)	1,313,816	1,310,918
<b>Total assets</b>	<b>59,288,434</b>	<b>57,140,727</b>
<b>Liabilities:</b>		
Accounts payable	463,243	555,913
Due to the City of Pasadena	1,102,335	460,506
Deferred revenue	1,925,387	-
Interest payable	772,757	693,088
<b>Noncurrent liabilities (notes 8 to 11):</b>		
Due within one year	955,000	1,565,566
Due in more than one year	49,542,296	47,344,982
<b>Total liabilities</b>	<b>54,761,018</b>	<b>50,620,055</b>
<b>Net assets (deficit):</b>		
<b>Restricted:</b>		
Low and Moderate / Inclusionary Housing	37,791,553	34,952,687
Downtown	4,421,864	5,537,325
Villa Parke	404,627	1,740,672
Old Pasadena	2,153,618	2,115,154
Halstead Sycamore	146,533	61,286
Affordable Housing	341,048	172,242
Unrestricted	(40,731,827)	(38,058,694)
<b>Total net assets (deficit), as restated</b>	<b>\$ 4,527,416</b>	<b>6,520,672</b>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Statement of Activities**

**Year Ended June 30, 2011**

	Expenses	Program Revenues			Net Governmental Activities	
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2011	2010
Governmental activities:						
Administrative overhead costs	\$ 2,944,797	-	-	-	(2,944,797)	(3,165,627)
Planning	1,164,214	-	-	-	(1,164,214)	(822,421)
Project Management	812,393	-	-	-	(812,393)	(817,389)
Real estate acquisition	975,000	-	-	-	(975,000)	(34,775)
Emergency shelter service	109,875	-	-	-	(109,875)	(158,250)
Operation of acquired properties	41,626	-	-	-	(41,626)	(7,425)
Public improvement	2,623,883	-	-	-	(2,623,883)	(940,981)
Relocation	37,084	-	-	-	(37,084)	(70,567)
Rehabilitation	308,319	1,093,462	420,405	230,676	1,436,224	2,079,596
Affordable housing assistance	-	-	2,392,624	-	2,392,624	(685,306)
SERAF payment	2,234,672	-	-	-	(2,234,672)	(10,854,119)
Property tax pass-through	641,588	-	-	-	(641,588)	(647,640)
Interest expense	25,811,710	-	-	-	(25,811,710)	(24,554,594)
<b>Total governmental activities</b>	<b>\$ 37,705,161</b>	<b>1,093,462</b>	<b>2,813,029</b>	<b>230,676</b>	<b>(33,567,994)</b>	<b>(40,679,498)</b>
General revenues:						
Taxes:						
Incremental property taxes					31,195,238	28,582,529
Investment earnings					285,157	599,185
Net change in fair value of investments					(23,914)	4,288
Other revenues					118,257	124,179
<b>Total general revenues</b>					<b>31,574,738</b>	<b>29,310,181</b>
<b>Change in net assets</b>					<b>(1,993,256)</b>	<b>(11,369,317)</b>
<b>Net assets at beginning of year, as restated</b>					<b>6,520,672</b>	<b>17,889,989</b>
<b>Net assets (deficit) at end of year, as restated</b>					<b>\$ 4,527,416</b>	<b>6,520,672</b>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Governmental Funds - Balance Sheet**  
**June 30, 2011**

	<u>Special Revenue</u>	<u>Debt Service</u>	
	<u>Low &amp; Moderate / Inclusionary Housing</u>	<u>Downtown</u>	<u>Fair Oaks</u>
<u>Assets</u>			
Cash and investments (note 3)	\$ 10,167,098	13,711	1,885,392
Cash and investments with fiscal agents (note 3)	-	-	243,977
Accounts receivable	443,999	-	-
Interest receivable	6,650	-	7,253
Taxes receivable	-	1,103,798	44,886
Notes receivable (note 4)	25,148,781	-	-
Prepaid Rent	-	-	-
Due from other funds (note 5)	91,339	-	-
Advance to City of Pasadena (Del Mar Garages)	-	-	-
Advances to other funds (note 6)	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
Property held for resale (note 7)	7,438,977	-	-
	<u>7,438,977</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 43,296,844</u>	<u>1,117,509</u>	<u>2,181,508</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 114,182	-	46,480
Due to City of Pasadena	-	1,102,335	-
Due to other funds (note 5)	-	-	8,985
Deferred revenue	1,925,387	-	-
Advances from other funds (note 6)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,039,569</u>	<u>1,102,335</u>	<u>55,465</u>
Fund balances (deficit)			
Nonspendable	32,587,758	-	-
Restricted	5,954,400	15,174	2,126,043
Committed	2,715,117	-	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>41,257,275</u>	<u>15,174</u>	<u>2,126,043</u>
Total liabilities and fund balances	<u>\$ 43,296,844</u>	<u>1,117,509</u>	<u>2,181,508</u>

See accompanying notes to the basic financial statements.

Debt Service Lake/ Washington	Capital Projects			Other Governmental Funds	Totals	
	Downtown	Fair Oaks	Old Pasadena		2011	2010
744,700	207,276	-	917,523	2,932,467	16,868,167	18,538,898
81,366	-	-	-	988,473	1,313,816	1,310,918
-	153,338	109,284	-	41,300	747,921	192,977
7,192	14,750	-	11,580	37,214	84,639	72,498
37,796	-	-	74,167	263,585	1,524,232	691,418
-	4,211,680	2,059,876	-	1,059,942	32,480,279	30,067,406
-	-	2,768	-	-	2,768	-
-	-	-	1,697,184	-	1,788,523	1,403,531
-	1,479,568	-	1,479,568	-	2,959,136	2,959,136
-	767,158	-	-	189,485	956,643	956,643
-	(4,978,841)	(2,059,876)	-	(1,249,427)	(8,288,144)	(8,288,144)
-	3,200,000	-	-	-	10,638,977	10,638,977
<u>871,054</u>	<u>5,054,929</u>	<u>112,052</u>	<u>4,180,022</u>	<u>4,263,039</u>	<u>61,076,957</u>	<u>58,544,258</u>
13,113	115,301	2,768	32,744	138,655	463,243	555,913
-	-	-	-	-	1,102,335	460,506
7,561	-	1,298,554	22,257	451,166	1,788,523	1,403,531
-	-	-	-	-	1,925,387	-
<u>767,158</u>	<u>-</u>	<u>-</u>	<u>189,485</u>	<u>-</u>	<u>956,643</u>	<u>956,643</u>
<u>787,832</u>	<u>115,301</u>	<u>1,301,322</u>	<u>244,486</u>	<u>589,821</u>	<u>6,236,131</u>	<u>3,376,593</u>
-	4,679,565	-	1,479,568	-	38,746,891	36,334,018
83,222	260,063	-	2,455,968	3,731,992	14,626,862	17,201,921
-	-	-	-	-	2,715,117	2,930,016
-	-	(1,189,270)	-	(58,774)	(1,248,044)	(1,298,290)
<u>83,222</u>	<u>4,939,628</u>	<u>(1,189,270)</u>	<u>3,935,536</u>	<u>3,673,218</u>	<u>54,840,826</u>	<u>55,167,665</u>
<u>871,054</u>	<u>5,054,929</u>	<u>112,052</u>	<u>4,180,022</u>	<u>4,263,039</u>	<u>61,076,957</u>	<u>58,544,258</u>

See accompanying notes to the basic financial statements.



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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds to**  
**the Statement of Net Assets**  
**June 30, 2011**

Fund balances of governmental funds	\$ 54,840,826
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term debt has not been included in the governmental fund activity.	(50,497,296)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(772,757)
Interfund balances are eliminated in the governmental statements, except for residual amounts due between governmental activities.	<u>956,643</u>
Net assets of governmental activities	\$ <u>4,527,416</u>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Governmental Fund Types - Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year Ended June 30, 2011**

	Special Revenue	Debt Service	
	Low & Moderate /		Fair
	Inclusionary Housing	Downtown	Oaks
<b>Revenues:</b>			
Incremental property taxes	\$ -	22,947,877	908,116
Intergovernmental	42,524	-	-
Rental income	93,684	-	-
Investment earnings	150,565	-	7,897
Net changes in fair value of investments	(3,901)	-	42
Reimbursement from developers	-	-	12,379
Sales tax	-	-	-
Housing in lieu fees	2,392,624	-	-
Other revenue	82,417	-	-
Total revenues	<u>2,757,913</u>	<u>22,947,877</u>	<u>928,434</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administrative overhead costs (note 13)	484,659	1,463	-
Planning	-	-	-
Project Management	812,393	-	-
Real estate acquisition	975,000	-	-
Emergency shelter service	109,875	-	-
Operation of acquired properties	5,966	-	-
Public improvement	-	-	-
Demolition	37,084	-	-
Rehabilitation	308,319	-	-
Affordable Housing	-	-	-
Contengency	-	-	-
SERAF payment	-	-	273,220
Property tax pass-through	-	379,683	23,437
<b>Debt service:</b>			
Principal	-	30,835	147,379
Interest and fiscal charges	-	21,781,722	1,889,547
Total expenditures	<u>2,733,296</u>	<u>22,193,703</u>	<u>2,333,583</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,617</u>	<u>754,174</u>	<u>(1,405,149)</u>
<b>Other financing sources (uses):</b>			
Advances from the City of Pasadena	-	-	1,797,134
Transfers from the City of Pasadena	-	-	-
Transfers to the City of Pasadena	-	-	-
Transfers in (note 12)	2,867,198	61,000	-
Transfers out (note 12)	(965,725)	(800,000)	(282,973)
Total other financing sources (uses)	<u>1,901,473</u>	<u>(739,000)</u>	<u>1,514,161</u>
Change in fund balances	1,926,090	15,174	109,012
Fund balances (deficit) at beginning of year	<u>39,331,185</u>	<u>-</u>	<u>2,017,031</u>
Fund balances (deficit) at end of year	<u>\$ 41,257,275</u>	<u>15,174</u>	<u>2,126,043</u>

See accompanying notes to the basic financial statements.

