

Lease and the Lease, the rights of the parties thereunder will be subject to the terms and conditions of the REA and the POMA.

REA. Pursuant to the REA, the Successor Agency grants non-exclusive easements to the Developer (and subsequent owners of properties abutting the Leased Premises) of the Leased Premises or portions thereof, for vehicular and pedestrian access and parking purposes consistent with the POMA and, to the extent reasonably necessary, for construction, support, utilities, maintenance and encroachment. The Leased Premises may only be used for the construction, operation and maintenance of parking facilities and related incidental uses in accordance with the terms of the POMA.

POMA. Pursuant to the POMA, certain parking spaces will be allocated for the exclusive use of occupants of certain apartment residential units located within the development project known as Paseo Colorado, which is bordered by Marengo Avenue on the west, Colorado Boulevard on the north, Los Robles Avenue on the east and Green Street on the south.

Management. The Successor Agency is the manager of the Leased Premises, which properties are to be operated, maintained and repaired in good order, condition and repair.

Parking Operation Net Income. All parking operation revenues and all parking operation expenses will be owned by the Successor Agency and will be assigned to the Authority, pursuant to the Authority Lease, and subsequently assigned to the City, pursuant to the Lease.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No Pledge of General Tax Revenues

The City has covenanted in the Lease to take such action as may be necessary to include all Lease Payments, Additional Payments and Reserve Replenishment Rent (to the extent such Additional Payments and Reserve Replenishment Rent are known to the City at the time its annual budget is proposed) due under the Lease in the City's annual budget, to maintain such amounts to the extent unpaid in that Fiscal Year in its budget throughout such Fiscal Year, and to make the necessary annual appropriations therefor.

The obligation of the City to pay Lease Payments, Additional Payments and Reserve Replenishment Rent under the Lease constitutes a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the City. Lease Payments, Additional Payments and Reserve Replenishment Rent due under the Lease shall be payable only from current funds which are budgeted and appropriated or

otherwise legally available for the purpose of paying Lease Payments, Additional Payments and Reserve Replenishment Rent or other payments due under the Lease as consideration for the use of the Leased Premises. The City has not pledged the full faith and credit of the City, the Successor Agency, the State of California or any agency or department thereof to the payment of the Lease Payments, Additional Payments and Reserve Replenishment Rent or any other payments due under the Lease.

The City has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Abatement of Lease Payments

The obligation of the City to pay Lease Payments is abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any item or portion of the Leased Premises there is substantial interference with the use and possession of such item or portion of the Leased Premises by the City. See "SECURITY AND SOURCES OF REPAYMENT FOR THE BONDS—Abatement" above.

City General Fund Pension Benefit Liability

The City's obligation to pay Lease Payments to the Authority when due is a general fund obligation of the City. The City has other obligations that are charges against its general fund revenues, including its pension benefit liability to the Fire and Police Retirement System ("FPRS") and its other pension systems. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems." Many factors influence the amount of the City's pension benefit liability, including, without limitation, inflationary factors, investment performance, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience. Any of these factors could give rise to additional pension benefit liability of the City, as a result of which the City would be obligated to make additional payments to FPRS. The City's ability to achieve its targeted funding level for FPRS of 85% will depend upon the FPRS actuary's assumed rate of investment. There can be no assurance that funding sources other than the City's general fund, such as issuance of pension obligation bonds, will be sufficient to achieve such funding level. Further, the volatility in the value of FPRS's assets may reduce the funding level below 85% in the future, requiring additional City general fund contributions under the Amended Contribution Agreement. However, all of FPRS's assets are currently being managed in accordance with FPRS's investment policy and asset allocation. See APPENDIX A—"THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System" and "—CITY FINANCIAL INFORMATION—Investment Practices."

Redevelopment Agency Dissolution

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies ("CRAs") and the disposition and winding-up of the operations of those agencies.

The CRAs were dissolved on February 1, 2012 pursuant to AB1x 26. As authorized by AB1x 26, the City has elected to serve as the Successor Agency to the Pasadena Community Development Commission (the “Commission”). As the Successor Agency, the City is required to administer the dissolution of the Commission and the winding down of the Commission’s activities, including making enforceable obligation payments and disposing of the Commission’s property.