Debt Service Lake/ Washington	Capital Project			Other Governmental Funds	Totals	
	Downtown	Fair Oaks	Old Pasadena		2011	2010
402,359	-	-	4,177,264	2,759,622	31,195,238	28,582,529
-	-	-	-	188,152	230,676	633,649
-	964,118	35,660	-	-	1,093,462	1,072,008
7,746	9,154	-	29,095	80,700	285,157	599,185
46	(6,374)	-	(3,520)	(10,207)	(23,914)	4,288
298,742	-	109,284	-	-	420,405	414,808
-	-	-	-	340,716	340,716	209,345
-	-	-	-	-	2,392,624	1,166,208
-	34,690	-	-	1,150	118,257	124,179
<u>708,893</u>	<u>1,001,588</u>	<u>144,944</u>	<u>4,202,839</u>	<u>3,360,133</u>	<u>36,052,621</u>	<u>32,806,199</u>
-	1,508,406	101,350	498,126	350,793	2,944,797	3,199,452
-	777,817	299	124,900	261,198	1,164,214	822,421
-	-	-	-	-	812,393	817,389
-	-	-	-	-	975,000	34,775
-	-	-	-	-	109,875	158,250
-	-	35,660	-	-	41,626	7,425
-	-	-	959,801	-	959,801	940,981
-	-	-	-	-	37,084	70,567
-	-	-	-	-	308,319	40,870
-	-	-	-	-	-	1,851,514
-	-	-	-	257,115	257,115	250,580
126,474	-	-	701,068	1,133,910	2,234,672	10,854,119
7,158	-	-	71,383	159,927	641,588	647,639
380,628	-	-	-	1,428,700	1,987,542	3,680,443
<u>1,112,097</u>	<u>-</u>	<u>-</u>	<u>193,681</u>	<u>754,993</u>	<u>25,732,040</u>	<u>24,450,988</u>
<u>1,626,357</u>	<u>2,286,223</u>	<u>137,309</u>	<u>2,548,959</u>	<u>4,346,636</u>	<u>38,206,066</u>	<u>47,827,413</u>
<u>(917,464)</u>	<u>(1,284,635)</u>	<u>7,635</u>	<u>1,653,880</u>	<u>(986,503)</u>	<u>(2,153,445)</u>	<u>(15,021,214)</u>
1,079,541	-	-	193,681	503,933	3,574,289	1,189,344
-	800,000	-	-	-	800,000	800,000
-	(615,835)	-	(362,237)	(1,569,611)	(2,547,683)	(724,940)
-	-	101,350	-	1,239,894	4,269,442	7,852,103
<u>(80,472)</u>	<u>(61,000)</u>	<u>-</u>	<u>(1,253,179)</u>	<u>(826,093)</u>	<u>(4,269,442)</u>	<u>(7,852,103)</u>
<u>999,069</u>	<u>123,165</u>	<u>101,350</u>	<u>(1,421,735)</u>	<u>(651,877)</u>	<u>1,826,606</u>	<u>1,264,404</u>
81,605	(1,161,470)	108,985	232,145	(1,638,380)	(326,839)	(13,756,810)
<u>1,617</u>	<u>6,101,098</u>	<u>(1,298,255)</u>	<u>3,703,391</u>	<u>5,311,598</u>	<u>55,167,665</u>	<u>68,924,475</u>
<u>83,222</u>	<u>4,939,628</u>	<u>(1,189,270)</u>	<u>3,935,536</u>	<u>3,673,218</u>	<u>54,840,826</u>	<u>55,167,665</u>

See accompanying notes to the basic financial statements.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2011**

Net changes in fund balances - total governmental funds	\$	(326,839)
Amounts reported for governmental activities in the statement of activities is different because:		
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		1,987,542
When long-term debt is issued, the proceeds of the new debt issuance are reported as other financing sources and uses in the government funds. However, in the government-wide financial statements, the new debt is reported directly on the Statement of Net Assets and there is no effect on the changes in net assets reported on the Statement of Activities.		(3,574,290)
Long-term liabilities and accrued interest payable that are not in the current period are not reported in the governmental funds.		<u>(79,669)</u>
Changes in net assets of governmental activities	\$	<u>(1,993,256)</u>

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(1) Organization**

The Pasadena Community Development Commission (Commission) is a component unit of the City of Pasadena, California (City). The Commission was established on April 27, 1981 to succeed the Pasadena Redevelopment Agency (Agency). All obligations and assets of the Agency were transferred to the Commission, which adopted the by-laws of the Agency. The City provides management assistance to the Commission, and the members of the City Council also act as the governing body. The purpose of the Commission is to eliminate deterioration of the community and promote economic revitalization within the City through redevelopment activities.

Of the eight active Redevelopment Project Areas that are administered by the Pasadena Community Development Commission, the largest is the Downtown Project Area encompassing roughly 340 acres within the City's Central District. The Downtown Project Area is home to a variety of significant commercial and residential projects including the Paseo Colorado. Paseo Colorado replaced the Plaza Pasadena creating an open-air urban village and completely transforming the three blocks between Marengo and Los Robles Avenues, activating both Colorado Boulevard and Green Street with street front retail, and opening up the Garfield Promenade to restore the historic view corridor from the Public Library to the Civic Auditorium. Paseo Colorado serves as a multi-use destination that combines an active retail environment, prominent fine-dining restaurants and cafes, and entertainment with a residential colony of approximately 375 units. Other projects in the Downtown Redevelopment Project Area include the Parsons Company's world headquarters building, the Pasadena Playhouse, Laemmle's Theatres, regional headquarters for AT&T, and the Plaza Las Fuentes, a mixed use project that includes a Westin Hotel, a Class A office building and upscale restaurants including McCormick & Schmick's and California Pizza Kitchen.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units), as well as its discretely presented component units. The Pasadena Community Development Commission has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, administrative overhead costs have not been allocated as indirect expenses to the various functions of the Commission.

PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)

Notes to the Basic Financial Statements

Year Ended June 30, 2011

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

The accompanying government-wide financial statements for the Commission present negative net assets because the primary activity of the Commission is to issue debt to construct infrastructure that will ultimately be owned and maintained by the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

As the Commission finances assets that will ultimately be owned by the City, no capital assets are recognized related to this activity. Instead, property held for resale is recognized. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**Fund Financial Statements**

The underlying accounting system of the Commission 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 comprise of its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate.

**Governmental Funds**

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses a sixty day availability period.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are



**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

recognized as revenues in the period in which they are earned (i.e. the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange transactions* are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated* and *voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. These requirements may cause a difference between what is reported as received for federal purposes and what is reported for financial reporting purposes.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance is the portion of fund balance that cannot be spent due to form. Examples include inventories, prepaid amounts, long-term loans, notes receivable, and property held for resale, unless the

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(a) Basis of Presentation, (Continued)**

proceeds are restricted, committed or assigned. Also, amounts that must be maintained intact legally or contractually, such as the principal of a permanent fund are reported within the nonspendable category.

- Restricted fund balance is the portion of fund balance that is subject to externally enforceable limitations by law, enabling legislation or limitations imposed by creditors or grantors.
- Committed fund balance is the portion of fund balance that is subject to self-imposed constraints due to formal action of the City Council, as they have the highest level of decision-making authority.
- Assigned fund balance is the portion of fund balance that is constrained by the City's intent to utilize fund balance for a specific purpose. The authority to assign fund balance has been delegated by City Council to the finance director.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications. Unassigned fund balances also include amounts that are in Special Revenue, Capital Projects, Debt Service and Permanent Funds in excess of assigned amounts.

The accounting policies of the City consider restricted fund balance to have been spent first when expenditures are incurred for purposes for which both the restricted and unrestricted fund balance is available. Similarly, when expenditures are incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned and then unassigned amounts.

**(b) Activities in Major Funds,**

The following funds are presented as major funds in the accompanying basic financial statements:

Special Revenue, Low and Moderate Income Housing Fund – To account for the required set aside of property tax increments that is legally restricted for increasing or improving housing for low and moderate income households.

Debt Service, Downtown Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on debt of the Downtown project area.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(b) Activities in Major Funds, (Continued)**

Debt Service, Fair Oaks Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on the debt of the Fair Oaks project area.

Debt Service, Lake/Washington Project Area Fund – To account for tax increment, investment revenue, and the payment of interest and principal on the debt of the Lake/Washington project area.

Capital Projects, Downtown Project Area Fund – To account for redevelopment and public improvement projects of the Downtown project area.

Capital Projects, Fair Oaks Project Area Fund – To account for redevelopment and public improvement projects of the Fair Oaks project area.

Capital Projects, Old Pasadena Project Area Fund – To account for redevelopment and public improvement projects of the Old Pasadena project area.

**(c) Investment**

Investments are carried at fair value. Fair value is determined using quoted market prices except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

**(d) Property Held for Resale**

Land acquired for future sale has been capitalized in the Capital Projects Funds as land held for resale, and is carried at the lower of cost or estimated net realizable value. A portion of fund balance is reserved for property held for resale to indicate that a portion of fund balance is not available for expenditure.

**(e) Encumbrances,**

Encumbrance accounting, under which purchase orders and contracts for the expenditures of funds are reported in order to reserve that portion of the fund balance, is employed in the Governmental Funds. Encumbrances are reported as an assignment of fund balance since they do not constitute expenditures or liabilities.

**(f) Incremental Property Taxes**

Subject to certain limitations in the Revenue and Taxation Code and the California Constitution, the City is expressly empowered to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations. Property taxes are levied as of July 1 using a lien date of January 1 and are payable by property owners in two equal installments, which are due by December 10 and April 10, respectively. The taxes levied are billed and collected by the County

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(f) Incremental Property Taxes, (Continued)**

of Los Angeles on behalf of the City, and are remitted to the City throughout the year. The Commission records incremental property taxes as revenue when received from the County, except at year-end when property taxes received within 60 days are accrued as revenue. The City allocates incremental property tax revenues arising from the Commission's projects to the Commission.

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien	January 1
Levy	July 1 to June 30
Due	November 1 – 1 <sup>st</sup> installment February 1 – 2 <sup>nd</sup> installment
Collection	December 10 – 1 <sup>st</sup> installment April 10 – 2 <sup>nd</sup> installment

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 is added to any delinquent payments. Such delinquent property may thereafter be redeemed by payments of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1% per month 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 Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty is attached to delinquent taxes on property of the unsecured roll, and an additional penalty of 1% per month begins to accrue. Collection of delinquent unsecured taxes is the responsibility of the County of Los Angeles using the several means legally available to it.

**(g) Prior Year Data**

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

**(h) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reported period.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(i) Implementation of New Accounting Principles**

**Governmental Accounting Standards Board Statement No.54**

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. This new accounting standard enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Governmental Accounting Standards Board Statement No.60**

In November of 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Commission has elected not to early implement GASB No. 60 and has not determined its effect on the Commission’s financial statements.

**Governmental Accounting Standards Board Statement No.61**

In November of 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34. The objective of this Statement is to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The Commission has elected not to early implement GASB No. 61 and has not determined its effect on the Commission’s financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(i) Implementation of New Accounting Principles, (Continued)**

**Governmental Accounting Standards Board Statement No. 62**

Governmental Accounting Standards Board Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements were released in December 2010. The codification incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

No new generally accepted accounting principles were released in this statement. Statement No. 62 is effective for periods beginning after December 15, 2011. The Commission has elected not to early implement this statement.