AB1x 26 requires that the Commission’s enforceable obligations are “to be honored.” As the Successor Agency, the City must perform the actions required by enforceable obligations and make required payments regarding the former Commission’s bonds, loans, employee pension obligations, legal judgments or settlements, and binding and enforceable contracts or agreements. With limited exceptions, the agreements, contracts or arrangements between a CRA and its sponsoring community are not considered enforceable obligations binding upon the successor agency. The successor agency must prepare a recognized obligation payment schedule, certified by the county auditor-controller and subject to oversight board approval, for each six-month period of the fiscal year that identifies the sources of funds to pay the former CRA’s enforceable obligations.

In December 2012, the Department of Finance of the State of California (the “DOF”) notified the City of Pasadena and the Successor Agency that certain items relating to pension payment obligations and affordable housing obligations were determined by DOF not to be enforceable obligations under AB1x26 and not to be eligible for payment from former tax increment generated by the redevelopment projects (known as Redevelopment Property Tax Trust Fund, or “RPTTF” funding). Ten days later, the City filed litigation in the Superior Court of the State of California and applied for a temporary restraining order so that the RPTTF funds would be made available (for payment of the above items), and to restrain the distribution of these funds on January 2, 2013 to other property tax agencies. The City has prevailed thus far by first obtaining a temporary restraining order and, more recently, a preliminary injunction which declares such items as obligations of the former redevelopment agency due to the City as valid enforceable obligations payable by the Successor Agency. The DOF, through the State Attorney General’s Office, filed its Notice of Appeal of the preliminary injunction in March 2013. In September 2013, the Attorney General’s Office filed its opening brief. The City’s opposition brief was filed in November 2013, and the Attorney General’s Office’s reply brief was filed in January 2014. Oral argument in the Court of Appeals was held in July 2014. No decision from the Court of Appeals has been issued. If it is ultimately determined that the Commission’s obligation to make such payments to the City is not an “enforceable obligation,” then the Successor Agency’s obligation to make such payments may no longer be enforceable, and the City may be required to make such payments out of its general fund. See APPENDIX A – “THE CITY OF PASADENA—Retirement Systems—Fire and Police Retirement System.”

Seismic Risks; Earthquake Insurance

The City is in a seismically active region of California. Major fault systems traversing Southern California and affecting the Pasadena area include the San Andreas and Newport-Inglewood fault systems. A major earthquake along these regional systems, local faults, or as yet unknown faults has the potential to result in seismic-induced ground shaking in Pasadena. Much of the City, including the Lease Premises, overlies sandy, stony or gravelly soil. This soil is

more porous and loosely compacted than bedrock and thus subject to greater impacts from seismic ground shaking than bedrock. The Lease Premises lie approximately four miles from the Sierra Madre fault to the north and approximately two miles from the Raymond Hill fault to the south. These faults are the only faults considered active within the City. No known faults traverse the Lease Premises. A significant earthquake along one or more of these or other faults is probable during the period the Bonds will be outstanding.

Earthquake insurance is only required to be provided to the extent such insurance is commercially available from reputable insurance companies. (See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE.”) In the event that the City does not obtain earthquake insurance and the Leased Premises are damaged or destroyed by earthquake, the City’s obligation to make Lease Payments would be abated, subject to the availability of rental interruption insurance and the amounts deposited in the Reserve Fund. In the event of a serious earthquake affecting the City, it is possible that the Federal Emergency Management Agency (“FEMA”) would provide financing to aid the Successor Agency in rebuilding the Leased Premises; however, there can be no assurance that FEMA would provide such aid or that, if provided, it would cover one hundred percent of the cost of reconstruction.

Self-Insurance

The City may self-insure for casualty loss insurance and comprehensive liability insurance and for the deductibles relating thereto. Should the City self-insure for such losses, no assurance can be given that such self-insurance at the time of any casualty or loss will be adequate to cover any claims that may arise. A detailed description of (i) the insurance requirements of the City under the Lease and (ii) the conditions under which the City is permitted to self-insure is contained in the Lease.