**Governmental Accounting Standards Board Statement No. 63**

Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position were released in June 2011. Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previously, GASB Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 63 is effective for periods beginning after December 15, 2011. The Commission has elected not to early implement this statement.

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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(2) Summary of Significant Accounting Policies, (Continued)**

**(i) Implementation of New Accounting Principles, (Continued)**

**Governmental Accounting Standards Board Statement No. 64**

Governmental Accounting Standards Board Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53 was released in June 2011. Statement No. 64 provides guidance for accounting and reporting when interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53.

Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 clarifies the accounting treatment when this occurs. Statement No. 64 is effective for periods beginning after June 15, 2011.

In addition, GASB released a mid-year supplement to its Comprehensive Implementation Guide. Within this guide, a new question and answer has been included clarifying the disclosure of federal investments that have implicit and explicit subsidies. The Commission has implemented this treatment in Note 3 - Cash and Investments.

**(3) Cash and Investments**

The Commission follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond or certificate of participation indentures. Interest income earned on pooled cash and investments is allocated monthly to the various funds on the basis of the average monthly share of the pooled cash and investments of each of the individual funds. Interest income from cash and investments with the fiscal agents is credited directly to the related funds.

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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

Cash and investments at June 30, 2011 are reflected on the Statement of Net Assets as follows:

Cash and investments	\$ 16,868,167
Cash and investments with fiscal agents	<u>1,313,816</u>
Total cash and investments	<u>\$ 18,181,983</u>

Cash and investments at June 30, 2011 consist of the following:

Demand deposits	\$ 3,098,282
Investment in City of Pasadena Pool	4,690,945
Investments	<u>10,392,756</u>
Total cash and investments	<u>\$ 18,181,983</u>

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

**Investments Authorized by the California Government Code and the Commission's Investment Policy**

The table below identifies the investment types that are authorized for the Commission by the California Government Code and the Commission's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Commission, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By</u> <u>Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>In One Issuer</u>
Local Agency Bonds +	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	15%	10%
Negotiable Certificates of Deposit	Yes	5 years	25%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

+ With the exception of the Power Reserve and Bond Reserve Funds with consent of the bond insurers, these types of investments can mature for more than 5 years.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Commission's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	20-30 years	None	None
Pre-refunded Municipal Bonds	None	None	None
Repurchase Agreements	1 year	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
General Obligations Bonds	None	None	None

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

**Disclosures Relating to Interest Rate Risk, (Continued)**

Information about the sensitivity of the fair values of the Entity's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Entity's investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
Federal agency securities	\$ 7,000,153		-	7,000,153
Money market funds	2,073,489	2,073,489	-	-
State investment pool	5,299	5,299	-	-
Held by bond trustee:				
Federal agency securities	983,380	-	-	983,380
Money market funds	<u>330,435</u>	<u>330,435</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$10,392,756</u></b>	<b><u>2,409,223</u></b>	<b><u>-</u></b>	<b><u>7,983,533</u></b>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Federal agency securities	\$ 7,000,153	N/A	7,000,153	-
Money market funds	2,073,489	N/A	-	2,073,489
State investment pool	5,299	N/A	-	5,299
Held by bond trustee:				
Federal agency securities	983,380	N/A	983,380	-
Money market funds	<u>330,435</u>	A	<u>330,435</u>	<u>-</u>
<b>Total</b>	<b><u>\$10,392,756</u></b>		<b><u>8,313,968</u></b>	<b><u>2,078,788</u></b>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

**Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Entity investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	
Goldman Sachs Financial Square Prime Obligations Fund	Money Market Fund	\$ 330,435	25%
Federal Farm Credit Bank	Federal agency securities	<u>983,380</u>	75%
Total held by Trustee Fiscal agents		<u>\$ 1,313,815</u>	
Federal Home Loan Mortgage Corp	Federal agency securities	\$ 2,500,780	28%
Federal National Mortgage Assoc	Federal agency securities	3,499,014	39%
Federal Home Loan Bank	Federal agency securities	1,000,359	11%
East West Bank	Money Market Funds	<u>2,073,376</u>	23%
Total Investments held by the Commission		<u>\$ 9,073,529</u>	

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Commission is only indirectly exposed to Custodial Credit Risk through its investment in the City of Pasadena Investment Pool.

**Investment in City of Pasadena Investment Pool**

The Commission is a voluntary participant in the City of Pasadena's investment pool managed by the City of Pasadena. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Pasadena. The Commission has not adopted an investment policy separate from that of the City of

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(3) Cash and Investments, (Continued)**

**Investment in City of Pasadena Investment Pool, (Continued)**

Pasadena. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value calculated by the City for the entire City portfolio. This pool is unrated. Further information about the composition, maturities, and concentrations associated with this pool can be found in the Comprehensive Annual Financial Report of the City.

**Investment in State Investment Pool**

The Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Entity's investment in this pool is reported in the accompanying financial statements at amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**(4) Notes Receivable**

The Commission has notes receivable arising from the sale of land to project developers and various other agencies, subject to approved redevelopment plans. These notes have various terms, including maturities ranging from 2 to 30 years and interest rates ranging from 3.5% to 11%. Due to the uncertainty of their collectibility, at June 30, 2011, the Commission has recorded in the accompanying balance sheet an allowance for uncollectible long-term receivables of \$7,331,501 related to certain notes receivable balances. The balance of notes receivable net of allowances for uncollectibility at June 30, 2011 was \$25,148,778.

**(5) Due From and To Other Funds**

Interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Special Revenue Fund	Capital Projects, Old Pasadena	\$ 22,257
	Other Governmental Funds	52,536
	Debt Service, Fair Oaks	8,985
	Debt Service, Lake/Washington	7,561
Capital Projects, Old Pasadena	Capital Project, Fair Oaks	1,298,554(1)
	Other Governmental Funds	398,630(2)
Total Due From and To Other Funds		<u>\$1,788,523</u>

(1) The Commission has amounts due from the Fair Oaks Capital Project Fund and due to the Old Pasadena Capital Project Fund to finance overrun of costs during the litigation and purchase of land within the Fair Oaks redevelopment project.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(5) Due From and To Other Funds, (Continued)**

(2) The \$398,630 due from Other Governmental Fund and due to the Old Pasadena Capital Project Fund is to cover a negative cash balance at the end of the fiscal year.

**(6) Advances To and From Other Funds**

Long-term inter-fund receivable and payable balances at June 30, 2011 are as follows:

<u>Advances From Other Funds</u>	<u>Advances to Other Funds</u>	<u>Amount</u>
Debt Service, Lake/Washington	Capital Projects, Downtown	\$767,158
Capital Projects, Old Pasadena	Other Governmental Funds	<u>189,485</u>
		<u>\$956,643</u>

The Commission inter-fund advance to Lake/Washington Debt Service Fund from Downtown Capital Projects Fund was made to finance the purchase of Block 4 for the implementation and public improvement within the redevelopment project area. The Old Pasadena project area advance from Orange Grove Capital Projects Fund was made to finance administrative planning cost.

**(7) Property Held for Resale**

Property held for resale is generally acquired under disposition and development agreements in the normal course of redevelopment activity. These agreements generally provide for transfer of the property to developers after certain redevelopment obligations have been fulfilled. As of June 30, 2011 the Commission total property held for resale is \$10,638,977.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(8) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are as follows:

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
<b>Tax Allocation Bonds:</b>					
<b>Fair Oaks Project:</b>					
2006 Tax Allocation Revenue Bonds (Fair Oaks Redevelopment Project and Public Improvement Program Refunding)	\$ 2,095,000	-	(135,000)	1,960,000	140,000
<b>Orange Grove Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Orange Grove Redevelopment Project)	1,029,000	-	(234,000)	795,000	249,000
<b>Villa Parke Project:</b>					
2000 Tax Allocation Refunding Revenue Bonds (Villa-Parke Redevelopment Project)	665,000	-	(151,000)	514,000	161,000
2006 Tax Allocation Revenue Bonds (Villa-Parke Redevelopment Project Refunding)	360,000	-	(80,000)	280,000	90,000
<b>Lake Washington Project:</b>					
2006 Tax Allocation Revenue Bonds (Lake/Washington Redevelopment Project and Public Improvement Program Refunding)	620,000	-	(65,000)	555,000	70,000
<b>Affordable Housing Projects:</b>					
1991 Tax Allocation Bond, Low Moderate Housing	373,412	-	(373,412)	-	-
2006 Tax Allocation Revenue Bonds (Housing Set Aside Revenues Townhouse Project Refunding)	<u>1,280,000</u>	<u>-</u>	<u>(235,000)</u>	<u>1,045,000</u>	<u>245,000</u>
Total Tax Allocation Bonds	6,422,412	-	(1,273,412)	5,149,000	955,000
Advances Payable – City	39,763,081	3,574,290	(409,797)	42,927,574	-
Notes Payable	<u>2,725,055</u>	<u>-</u>	<u>(304,333)</u>	<u>2,420,722</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$48,910,548</u>	<u>3,574,290</u>	<u>(1,987,542)</u>	<u>50,497,296</u>	<u>955,000</u>

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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(9) Advances Payable - City of Pasadena**

- (a) The Commission has negotiated certain advances with the City for the purchase of four different properties. The aggregate principal outstanding balance of such advances is \$6,386,637 at June 30, 2011. Interest ranges from 5.5% to 9.5%. The Commission will repay the principal and interest as funds become available. No interest payments were made during the year ended June 30, 2011.

<u>Project</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Fair Oaks	\$ 1,154,737	2,334,364	3,489,101
Lake/Washington	4,474,900	10,554,414	15,029,314
Lincoln	<u>757,000</u>	<u>1,221,675</u>	<u>1,978,675</u>
Total	<u>\$ 6,386,637</u>	<u>14,110,453</u>	<u>20,497,090</u>

- (b) The City has advanced certain amounts to the Commission to assist in funding administrative and other expenses necessary or incidental to the implementation of redevelopment plans. Interest ranges from 4.25% to 12.0% and is due as funds become available. At June 30, 2011, the amounts of such advances payable to the City and unpaid interest thereon for each project area, are as follows:

<u>Project</u>	<u>Principal</u>	<u>Accrued Interest</u>	<u>Total</u>
Downtown	\$ 532,938	-	532,938
Fair Oaks	8,110,537	9,524,733	17,635,270
Orange Grove	127,350	-	127,350
Villa Parke	126,923	-	126,923
Old Pasadena	418,222	1,363,696	1,781,918
Lake/Washington	215,461	-	215,461
Lincoln	<u>636,844</u>	<u>1,373,780</u>	<u>2,010,624</u>
Total	<u>\$10,168,275</u>	<u>12,262,209</u>	<u>22,430,484</u>

During 2011, the Commission and City more formally documented their pre-existing promissory notes. In some cases this resulted in a change in interest calculation and amortization schedules.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(10) Notes Payable**

**Outstanding at  
June 30, 2011**

On October 20, 2004, the Commission entered into a ten-year note agreement with the California Housing Finance Agency for site acquisition, predevelopment and construction associated with the development, rehabilitation and preservation of homeownership and multi-family rental units within the City. The terms of the note require annual interest payments with a rate of 3% per annum on funds drawn, maturing on October 20, 2014. 1,420,722

On May 19, 2006, the City entered into a ten-year agreement with the California Housing Finance Agency for site acquisition, predevelopment and construction associated with the development, rehabilitation and preservation of homeownership and multifamily rental units within the City. The terms of the note require annual interest payments with a rate of 3.00% per annum on funds drawn, maturing on May 19, 2016. 1,000,000

Total primary government notes payable \$2,420,722

Year ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	72,622	72,622
2013	-	72,622	72,622
2014	-	72,622	72,622
2015	1,420,722	43,078	1,463,800
2016	<u>1,000,000</u>	<u>26,548</u>	<u>1,026,548</u>
	<u>\$ 2,420,722</u>	<u>287,492</u>	<u>2,708,214</u>

**(11) Tax Allocation Bonds Payable**

**Fair Oaks Project**

On May 17, 2006 the Commission issued \$2,470,000, 2006 Tax Allocation Bonds (Fair Oaks Refund and Public Improvement Program) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Fair Oaks Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net asset. Interest on the bonds is payable semiannually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.900% per annum. Principal is payable in annual installments ranging from \$120,000 to \$225,000 commencing July 1, 2007 and ending July 1, 2021. The legal reserve requirement is \$230,815. As of June 30, 2011 the balance held in reserve account is \$243,888. \$ 1,960,000

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(11) Tax Allocation Bonds Payable (Continued)**

**Outstanding at  
June 30, 2011**

**Orange Grove Project**

On October 17, 2000, the Commission issued \$2,801,000, 2000 Tax Allocation Refunding Bonds (Orange Grove Redevelopment Project) for refunding of the 1985 Tax Allocation Refunding Bonds and 1989 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1, commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$137,000 to \$282,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$280,100. The balance held in the reserve account as of June 30, 2011 was \$280,100.

795,000

**Villa Parke Project**

On October 17, 2000, the Commission issued \$1,814,000, 2000 Tax Allocation Refunding Bonds (Villa Parke Redevelopment Project) for the refinancing of the 1985 Subordinate Tax Allocation Bonds. Interest on the bonds is payable semi-annually on December 1 and June 1 commencing June 1, 2001. The rate of interest varies from 4.35% to 5.50% per annum. Principal is payable in annual installments ranging from \$89,000 to \$182,000 commencing June 1, 2001 and ending June 1, 2014. The legal reserve requirement is \$181,400. The balance held in the reserve account as of June 30, 2011 was \$181,401.

514,000

**Villa Parke Project**

On May 17, 2006 the Commission issued \$710,000 Tax Allocation Bonds Series 2006 (Villa Parke Redevelopment Project Refunding) for the refunding of the 1993 Tax Allocation Bonds and to finance redevelopment activities within the Villa Project Area. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on June 1 and December 1, commencing December 1, 2006. The rate of interest varies from 3.800% to 4.500% per annum. Principal is payable in annual installments ranging from \$80,000 to \$100,000 commencing June 1, 2007 and ending June 1, 2014. The legal reserve requirement is \$71,000. As of June 30, 2011 the balance held in reserve account is \$96,761.

280,000

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(11) Tax Allocation Bonds Payable, (Continued)**

**Outstanding at  
June 30, 2011**

**Lake/Washington Project**

On May 17, 2006 the Commission issued \$805,000, 2006 Tax Allocation Bonds (Lake/Washington Refunding and Public Improvement Program) for the purpose of reimbursing City Advances, financing certain redeveloping activities and refunding of the outstanding 1993 Tax Allocation Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on January 1 and July 1, commencing January 1, 2007. The rate of interest varies from 3.800% to 4.700% per annum. Principal is payable in annual installments ranging from \$60,000 to \$90,000 commencing July 1, 2007 and ending July 1, 2018. The legal reserve requirement is \$80,500. As of June 30, 2011 the balance held in reserve account is \$81,305.

555,000

**Affordable Housing Project**

On May 17, 2006 the Commission issued \$1,935,000, 2006 Tax Allocation Bonds (Housing Set-Aside Revenue-Townhouse Project) for the financing of residential housing redevelopment. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. Interest on the bonds is payable semi-annually on February 1 and August 1, commencing August 1, 2007. The rate of interest varies from 3.800% to 4.300% per annum. Principal is payable in annual installments ranging from \$210,000 to \$275,000 commencing August 1, 2007 and ending August 1, 2015. The legal reserve requirement is \$193,500. As of June 30, 2011 the balance held in reserve account is \$195,435.

1,045,000

Total Tax Allocation Bonds Payable

\$ 5,149,000

Future debt service requirements for bonds payable are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 955,000	247,045	1,202,045
2013	1,000,000	197,443	1,197,443
2014	1,064,000	144,564	1,208,564
2015	510,000	88,020	598,020
2016	250,000	71,070	321,070
Thereafter	<u>1,370,000</u>	<u>188,775</u>	<u>1,558,775</u>
	<u>\$ 5,149,000</u>	<u>936,917</u>	<u>6,085,917</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(11) Tax Allocation Bonds Payable, (Continued)**

**Pledged Revenue**

The Commission has a number of debt issues outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issues were utilized are disclosed in the debt description in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax Increment (Downtown)	\$22,947,877	21,120,762	92%
Tax Increment (Other Projects)	8,247,361	1,588,995	19%

**(12) Transfers In and Out**

The following is a summary of transfers in and out for the year ended June 30, 2011:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Special Revenue	Other Government	\$965,725 (1)
Debt Service:		
Downtown	Special Revenue	800,000
Fair Oaks	Special Revenue	181,623
Fair Oaks	Fair Oaks Capital Project	101,350
Lake/Washington	Special Revenue	80,472
Capital Projects:		
Downtown	Debt Service Downtown	61,000
Old Pasadena	Special Revenue	1,253,179 (2)
Other Government	Special Revenue	551,924
Other Government	Other Government	<u>274,169</u>
		<u>\$4,269,442</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(12) Transfers In and Out, (Continued)**

Transfers from Special Revenue and Capital Project – Downtown consist in part of the following:

- (1) \$965,725 transferred to debt service fund – Affordable Housing for the Affordable Housing portion of debt service payment on 1991 Tax Allocation Bonds Low Moderate Housing, 2006 Tax Allocation Bonds Housing Set-Aside Revenue Townhouse Project and 2001 \$6,500,000 Federal National Mortgage Association Note.
- (2) \$1,253,179 transferred to Special Revenue Fund for the low and moderate housing set aside from Old Pasadena Redevelopment Project Area.

**(13) Administrative Overhead Costs**

During the year ending June 30, 2011, the Commission paid the City \$2,944,797 for services provided by City employees.

**(14) Commitments and Contingencies**

**Pending Litigation**

The Commission is subject to certain claims arising in the normal course of business; none of which, in management's opinion, is expected to have a material adverse effect on the Commission's financial statements.

**Contingencies**

The City constructed certain public improvements in various redevelopment project areas, some of which were financed through the issuance of bonds. The Commission and the City agreed by resolution, in accordance with the Health and Safety Code of the State of California, that these public improvements benefited the project areas. As a result, the Commission agreed to reimburse the City for the cost of such improvements with periodic payments as funds are available. These payments can be made from any funds which may be legally available to the Commission; however, payments are subordinate to pledges of tax increments or other proceeds for existing bonds and also for any bonds issued in the future with the prior approval of the City Council.

As of June 30, 2011, pursuant to the terms of these agreements, outstanding amounts are as follows:

<b><u>Project Area</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Outstanding at June 30, 2011</u></b>
Downtown	\$24,017,712	31,911,038	55,928,750
Villa Parke	4,205,418	9,672,461	13,877,879
Old Pasadena	<u>30,555,410</u>	<u>28,669,504</u>	<u>59,224,914</u>
	<u>\$58,778,540</u>	<u>70,253,003</u>	<u>129,031,543</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(14) Commitments and Contingencies**

**Contingencies, (Continued)**

Due to the subordinate nature of the commitment and the unlikelihood of the availability of funds for future payment, the Commission has not recorded the obligation at June 30, 2011. Additionally, the City has not recorded a receivable for the balance due to the City at June 30, 2011.

When adopting its budget for fiscal year 2011-12, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2011-12. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time.

**(15) Accumulated Fund Deficits**

At June 30, 2011, the Fair Oaks Capital Project Fund had an accumulated deficit of \$1,189,270. The deficit exists primarily due to the sale of land held for resale in the Fair Oaks Project Area at \$5.8 million loss in 1997. The Commission plans to eliminate the accumulated deficit in the future through the restructuring of the notes and through increase in revenues.

At June 30, 2011, the Orange Grove Project Fund had an accumulated deficit of \$58,774. The deficit exists primarily due to the consultation fees for the merger process to combine the five redevelopment project areas in Northwest Pasadena. The Commission plans to eliminate the accumulated deficit in the future through increase in revenues and reducing programs and projects.

**(16) Restatement of Beginning Net Asset**

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net assets.