Limited Recourse on Default

The enforcement of any remedies provided in the Lease and Trust Agreement could prove both expensive and time-consuming. Although the Lease provides that, if the City defaults the Authority may repossess the Property and relet it, portions of the Leased Premises may not be easily recoverable. Additionally, the Authority may have limited ability to relet the Premises to provide a source of rental payments sufficient to pay the principal and interest represented by the Bonds. See APPENDIX C – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—THE LEASE—Default and Remedies.”

Limitation of Remedies

The rights of the owners of the Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, laws affecting the enforcement of creditors’ rights generally, now or moratorium or similar hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the owners of

the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

REMARKETING AGENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated is the Remarketing Agent for the Bonds pursuant to the Trust Agreement and the Remarketing Agreement. The Remarketing Agent may resign or be removed and a successor Remarketing Agent may be appointed in accordance with the Trust Agreement and the Bank of the West Liquidity Facility.

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof, all as further described in this Remarketing Memorandum. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Bonds for its own inventory in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may reduce the supply of Bonds that may be tendered in a remarketing.

Bonds May be Offered at Different Prices on any Date. The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. While the Remarketing Agent may buy and sell Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process. The Liquidity Facility is not available to purchase Bonds other than those tendered in accordance with a sale of Bonds by the bondholder to the Remarketing Agent. The Liquidity Facility will only be drawn when such Bonds have been properly tendered in accordance with the terms of the transaction.

Remarketing Agent may Be Removed, Resign or Cease Remarketing the Bonds. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

THE AUTHORITY

The Authority is a joint exercise of powers authority created by and existing under the laws of the State of California established pursuant to that certain Joint Exercise of Powers Agreement dated April 24, 2000 between the City and the Successor Agency, as successor in interest to the Commission. The Authority is a public entity separate from the City and the Successor Agency. The debts, liabilities and obligations of the Authority do not constitute debts, liabilities or obligations of the City or the Successor Agency. The Authority is administered by a Governing Board which consists of the members of the City Council of the City.

THE CITY

The City is located in Los Angeles County in the northwestern portion of the San Gabriel Valley. The City of Pasadena was incorporated in 1886 and became a freeholder charter city in 1901. The City adopted its city manager form of government by amendments to the City Charter in 1921. The City Council is responsible for the administration of the City. The City covers approximately 23 square miles and is located in the County of Los Angeles in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La Cañada and Glendale, on the south by South Pasadena and San Marino, on the east by Arcadia and Sierra Madre, and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See APPENDIX A – “THE CITY OF PASADENA” herein for further information regarding the City.

THE SUCCESSOR AGENCY

The Pasadena Community Development Commission (the “Commission”) was established on April 27, 1981 to succeed the Pasadena Redevelopment Agency to eliminate deterioration of the community and promote economic revitalization within the City. The Successor Agency is the successor by operation of law to the Commission, which was dissolved on February 1, 2012 pursuant to the enactment of Assembly Bill No. 26 on June 29, 2011. The City provides management assistance to the Successor Agency, and the members of the City Council act as the Successor Agency’s governing body.

CONTINUING DISCLOSURE

Pursuant to the Lease, upon conversion of the Bonds to a Fixed Rate Mode, the City has agreed to execute and deliver a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), in accordance with the continuing disclosure requirements promulgated under Securities and Exchange Commission Rule 15c2-12(b)(5), as may from time to time hereafter be amended or supplemented. The Authority has no liability to the Bondholders or any other person with respect to such disclosure matters.

The City files audited financials and notices of certain events pursuant to continuing disclosure undertakings for certain other of its obligations. Such documents are reported to the Municipal Securities Rulemaking Board through its EMMA website at <http://emma.msrb.org>.