Net assets at June 30, 2010	\$6,532,885
Understatement Note Payable - Other	<u>(12,213)</u>
Nets assets at June 30, 2010	<u>\$6,520,672</u>

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(17) Fund balance and net assets**

**Fund balances, Governmental Funds**

On the Balance Sheet - Governmental Funds, the fund balances are reported in the aggregate in the classifications defined by Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balances by classification for the year ended June 30, 2011, were as follows:

	Special Revenue	Debt Service			Capital Projects			Other Governmental Funds
	Low & Moderate / Inclusionary Housing	Downtown	Fair Oaks	Lake/Washington	Downtown	Fair Oaks	Old Pasadena	
<b>Fund Balances</b>								
Nonspendable for:	\$ -	-	-	-	-	-	1,479,568	-
City/Agency Advances	-	-	-	-	1,479,565	-	-	-
Notes receivable	25,148,781	-	-	-	-	-	-	-
Property held for resale	7,438,977	-	-	-	3,200,000	-	-	-
Restricted for:								
Capital projects	-	-	-	-	260,063	-	2,455,968	1,709,726
Community development	-	-	-	-	-	-	-	146,533
Debt service	-	15,174	2,126,043	83,222	-	-	-	1,875,733
Low and Mod Housing	7,098,221	-	-	-	-	-	-	-
Committed to:								
Low and Mod Housing	3,236,683	-	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	(1,189,270)	-	(58,774)
<b>Total fund balances</b>	<b><u>\$42,922,662</u></b>	<b><u>15,174</u></b>	<b><u>2,126,043</u></b>	<b><u>83,222</u></b>	<b><u>4,939,628</u></b>	<b><u>(1,189,270)</u></b>	<b><u>3,935,536</u></b>	<b><u>3,673,218</u></b>

Per GASB 54, in a governmental fund other than the general fund, expenditures incurred for a specific purpose might exceed the amounts in the fund that are restricted, committed, and assigned to that purpose and a negative residual balance for that purpose may result. If that occurs, amounts assigned to other purposes in that fund should be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or if there are no amounts assigned to other purposes, the negative residual amount should be classified as unassigned fund balance.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(17) Fund balance and net assets, (Continued)**

**Net Assets**

On the government-wide Statement of Net Assets, the net assets are reported in one of two classifications; Restricted or Unrestricted. Net assets by classification as of June 30, 2011 are:

	Primary Government
	Governmental
	<u>Activities</u>
Restricted:	
Low and Moderate	\$37,791,553
Downtown	4,421,864
Villa Parke	404,627
Old Pasadena	2,153,618
Halstead Sycamore	146,533
Affordable Housing	341,048
Unrestricted	<u>(40,731,827)</u>
Total net assets	<u>\$4,527,416</u>

**(18) State Assembly Bills 1X 26 and 27**

On June 29, 2011 Governor Brown signed Assembly Bills 1X 26 and 27 as part of the State's budget package. Assembly Bill 1X 26 requires that California redevelopment agencies immediately suspend activities and only allows activity to meet existing obligations, preserve its assets and prepare for potential dissolution of the agency. Assembly Bill 1X 27 provides a means for redevelopment agencies to continue to exist and operate via a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to help alleviate the State budget crisis in fiscal year 2011-12 and annual payments each fiscal year thereafter.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1X 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California



**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(18) State Assembly Bills 1X 26 and 27, (continued)**

Supreme Court issued a stay of all of Assembly Bill 1X 27 and most of Assembly Bill 1X 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.”

On August 18, 2011, Ordinance No. 7212 was effective, indicating that the agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills 1X 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$6.5 million with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$1.56 million will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill 1X 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the agency to assemble sufficient funds to make its initial payments.

During the first quarter of 2011, the City and the Commission also took action transferring a number of properties that had been titled in the name of the Commission to the City. Notes documenting numerous loans and advances that had been made to the Commission from the City over the many years prior were also executed. Because the legislation may ultimately be invalidated as being unconstitutional, the City Manager/Chief Executive Officer was authorized to take any and all actions necessary to transfer back to the Commission all or a portion thereof former real property interests, cash and other assets transferred to the City of Pasadena as a result of the previous transfer to the City.

On December 29, 2011 the California Supreme Court issued an opinion in the California Redevelopment Association v. Matosantos case, upholding Assembly Bill 1X 26 (the “Redevelopment Dissolution” bill) and invalidated Assembly Bill 1X 27 (the “Voluntary Payment” bill). The Court provided a four month extension for all deadlines contained in AB 1X 26 that arise prior to May 1, 2012. As a result, effective February 1, 2012, pending other legislative action, all redevelopment agencies will be dissolved. Payments of existing bonds and other applicable obligations, however, will not be impacted. The City Council has repeatedly expressed its intention to continue the activities of the Commission despite the state’s efforts to curtail redevelopment activities. This includes the passing of an ordinance in August of 2011 committing the City to make the “voluntary” payment to the state which was intended to allow the Commission to continue its operations after the effective date of the two Assembly Bills referenced above.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2011**

**(19) Subsequent Events**

**Windstorm 2011**

Late November 30, 2011 and early December 1, 2011, the City and neighboring areas experienced gale-force “Santa Ana” winds, which generated significant calls for service for fallen trees, downed power lines, roadway obstructions, traffic light outages, and damage to vehicles, businesses, and homes. The City of Pasadena and Los Angeles County declared a local state of emergency on December 1, 2011. The windstorm caused as much as \$75,000,000 damage primarily in the San Gabriel Valley. Pasadena’s damages have been estimated to be as high as \$30,000,000 dollars if personal and commercial losses are included. The impact on the Commission project areas within the City and the availability of any federal or state disaster revenue support has not been determined.

**California Supreme Court Ruling on Redevelopment**

Please refer to Footnote 18 for information regarding the Court’s opinion of December 29, 2011.

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PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

(A Component Unit of the City of Pasadena, California)

Required Supplementary Information

Year Ended June 30, 2011

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Special Revenue Fund**  
**Low and Moderate / Inclusionary Housing**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**

Year ended June 30, 2011

	Budget		Actual	Variance with	Prior
	Original	Final		Final Budget	
<b>Revenues:</b>					
Intergovernmental			42,524	42,524	75,649
Rental income	\$ 93,207	93,207	93,684	477	92,474
Investment income	140,000	140,000	150,565	10,565	158,942
Net changes in fair value of investments	-	-	(3,901)	(3,901)	25,622
Housing in lieu fees	215,987	215,987	2,392,624	2,176,637	1,166,208
Other revenue	249,862	249,862	82,417	(167,445)	100,969
<b>Total revenues</b>	<b>699,056</b>	<b>699,056</b>	<b>2,757,913</b>	<b>2,058,857</b>	<b>1,619,864</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administrative overhead costs	492,795	492,795	484,659	8,136	491,757
Planning	150,000	150,000	-	150,000	42,188
Project Management	1,147,381	1,209,187	812,393	396,794	812,393
Real estate acquisition	-	1,560,849	975,000	585,849	399
Emergency shelter service	110,000	110,000	109,875	125	158,250
Operation of acquired properties	-	-	5,966	(5,966)	7,425
Public improvement	-	-	-	-	70,567
Demolition	-	-	37,084	(37,084)	
Rehabilitation	40,000	350,358	308,319	42,039	-
Affordable housing assistance	536,094	7,856,094	-	7,856,094	1,851,514
Disposition	-	-	-	-	-
<b>Total expenditures</b>	<b>2,476,270</b>	<b>11,729,283</b>	<b>2,733,296</b>	<b>8,995,987</b>	<b>3,434,493</b>
Excess (deficiency) of revenues over (under) expenditures	(1,777,214)	(11,030,227)	24,617	11,054,844	(1,814,629)
<b>Other financing sources (uses):</b>					
Issuance of notes	-	-	-	-	-
Transfers in	2,976,972	2,976,972	2,867,198	(109,774)	2,916,119
Transfers out	(1,385,290)	(1,385,290)	(965,725)	419,565	(2,457,502)
<b>Total other financing sources (uses)</b>	<b>1,591,682</b>	<b>1,591,682</b>	<b>1,901,473</b>	<b>309,791</b>	<b>458,617</b>
<b>Change in fund balance</b>	<b>(185,532)</b>	<b>(9,438,545)</b>	<b>1,926,090</b>	<b>11,364,635</b>	<b>(1,356,012)</b>
Fund balances at beginning of year	39,331,185	39,331,185	39,331,185	-	40,687,197
Fund balances at end of year	\$ 39,145,653	29,892,640	41,257,275	11,364,635	39,331,185

See accompanying notes to the basic financial statements.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
(A Component Unit of the City of Pasadena, California)

**Notes to Required Supplementary Information**

**Year Ended June 30, 2011**

**(1) Budgets and Budgetary Accounting**

The City Council is required to adopt an annual budget resolution by June 30 of each fiscal year. The budgets are adopted on a basis that does not differ materially from generally accepted accounting principles (GAAP).

The Commission maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The Commission's level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. The Commission's chief executive officer may authorize transfer of appropriations within a department so long as it is within a single fund. Supplemental appropriations during the year must be approved by the Commission. During the fiscal year of 2011, the Commission approved a budget amendment appropriating \$9.25M:

- \$2.6M of Low and Moderate Income Housing Trust Funds for the permanent financing of Mar Vista to provide up to 20 units of permanent supportive housing located at 131-135 N. Mar Vista Avenue
- \$440K of State Calhome Funds (\$240K) and Inclusionary Housing Trust Funds (\$200K) for the Rehabilitation/Construction of Herkimer Gardens to provide affordable homeownerships located at 411-415 N. Raymond.
- The following prior year appropriations are being carried forward in the amount of \$6.21M for:
  - \$1.6M of Inclusionary Housing Trust Funds (\$1,333,607) and State Workforce Housing Grant Funds (\$227,241) for Hudson Oaks project to move forward
  - \$1.8M of Local Housing Trust Fund for pipeline projects to provide gap financing for existing approved or new projects
  - \$1.8M of Inclusionary Housing Trust Funds for pipeline projects to provide gap financing for existing approved or new projects
  - \$480K of State Calhome Funds for homebuyer assistance loans
  - \$310K of Low and Moderate Income Housing Trust Funds for Parke Street to complete the rehabilitation of this project as scheduled and completed
  - \$200K of State Local Housing Trust Funds for Nehemiah Court project to move forward
  - \$60K of Low and Moderate Income Housing Trust Funds for demolition work at Heritage Square site

Intergovernmental revenues totaling \$1,707,911 were not included in the FY 2011 Adopted budget as they were not foreseen at the time of budget adoption. Most of this total was comprised of: a) \$1,225,887 in State pass-through ARRA Section 1602 funds that the California Tax Credit Allocation Committee awarded to the Hudson Oaks senior housing project which was approved on December 13, 2010; and b) \$439,500 in State BEGIN program funds that the City applied for to assist the Haskett Court project,

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Notes to Required Supplementary Information**

**Year Ended June 30, 2011**

**(1) Budgets and Budgetary Accounting (Continued)**

which was approved on May 10, 2010; and c) a draw of \$40,000 in State Calhome funds from an allocation that was reflected in the carry forward of FY 2010 Calhome program and approved September 13, 2010. Binding agreements for revenues “a” and “b” (totaling \$1,665,387) were not approved by the State until November-December, 2010 and, were approved by the Commission on the dates stated above.

Inclusionary In-Lieu Fee revenues in the amount of \$2,392,624 consisted of only \$376,546 in actual in-lieu fee payments generated from Inclusionary housing projects. Two million dollars (\$2,000,000) of this total consisted of drawdowns from the State Local Housing Trust Fund program from which monies were awarded to the City in FY 2006. This State program required applicants to provide local matching funds; the City utilized Inclusionary funds as the match (hence, these State funds were booked as “Inclusionary” revenues). The fund draws totaling \$2,000,000 were for projects that were moving forward in FY 2011 (\$1,603,646 for the Hudson Oaks project and \$396,354 for the Heritage Square project).