LEGAL MATTERS

Certain legal matters will be passed upon for the City and the Authority by Sidley Austin LLP, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Authority, the Successor Agency and the City by the City Attorney of the City of Pasadena and Sidley Austin LLP, for the Liquidity Bank by Chapman and Cutler LLP, Chicago, Illinois, counsel to the Liquidity Bank and for the Remarketing Agent by Hawkins, Delafield & Wood LLP, counsel to the Remarketing Agent.

TAX MATTERS

General

In connection with the original issuance of the Bonds, Sidley Austin LLP, Bond Counsel delivered its approving opinion (the “Original Opinion”), which stated that, under the existing statutes, regulations, rulings and judicial decisions, interest on the Bonds would be exempt from all present State of California income taxes. In the Original Opinion, Sidley Austin LLP also delivered its opinion that, based on then existing statutes, regulations, rulings and court decisions, interest on the Bonds would be taxable to a Bond owner for federal income tax purposes as ordinary interest income at the time it accrues or is received, in accordance with the Bond owner’s method of accounting for tax purposes. A copy of the Original Opinion is contained in Appendix D to this Remarketing Memorandum. The Original Opinion has not been updated or reissued in connection with the remarketing of the Bonds.

Certain U.S. Federal Income Tax Considerations

The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates), which change may be retroactive, or possible differing interpretations. It deals only with the Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding the Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than investors who purchase Bonds in the initial

offering at the first price at which a substantial amount of such substantially identical bonds are sold to the general public (except where otherwise specifically noted). Persons considering the purchase of the Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996, and properly elected to continue to be treated as a United States person. Moreover, as used herein, the term “U.S. Holder” includes any holder of a Bond whose income or gain in respect of its investment in a Bond is effectively connected with the U.S. trade or business. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Bond (other than an entity that is classified as a partnership) that is not a U.S. Holder.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is the beneficial owner of any Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership. A partnership and any partner in a partnership holding Bonds should consult its own tax advisor.

Payments of Interest. Payments of interest on a Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting), provided such interest is “qualified stated interest,” as defined below.

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Bonds issued with original issue discount (“OID Bonds”), if any. The following summary is based upon final Treasury regulations (the “OID Regulations”) released by the Internal Revenue Service (“IRS”) under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical Bonds equals the first price at which a substantial amount of such maturity of Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Bond is the sum of all payments

provided by the Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Bond generally taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting).

A U.S. Holder of an OID Bond must include original issue discount in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder’s regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The “daily portion” of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An “accrual period” may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an “acquisition premium.” Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount. If a U.S. Holder purchases a Bond, other than an OID Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an OID Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Bond at a “market discount,” unless the amount of such market discount is less than a specified de minimis amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an OID Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Bonds at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Bonds, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Bond with market discount until the maturity of such Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income or gain upon the disposition of the Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

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

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

Disposition of a Bond. Except as discussed above, upon the sale, exchange or retirement of a Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Bond. A U.S. Holder's adjusted tax basis in a Bond generally will equal such U.S. Holder's initial investment in the Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Bond. Such gain or loss generally will be long-term capital gain or loss if the Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Medicare Tax. An additional 3.8% tax will be imposed on the net investment income (which includes interest, original issue discount and gains from a disposition of a Bond) of certain individuals, trust and estates. Prospective investors in the Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Bonds.

Non-U.S. Holders. Subject to the discussion below in the section "Foreign Account Tax Compliance Act," a non-U.S. Holder will not be subject to United States federal income taxes on payments of principal, premium (if any), interest (including original issue discount, if any) on a Bond, unless such non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent, as defined below, must have received a statement from the individual or corporation that:

- is signed by the beneficial owner of the Bond under penalties of perjury,
- certifies that such owner is not a U.S. Holder, and
- provides the beneficial owner's name and address.

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

A non-U.S. Holder whose income with respect to its investment in a Bond is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Certain securities clearing organizations, and other entities who are not beneficial owners, may be able to provide a signed statement to the Withholding Agent. However, in such case, the signed statement may require a copy of the beneficial owner's W-8BEN (or the substitute form).