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PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

(A Component Unit of the City of Pasadena, California)

Combining Statements

Year Ended June 30, 2011

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**June 30, 2011**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
<u>Assets</u>			
Cash and investments	\$ -	994,710	167,540
Cash and investments with fiscal agents	514,260	278,629	195,584
Accounts receivable	-	-	-
Interest receivable	783	22,377	-
Taxes receivable	143,579	76,392	-
Notes receivable	-	-	-
Advances to other funds	-	-	-
Allowance for uncollectible long-term receivables	-	-	-
	-	-	-
Total assets	\$ 658,622	1,372,108	363,124
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	112,146	22,076
Due to other funds	368,586	15,313	-
	-	-	-
Total liabilities	368,586	127,459	22,076
Fund balances:			
Restricted	290,036	1,244,649	341,048
Unassigned	-	-	-
	-	-	-
Total fund balances	290,036	1,244,649	341,048
Total liabilities and fund balances	\$ 658,622	1,372,108	363,124

Capital Projects Funds						
Orange Grove	Villa Parke	Lake/ Washington	Lincoln	Halstead/ Sycamore	Totals	
					2011	2010
-	83,807	502,750	1,081,712	101,948	2,932,467	4,380,696
-	-	-	-	-	988,473	978,787
-	-	-	-	41,300	41,300	12,700
-	-	4,080	6,689	3,285	37,214	38,097
-	-	-	43,614	-	263,585	104,762
230,000	829,942	-	-	-	1,059,942	1,059,942
189,485	-	-	-	-	189,485	189,485
(419,485)	(829,942)	-	-	-	(1,249,427)	(1,249,427)
<u>-</u>	<u>83,807</u>	<u>506,830</u>	<u>1,132,015</u>	<u>146,533</u>	<u>4,263,039</u>	<u>5,515,042</u>
-	2,906	-	1,527	-	138,655	182,342
58,774	-	-	8,493	-	451,166	21,102
<u>58,774</u>	<u>2,906</u>	<u>-</u>	<u>10,020</u>	<u>-</u>	<u>589,821</u>	<u>203,444</u>
-	80,901	506,830	1,121,995	146,533	3,731,992	5,311,630
(58,774)	-	-	-	-	(58,774)	(32)
<u>(58,774)</u>	<u>80,901</u>	<u>506,830</u>	<u>1,121,995</u>	<u>146,533</u>	<u>3,673,218</u>	<u>5,311,598</u>
<u>-</u>	<u>83,807</u>	<u>506,830</u>	<u>1,132,015</u>	<u>146,533</u>	<u>4,263,039</u>	<u>5,515,042</u>

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Year ended June 30, 2011**

	Debt Service Funds		
	Orange Grove	Villa Parke	Affordable Housing
<b>Revenues:</b>			
Incremental property taxes	\$ 810,625	1,647,107	-
Intergovernmental	-	-	188,152
Investment earnings	32,675	12,361	3,164
Net changes in fair value of investments	734	(981)	-
Sales tax	-	-	-
Other revenue	-	-	-
	<u>844,034</u>	<u>1,658,487</u>	<u>191,316</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Administrative overhead costs	-	1,150	-
Planning	-	-	-
Real estate expense	-	-	-
Rehabilitation expense	-	-	-
Contingency	-	-	-
SERAF payment	399,997	654,534	-
Property tax pass-through	33,898	122,819	-
<b>Debt service:</b>			
Principal	259,477	256,477	912,746
Interest and fiscal charges	83,762	91,809	75,489
	<u>777,134</u>	<u>1,126,789</u>	<u>988,235</u>
Excess (deficiency) of revenues over (under) expenditures	<u>66,900</u>	<u>531,698</u>	<u>(796,919)</u>
<b>Other financing sources (uses):</b>			
Advance from the City of Pasadena	-	-	-
Transfer to City of Pasadena	-	-	-
Transfers in	-	-	965,725
Transfers out	(257,930)	(507,785)	-
	<u>(257,930)</u>	<u>(507,785)</u>	<u>965,725</u>
Change in fund balances	(191,030)	23,913	168,806
Fund balances (deficit) at beginning of year	<u>481,066</u>	<u>1,220,736</u>	<u>172,242</u>
Fund balances (deficit) at end of year	<u>\$ 290,036</u>	<u>1,244,649</u>	<u>341,048</u>

Capital Projects Funds						
Orange Grove	Villa Parke	Lake/Washington	Lincoln	Halstead/Sycamore	Totals	
					2011	2010
-	-	-	301,890	-	2,759,622	2,269,723
-	-	-	-	-	188,152	558,000
-	13,352	5,344	12,166	1,638	80,700	186,530
-	(5,406)	(1,433)	(3,129)	8	(10,207)	(895)
-	-	-	-	340,716	340,716	209,345
-	1,150	-	-	-	1,150	1,150
-	9,096	3,911	310,927	342,362	3,360,133	3,223,853
95,805	178,364	43,436	32,038	-	350,793	333,216
58,742	55,920	15,832	130,704	-	261,198	234,637
-	-	-	-	-	-	4,996
-	-	-	-	-	-	30,000
-	-	-	-	257,115	257,115	250,580
-	-	-	79,379	-	1,133,910	4,691,805
-	-	-	3,210	-	159,927	219,468
-	-	-	-	-	1,428,700	3,064,400
-	-	-	503,933	-	754,993	756,998
154,547	234,284	59,268	749,264	257,115	4,346,636	9,586,100
(154,547)	(225,188)	(55,357)	(438,337)	85,247	(986,503)	(6,362,247)
-	-	-	503,933	-	503,933	97,644
-	(1,569,611)	-	-	-	(1,569,611)	(309,177)
95,805	178,364	-	-	-	1,239,894	4,795,619
-	-	-	(60,378)	-	(826,093)	(2,792,062)
95,805	(1,391,247)	-	443,555	-	(651,877)	1,792,024
(58,742)	(1,616,435)	(55,357)	5,218	85,247	(1,638,380)	(4,570,223)
(32)	1,697,336	562,187	1,116,777	61,286	5,311,598	9,881,821
(58,774)	80,901	506,830	1,121,995	146,533	3,673,218	5,311,598

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Computation of Low-Moderate Income Housing Excess/Surplus Funds**

**Year ended June 30, 2011**

Fund Balance, June 30, 2011		\$27,823,733
Less Unavailable Amounts:		
Notes receivable	\$17,934,529	
Property held for resale	5,455,098	
Restricted for debt service	341,048	
Unassigned	<u>(762,974)</u>	<u>(22,967,701)</u>
Available Low and Moderate Income Housing Funds		4,856,032
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-aside for last four years		
Fiscal year 2006-07	2,940,277	
Fiscal year 2007-08	2,903,897	
Fiscal year 2008-09	2,926,495	
Fiscal year 2009-10	<u>2,916,119</u>	
Total set-aside deposited into fund		<u>(11,686,788)</u>
Excess (Deficit) of Available Low and Moderate Income Housing Funds		
Over(Under) Limitation		<u>(\$6,830,756)</u>
Computed Excess Surplus, June 30, 2011		<u><u>\$0</u></u>



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PASADENA COMMUNITY  
DEVELOPMENT COMMISSION

(A Component Unit of the City of Pasadena, California)

Fiscal Statement

Year Ended June 30, 2011

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

**Fiscal Statement**

As defined in §33080.5, the fiscal statement shall contain specified information. In accordance with the requirements detailed below, the following information is presented:

§33080.5(a) The amount of outstanding indebtedness of the agency and each project area.

The amount of outstanding indebtedness of the agency and each project area was reported to the Los Angeles County Auditor Controller on the annual Statement of Indebtedness report, commonly referred to as the SOI. The SOI was timely filed on September 30, 2011, a full copy of which is attached as **Exhibit D**. A summary of the SOI debt is also reported on the SCR. The outstanding indebtedness includes both the principal and related interest for each debt item. A summary of the outstanding indebtedness by project area is below:

• Downtown Project Area:	Total Debt: \$113,749,587
• Old Pasadena Project Area:	Total Debt: \$194,949,080
• Orange Grove Project Area:	Total Debt: \$4,586,528
• Lincoln Avenue Project Area:	Total Debt: \$15,495,899
• Fair Oaks Avenue Project Area:	Total Debt: \$52,579,617
• Villa-Parke Project Area:	Total Debt: \$52,139,026
• Lake/Washington Project Area:	Total Debt: \$37,346,306

Total outstanding indebtedness of the Commission: \$470,846,043

§33080.5(b) The amount of gross tax increment property tax revenues generated in each project area.

• Downtown Project Area:	Total Debt: \$22,947,877
• Old Pasadena Project Area:	Total Debt: \$4,177,264
• Orange Grove Project Area:	Total Debt: \$810,625
• Lincoln Avenue Project Area:	Total Debt: \$301,890
• Fair Oaks Avenue Project Area:	Total Debt: \$908,116
• Villa-Parke Project Area:	Total Debt: \$1,647,107
• Lake/Washington Project Area:	Total Debt: \$402,359

Total outstanding indebtedness of the Commission: \$31,195,238

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
**(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

§33080.5(c) The amount of tax increment revenues paid to, or spent on behalf of, a taxing agency, other than a school or community college district, pursuant to subdivision (b) of §33401 or §33676. Moneys expended on behalf of a taxing agency shall be itemized per each individual capital improvement.

- Downtown Project Area: None
- Old Pasadena Project Area: None
- Orange Grove Project Area: None
- Lincoln Avenue Project Area: None
- Fair Oaks Avenue Project Area: None
- Villa-Parke Project Area: None
- Lake/Washington Project Area: None

§33080.5(d) The financial transactions report required pursuant to Section 53891 of the Government Code.

The Agency's independent audit (**Exhibit C**) and the SCR (**Exhibit A**) meet the requirements of this section.

§33080.5(e) The amount allocated to school or community college districts pursuant to each of the following provisions: (1) §33401; (2) §33445; (3) §33445.5; (4) §33676(a)(2); and (5) §33681.

- Downtown Project Area: None
- Old Pasadena Project Area: None
- Orange Grove Project Area: None
- Lincoln Avenue Project Area: None
- Fair Oaks Avenue Project Area: None
- Villa-Parke Project Area: None
- Lake/Washington Project Area: None

\*\* No amounts allocated pursuant to §33445; §33445.5; §33676(a)(2); or §33681.

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

§33080.5(f) The amount of existing indebtedness, as defined in §33682, and the total amount of payments required to be paid on existing indebtedness for that fiscal year.

The Agency has no existing indebtedness as defined in §33682 (related to school financing), and therefore has no payments to be made.

- Downtown Project Area: Not Applicable
- Old Pasadena Project Area: Not Applicable
- Orange Grove Project Area: Not Applicable
- Lincoln Avenue Project Area: Not Applicable
- Fair Oaks Avenue Project Area: Not Applicable
- Villa-Parke Project Area: Not Applicable
- Lake/Washington Project Area: Not Applicable

§33080.5(g) Any other fiscal information that the agency believes useful to describe its programs.