Generally, a non-U.S. Holder will not be subject to United States federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Bond, unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Bonds will not be includable in the estate of a non-U.S. Holder unless, at the time of such individual's death, payments in respect of the Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

Foreign Account Tax Compliance Act. Sections 1471-1474 of the Code and the Treasury Regulations thereunder ("FATCA") impose withholding taxes on certain types of payments made to "foreign financial institutions," as specially defined under FATCA, and certain other non-U.S. entities. FATCA imposes a 30% withholding tax on payments of interest on, and gross proceeds from the sale or other disposition of, the Bonds paid to a foreign financial

institution unless the foreign financial institution is deemed to be compliant with FATCA or enters into an agreement with the IRS to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity of a certain type unless the entity certifies that it does not have any substantial U.S. owners or furnishes identifying information to the IRS or to the withholding agent regarding each substantial U.S. owner. These rules currently apply to payments of interest and are expected to apply to payments of gross proceeds from the sale or other disposition of the Bonds after December 31, 2016. Prospective investors should consult their tax advisors regarding the application of FATCA to the acquisition, ownership or disposition of the Bonds.

Backup Withholding. Backup withholding of United States federal income tax may apply to payments made in respect of the Bonds to registered owners who are not “exempt recipients” and who fail to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Bond to (or through) a broker, the broker must report the sale and withhold on the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Certification of the registered owner’s non-U.S. status would be made normally on a W-8BEN or W-8BEN-E under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS.

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the Bonds or the validity thereof, or the creation, organization, corporate existence or powers of the Authority or the City, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Lease, the Trust Agreement, or the Bank of the West Liquidity Facility by the Authority or the City.

RATINGS

S&P and Fitch will assign the Bonds the respective long-term ratings set forth on the front cover of this Remarketing Memorandum, and will assign the Bonds the short-term ratings set forth on the front cover of this Remarketing Memorandum based on the availability of the Bank of the West Liquidity Facility. Further explanation of the significance of such ratings may be obtained from S&P and Fitch, respectively. The City has provided to S&P and Fitch certain information that has not been included in this Remarketing Memorandum. The ratings are not a recommendation to buy, sell or hold the Bonds and should be evaluated independently. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of S&P or Fitch, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the Bonds. Neither the City nor the Remarketing Agent has undertaken any responsibility after the remarketing of the Bonds to assure maintenance of the ratings or to oppose any such proposed revision or withdrawal.

MISCELLANEOUS

Any statements in this Remarketing Memorandum involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum and its distribution and use by the Remarketing Agent, have been duly authorized and approved by the Authority and the City.

PASADENA PUBLIC FINANCING AUTHORITY

By: /s/ _____
President

APPENDIX A

THE CITY OF PASADENA

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APPENDIX A

THE CITY OF PASADENA

General

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

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

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

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

City Council

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

<u>Name</u>	<u>Occupation</u>	<u>Term Expiration</u>
Bill Bogaard, Mayor	Attorney	May 2015
Jacque Robinson, Vice -Mayor (District 1)	Education Policy Director	May 2015
Margaret McAustin (District 2)	Asset Manager - Real Estate	May 2015
John J. Kennedy (District 3)	Executive Consultant	May 2017
Gene Masuda (District 4)	Business Owner	May 2015
Victor Gordo (District 5)	Attorney	May 2017
Steve Madison (District 6)	Attorney	May 2015
Terry Tornek (District 7)	Real Estate Investor	May 2017

City Staff

Michael J. Beck, City Manager, has been the Pasadena City Manager since October 2008. His responsibilities include the overall operation of the City's government, including development of the annual operating and capital budget of \$678 million in fiscal year ended June 30, 2014. Mr. Beck also manages 14 departments within the City, including Pasadena Water and Power, full service police and fire departments, and a Department of Health and Management of almost 2,000 employees. He is also a member of the Rose Bowl Operating Company. Mr. Beck's initiatives have included the development of a five-year fiscal program to resolve a General Fund deficit brought on by the recent economic downturn with cumulative savings of more than \$150 million; streamlining the City's governmental functions and processes; increasing the use of technology to better serve residents; developing a financial solution to an unfunded liability in the closed Fire and Police Retirement System; creating a strategic investment plan to fund at least \$100 million in renovations to public facilities; and implementing a strategic planning process for the City. In addition, he has provided leadership to Pasadena's General Plan update and the Rose Bowl Stadium renovation project. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire with a population of more than 300,000 and a nearly \$1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the city departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. He developed the financial plan and implementation of the \$1.8 billion Riverside Renaissance program – 30 years of public infrastructure investment in just five years. Before working for the City of Riverside, he was Director of Economic Development and Real Estate Services for the University of California, Riverside, where he developed public/private partnerships to foster expansion of academic and research opportunities; and was instrumental in developing a regional economic development agenda that advanced managerial and technical job creation. He holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration, both from the University of California, Riverside.