**SERAF**

In July 2009, the State of California Legislature approved a \$2.05 billion shift of Redevelopment Tax Increment funds to the Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal years 2009-10 and 2010-11. The State approved \$1.7 billion in transfer for fiscal year 2009-10 and \$350 million for fiscal year 2010-2011. The State Department of Finance calculated each Agency's SERAF payment each year. Payments are due by May 10 of the applicable year. The Commission made payments to the "SERAF" in the amount of \$10.8 million in May 2010 and \$2.2 million in May 2011. A portion of the property tax increment received by the Commission was used to pay "SERAF" in both fiscal years.

**Merger of the Northwest Redevelopment Project Areas**

In January, 2007 the Commission and the City Council approved the commencement of a merger process to combine the five redevelopment project areas in Northwest Pasadena (Orange Grove, Lincoln Avenue, Villa-Parke and Lake/Washington) in accordance with the provisions and requirements of California Redevelopment Law-Health and Safety Code 33000 et seq. In addition to the merger, the Commission also sought to amend the tax increment cap limit in the Villa-Parke Redevelopment Plan. The amendment increased the cap from \$20.4 million to \$65 million. Even though the Commission completed all of the required legal actions necessary per the California Health and Safety Code to gain the Commission's final approval of the merger, the Commission chose not to pursue its adoption given the uncertainty of the State's approval. As such, the Commission has put the merger of the five redevelopment projects on an indefinite

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
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**Fiscal Statement**

**Year Ended June 30, 2011**

hold. The Commission did approve an ordinance that amended the tax increment cap limitation in the Villa-Parke redevelopment project area.

**Time Limits**

Section 33080.1(g) requires the agency to provide a list of the fiscal years that the agency expects each of the following time limits to expire:

§33080.1(g) (1) The time limit for the commencement for eminent domain proceedings to acquire property within the project area.

§33080.1(g) (2) The time limit for the establishment of loans, advances, and indebtedness to finance the redevelopment project.

§33080.1(g) (3) The time limit for the effectiveness of the redevelopment plan.

§33080.1(g) (4) The time limit to repay indebtedness with the proceeds of property taxes.

Project Area	Time Limit			
	Eminent Domain	Incur Indebtedness	Plan Effectiveness	Repay Indebtedness with Tax Increment
Downtown	Expired	Expired	12-29-2013	12-29-2023
Old Pasadena	Expired	Expired	07-19-2026	07-19-2036
Orange Grove	Expired	None requested	01-23-2016	01-23-2026
Lincoln Avenue	Expired	None - Repealed	07-21-2027	07-21-2027
Fair Oaks	Expired	None - Repealed	01-01-2012	01-01-2022
Avenue	Expired	None - Repealed	07-21-2027	07-21-2037
Added Area				
Villa-Parke	Expired	None - Repealed	12-26-2015	12-26-2025
Lake/Washington	Expired	None - Repealed	06-15-2025	06-15-2035

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

**Loans**

Section 33080.1(e) requires the agency to provide a list of, and status report on, all loans made by the redevelopment agency that are fifty thousand dollars (\$50,000) or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the redevelopment agency.

Housing loans in default or not in compliance during FY 2011:

<b>Loan Type and Number</b>	<b>Loan Balance</b>	<b>Loan Fund Source</b>	<b>Status</b>
Homebuyer Loan No. 10000155	\$60,000.00	LMIHF	Property sold at 11/18/10 trustee's sale
Homebuyer Loan No. 10000165	\$61,091.14	HOME (federal)	Borrower in bankruptcy as of 6/14/11

**Property**

Section 33080.1(f) requires the agency to provide a description of the total number and nature of the properties that the agency owns and those properties the agency has acquired in the previous fiscal year.

A list of real property owned by the Commission is attached as **Exhibit E**. The Commission did not purchase or acquire any property during fiscal year 2010-2011.

**Major Audit Violations**

Section §33080.2(a) provides that when an agency presents the annual report to the legislative body pursuant to §33080.1, the agency shall inform the legislative body of any major audit violations of this part based on the independent financial audit report. The agency shall inform the legislative body that the failure to correct a major audit violation of this part may result in the filing by the Attorney General pursuant to §33080.8.

The Agency's independent financial audit report (**Exhibit C**) does not report any major audit violations.

Section §33080.2(b) provides that the legislative body shall review any report submitted pursuant to Section §33080.1 and take any action it deems appropriate on that report no later than the first meeting of the legislative body occurring more than 21 days from the receipt of the report.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
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**Fiscal Statement**

**Year Ended June 30, 2011**

The City Council, as legislative body for the PCDC, received this Annual Report by December 30, 2011, and shall take any action it deems appropriate no later than the first meeting occurring more 21 days from the receipt of the report.

**Other Information**

Section 33080.1(g) allows the agency to provide any other information that it believes useful to explain its programs, including, but not limited to, the number of jobs created and lost in the previous fiscal year as a result of its activities.

**Redevelopment Economic Development Activities**

In addition to the Community Development Committee being the advisory body for affordable housing in the Pasadena community, it also serves as the advisory body to City Council on redevelopment and economic development related projects and activities. The 2010-2011 accomplishments are provided below.

**Central Area-Downtown**

- 
- I. **By June 2010**, Utilize Commission funds to help support retail recruitment efforts for the central district

*Status: Staff completed an update to the retail recruitment program including new demographic and psychographic information and reports. Outreach and attraction remains an active and ongoing staff effort.*

- II. **By June 30, 2010**, the Commission financially supports and maintains ongoing retail surveys and demographic information for the Downtown retail sector.

*Status: Staff completed an update to the retail recruitment program including new demographic and psychographic information and reports.*

- III. **By June 30, 2010**, Explore Development Opportunities within the Central Area.

*Status: Ongoing*

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

- IV. **By June 30, 2010**, Work in collaboration with Transportation and Public Works Department and Business stakeholders to develop a comprehensive Wayfinding signage project.

*Status: Staff completed the Wayfinding Plan and is preparing for full grant funding awarded and scheduled for 2012 to begin fabrication, construction and installation.*

- V. **By June 30, 2010**, Implement 1 to 3 commercial storefront improvement upgrades within the Downtown Central Area.

*Status: Finished phase I of the Storefront Project at 231 East Colorado; property owner updated the painting, awnings, windows and applied graffiti prevention film on storefront windows.*

*Staff is currently negotiating potential improvements with Angels Book Supply, located at the corner of Madison and Colorado and with Canterbury Records, located within the Playhouse District. The Playhouse District Management Company is looking to provide some funds to assist this project.*

**Central Area-Old Pasadena**

---

- I. **By June 30, 2010**, Conduct consumer surveys to gauge consumer-purchasing habits in retail districts.

*Status: Done*

- II. **By June 30, 2010**, Extend budgeted financial support to the Old Pasadena Property Owner-Based Business Improvement District (PBID).

*Status: Done*

- III. **By June 30, 2010**, Conduct Business District surveys to gauge consumer purchasing habits in retail districts.

*Status: Ongoing*

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
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**Fiscal Statement**

**Year Ended June 30, 2011**

**Orange Grove Redevelopment Project Area**

---

- I. **By December 2010**, complete the amendment process necessary to merge the five-redevelopment project areas in Northwest Pasadena into a single, non-contiguous redevelopment project area.

*Status:* Staff executed a two-year contract with Urban Futures Incorporated to facilitate the merger of the five existing redevelopment, project areas in Northwest Pasadena. On October 25, 2010, in a joint action the City Council and the Commission adopted a Negative Declaration amending the five Northwest

*Redevelopment Project Areas.* At a noticed public hearing on December 6, 2010, the action to merge the Project Areas was postponed and the Public hearing was continued to allow for additional analysis of the flow of tax increment dollars and the impact on future projects. In Fiscal Year 2011-2012, staff will analyze the bonding capacity to determine the financial feasibility of a merger.

**Lincoln Avenue Redevelopment Project Area**

---

- I. Throughout the year, provide training and mailing of agendas to support monthly PAC meetings.

*Status:* The Economic Development Division staff provides on-going assistance to the PAC to support the monthly meetings.

- II. **By December 30, 2010**, complete the draft Lincoln Avenue Specific Plan.

*Status:* Staff hired a consultant and began preparation of the Lincoln Avenue Specific Plan on October 2009. The feasibility analysis for the corridor includes the Lincoln/Washington Site-A. The Lincoln Avenue Specific Plan draft document was completed December 2010. The consultant team is in process of preparing the environmental initial study and preliminary work on the EIR. Preparation of the environmental documentation began in September 2011 after the services contract was signed and completed. There will be two scoping meetings—January 26 at the Northwest Commission and a tentative meeting is scheduled on February 8<sup>th</sup> at the Planning Commission. Potentially significant impacts that triggered the EIR are in the areas of traffic, greenhouse gases, noise and air quality. The scope of development is regionally significant. Anticipated completion of the EIR is Fall 2012. A total of \$250,000 is allocated from the Lincoln Avenue the Commission funds to implement streetscape improvements along the Lincoln Avenue corridor and Washington Site-A.

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
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**Fiscal Statement**

**Year Ended June 30, 2011**

- III. Throughout the year, continue marketing efforts to developers and retailers to market the properties within the boundaries of the Lincoln Avenue Specific Plan.

*Status: Staff met with the property owner of LA Steelcraft, who expressed interest in selling both of his Lincoln Avenue properties. Staff also met with the adjacent property owner of the Kettle's Nursery site. The LA Steelcraft property is now listed for sale. Staff continues to contact real estate brokers and developers interested in locating to the Lincoln Avenue corridor.*

- IV. Throughout the year, continue to monitor the implementation of the Storefront Improvement Program.

*Status: Identified buildings along the Lincoln Avenue Corridor as potential candidates.*

- V. Develop a business guide to showcase the various business services offered within the Lincoln Avenue corridor.

*Status: Staff completed the Lincoln Village Business Guide 2010.*

**Fair Oaks Avenue Redevelopment Project Area**

---

- I. Throughout the year, provide training and mailing of agendas to support monthly PAC meetings.

*Status: Economic Development Division staff provides on-going assistance to the PAC to support the monthly meetings.*

- II. Throughout the year, continue to monitor the implementation of the Storefront Improvement Program along the Fair Oaks Avenue and Orange Grove Boulevard corridors.

*Status: Identified buildings within the Orange Grove Corridor Target Outreach Area as potential candidates.*

**Villa-Parke Redevelopment Project Area**

---

- I. Study development opportunities for commercial block face between Marengo and Summit on south side of Orange Grove Boulevard.

*Status: Staff continues to explore redevelopment opportunities for these properties.*

**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

- II. **By June 30, 2011**, identify and analyze development opportunities within the Villa Parke portion of the Fair Oaks/Orange Grove Specific Plan Area.

*Status: Staff continues to explore redevelopment opportunities for these properties.*

- III. Throughout the year, continue to monitor the implementation of the Storefront Improvement Program.

*Status: Since June 2011, Staff began working with the property owner of 317 E. Orange Grove Boulevard to begin restoration of a designated landmark building with five storefronts.*

- IV. By Fiscal Year 2010-2012, complete Villa-Parke Center rehabilitation plans and commence construction activities.

*Status: A \$2,000,000 renovation was completed February 2011 to upgrade the recreation center facilities including new softball turf and drainage system, new soccer field bleachers, and synthetic turf soccer field. Locker room renovations were completed June 26, 2011.*

- V. By Fiscal Year 2010-2011, increase the Villa-Parke Redevelopment Project Area tax increment cap limit.

*Status: The Commission and City Council adopted an ordinance approving an Amendment increasing the Villa-Parke financial cap limit on November 8, 2010.*

**Lake/Washington Redevelopment Project Area**

---

- I. Continue working with the North Lake Avenue Village Business Association (NLVBA).

*Status: Department staff meets regularly with the NLVBA to discuss North Lake Issues. Accomplishments: NLVBA became a 501(c)(3) membership organization and acquired 25 paid members, worked with Ed Henning and Associates on a Property and Business Improvement District Feasibility Study and held its 3rd annual Christmas in the Village event, recognizing Economic Development.*

*Status: Completed the Property and Business Improvement District (PBID) Feasibility Study July 2010. Recommended next steps: North Lake Village Businesses seek to expand their business association status.*

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Fiscal Statement**

**Year Ended June 30, 2011**

- II. Continue negotiations with the property owner to renovate the Washington Theater.

*Status: City approved seismic retrofit and prepared draft contract to stage construction phase on City Lot located on north side of property.*

- III. Throughout the year, continue to monitor the implementation of the Storefront Improvement Program.

*Status: Identified two buildings and spoke with properties owners within the Lake/Washington Redevelopment area to determine if they wanted to utilize the Storefront Program.*

**Business Development**

- I. **By June 30, 2010**, implement a corporate retention program for top revenue and job producing companies, and assemble commercial/industrial site data.

*Status: Ongoing - Continue to reach out to large employers during the year with Mayor and City Manager*

- II. **By June 30, 2010**, renew membership in the San Gabriel Valley Economic Partnership.

*Status: Ongoing*

- III. **By June 30, 2010**, implement annual marketing and advertising budget for ad placement, printing and event sponsorship.

*Status: Ongoing*

- IV. **By June 30, 2010**, implement industry-specific sponsorships to advance Pasadena's profile in biotech and other sciences.

*Status: Ongoing*

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PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)

Fiscal Statement

Year Ended June 30, 2011

Housing Programs

Affordable Housing Program

- Goal: Attempt to develop and issue a new Request For Proposals for the residential component of the Heritage Square development site. *Accomplishment: The Heritage Square Very Low Income Senior Housing Request For Proposals was issued on February 10, 2011. Three developers submitted proposals by the April 14, 2011 RFP deadline.*
- Monitor compliance of rental and ownership housing covenants. Goal: Monitor 1,300+ covenanted units. *Accomplishment: As of the end of FY 2011, the City's compliance monitoring consultant, Urban Futures has transmitted annual certification reports to all of the City-covenanted affordable rental projects and performed on-site monitoring visits at 18 rental projects. All affordable units are in compliance with City/Commission covenant restrictions.*
- Provide beds to homeless individuals during the emergency and bad weather season: Goal: Provide 180 beds to low income homeless persons during emergency and bad weather. *Accomplishments: During the 2010/2011 season the Bad Weather Shelter (BWS) was open 74 nights and provided shelter for an average of 120 persons per night. During the season the shelter served 722 unduplicated adults and 125 children. One hundred fifty (150) emergency shelter cots were made available to homeless families and individuals per night. In addition, food and beverages were provided. Thirty four (34) local community groups volunteered at the shelter, providing approximately 510 volunteers who assisted the regular shelter staff.*
- Provide financial assistance or implement regulatory mechanisms to preserve, rehabilitate, or construct affordable ownership housing units. Goal: 16 or more affordable ownership housing units completed with long-term City resale or equity share restrictions. *Accomplishments: The following Housing Opportunity Program (HOP) projects containing affordable units were completed during FY 2011:*
  - *Allen-Brigden (5 HOP-assisted units)*
  - *859 N. Fair Oaks (2 Inclusionary units)*
  - *Non-project units (4 HOP-assisted units)*

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**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Fiscal Statement**

**Year Ended June 30, 2011**

- In partnership with Rebuilding Together Pasadena, rehabilitate units within the targeted revitalization area. Goal: Rehabilitate 12+ units within targeted revitalization area. *Accomplishment: This program was not funded in the report period. However, CDBG funded the MASH program to provide lead-based paint stabilization services and major/minor home repairs.*
- Goal: Develop a system for the intake of housing funding applications from developers which insures that the allocation of limited resources meet priority needs and that the process is open, transparent, competitive, objective and consistently applied. *Accomplishment: On hold due to lack of significant amount of housing funds to allocate to new projects in the foreseeable future.*
- Provide financial assistance or implement regulatory mechanisms to preserve, rehabilitate, or construct affordable rental units. Goal: 58 or more affordable rental housing units completed with long-term City rent restrictions. *Accomplishments: The following rental housing projects containing affordable units were completed during FY 2011:*
  - *Parke Street Apartments (6 units)*
  - *Westgate Apartments (53 Inclusionary units)*
  - *430 Linda Rosa (1 density bonus unit)*

Rental Assistance Program

- Provide rental subsidies for very low income households. Goal: Achieve a 98% lease-up rate by providing 1,290 households with rental subsidies out of the 1,317 certificates allotted under the Section 8 Rental Assistance Program. *Accomplishment: During the report year, 1,305 households were assisted with rent subsidies, which represent a 99.0% lease-up rate.*

Supportive Housing Services Program

- Provide rental subsidies and supportive services for low-income persons with disabilities using the Shelter Plus Care Program. Goal: Provide rental subsidies and supportive services for 55 very low income persons with disabilities. *Accomplishment: 76 homeless persons with disabilities were provided with ongoing rental assistance and supportive services during FY 2011.*

**PASADENA COMMUNITY DEVELOPMENT COMMISSION**  
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**Fiscal Statement**

**Year Ended June 30, 2011**

- Provide rental assistance to low-income households using the HOME TBRA program. Goal: Provide rental assistance to 30 very low-income households. *Accomplishment: 27 low and very low-income households were provided with rental assistance using the HOME TBRA program during FY 2011.*
- Provide supportive services and rent subsidies under Supportive Housing Program to very low-income households. Goal: Provide supportive services and rental subsidies for 185 low-income households. *Accomplishment: 198 low and very low-income households received supportive services and transitional or permanent supportive housing using the Supportive Housing Program.*
- Provide rental assistance to very low-income households living with AIDS using the HOPWA program. Goal: Provide rental assistance to 3 very low-income households. *Accomplishment: 5 very low-income households were provided with rental assistance using the HOPWA program.*
- Provide enrollment, supportive services and financial stipends for 25 low-income households participating in the Family Self-Sufficiency Program. Goal: Provide enrollment, supportive services, and financial stipends for 25 low-income households participating in the Family Self-Sufficiency Program. *Accomplishment: Five (5) low and very-low income households participated in the Family Self-Sufficiency Program, and received supportive services and financial stipends. Due to loss of funding, no new participants are being accepted into the FSS Program.*

**Community Development Block Grant Program**

- Provide financial assistance for housing code enforcement, economic development, and capital improvements within the Service Benefit Area; and planning for fair housing counseling and community planning activities using CDBG funds. Goal: Provide financial assistance within the Service Benefit Area using CDBG funds. *Accomplishments: For 2010-2011 CDBG funding allocations were made as follows: \$248,000 for housing code enforcement; \$140,000 for economic development activities and \$255,000 for capital improvement projects. The CDBG-funded economic development activities are undertaken pursuant to sub-recipient contracts which are administered by the Community Development Division of the Housing Department. Also \$63,000 in CDBG funds were allocated for fair housing services.*



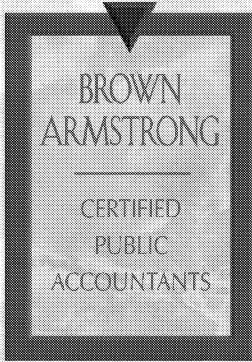
**PASADENA COMMUNITY DEVELOPMENT COMMISSION  
(A Component Unit of the City of Pasadena, California)**

**Fiscal Statement**

**Year Ended June 30, 2011**

- Make financial assistance available to local non-profits for the provision of public and human services to low-income households. Goal: Offer financial assistance to local non-profits providing services to low-income households.  
*Accomplishments: \$400,687 in CDBG funds were provided to local non-profits for the provision of public/human services.*
  
- Make annual debt service payment on the Fair Oaks Renaissance Plaza and Lake Washington Shopping Center – Section 108 Loans. Goal: Continue to make annual debt service payment on Section 108 Loans.  
*Accomplishments: Debt service from CDBG funds in the amount of \$347,624 were paid for the Fair Oaks Renaissance Plaza Shopping Center – Section 108 Loan. There is no longer a CDBG Section 108 debt obligation for the Lake Washington Shopping Center.*

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and City Council
Pasadena Community Development Commission
Pasadena, California

MAIN OFFICE

4200 TRUXTON AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pasadena Community Development Commission (the Commission), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

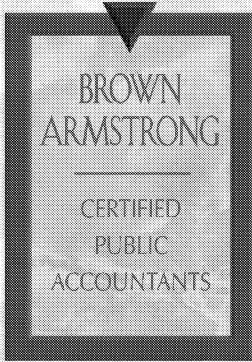
interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Guidelines for Compliance Audits of California Redevelopment Agencies*

This report is intended solely for the information and use of management, City of Pasadena, Mayor, City Council, State Controller, awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Pasadena, California  
December 29, 2011



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL BASED ON AN AUDIT OF COMPLIANCE PERFORMED IN ACCORDANCE WITH GUIDELINES FOR COMPLIANCE AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES, 2011, ISSUED BY THE STATE CONTROLLER

The Honorable Mayor and City Council
Pasadena Community Development Commission
Pasadena, California

MAIN OFFICE
4200 TRUXTON AVENUE

SUITE 300
BAKERSFIELD, CA 93309
TEL: 661.324.4971
FAX: 661.324.4997
EMAIL: info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL: 661.746.2145
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Compliance

We have audited the Pasadena Community Development Commission (Commission) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Guidelines for Compliance Audits of California Redevelopment Agencies, 2011, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Commission has occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Commission's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designated to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of management, City of Pasadena, Mayor, City Council, State Controller, awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, consisting of a stylized 'B' followed by a horizontal line extending to the right.

Pasadena, California  
December 29, 2011