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

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to

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

Population

The following table presents a ten-year history of the population of the City since 2005.

**POPULATION
For Years 2005 through 2014**

Year (as of January 1)	Population
2005	145,219
2006	145,695
2007	146,051
2008	147,293
2009	150,185
2010	136,769
2011	138,768
2012	139,222
2013	140,102
2014	140,879

Source: State of California, Department of Finance. Revised based upon revision to the US Census information with 2010 benchmark. Updates to estimates for years 2005 through 2009 incorporating the 2010 census counts are not available.

Education

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

**PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years ended June 30, 2005 through June 30, 2014**

Fiscal Year Ended June 30	Total Enrollment
2005	22,336
2006	21,321
2007	20,826
2008	20,905
2009	20,526
2010	20,084
2011	19,803
2012	19,805
2013	19,540
2014	19,240

Source: Pasadena Unified School District.

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

Employment

No annual information is regularly compiled on employment and unemployment in the City alone. The following table shows employment, unemployment and labor force information for Los Angeles County for calendar years 2009 through 2013 and as of [August 1], 2014.

**LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2009 THROUGH 2013
AND AS OF [AUGUST 1], 2014
(in thousands)**

	2009	2010	2011	2012	2013	2014 ⁽¹⁾
County Employment	4,276	4,335	4,355	4,397	4,471	4,564
County Unemployment	579	612	569	500	490	406
County Civilian Labor Force	4,855	4,947	4,924	4,897	4,960	4,970
County Unemployment Rate	11.9%	12.4%	11.6%	10.2%	9.9%	8.2%
State Unemployment Rate	12.0%	12.1%	11.0%	9.8%	8.9%	7.3%

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

⁽¹⁾ As of [August 1].

Major Employers

Industry in the City is diversified. Some of the leading industries include higher education, research and development, health care, financial services and communications. The major employers within the City as of June 2014 are listed below.

MAJOR EMPLOYERS 2014

Company	Approximate Number of Employees	Business Line
California Institute of Technology-Jet Propulsion Laboratory	5,000	Aerospace Research
California Institute of Technology-Campus	3,900	Education
Huntington Memorial Hospital	3,238	Hospital
Kaiser Permanente	3,070	Health Care
Pasadena Unified School District	2,674	Education
The City of Pasadena	2,000	Government
Art Center College of Design	1,083	Education
Pasadena City College	764	Education
Hathaway-Sycamores	692	Social Services
The Langham Huntington Hotel (Ritz-Carlton)	562	Hotel
Parsons Corporation	560	Engineering/Construction

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

Housing

The following table presents a ten-year history of total housing units within the City, for fiscal years ended June 30, 2005 through June 30, 2014.

HOUSING UNITS⁽¹⁾ For Fiscal Years ended June 30, 2005 through June 30, 2014

Fiscal Year Ended June 30	Housing Units
2005	56,255
2006	56,520
2007	56,753
2008	57,274
2009	58,135
2010	58,590
2011	60,178
2012	60,263
2013	60,314
2014	60,369

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

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

Building Permit Activity

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

The following table shows the value of building permits issued in the City for the fiscal years ended June 30, 2010 through June 30, 2014.

**CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
Fiscal Years ended June 30, 2010 through June 30, 2014
(Valuation in Millions)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Building Permit Valuations					
Nonresidential	\$ 50.8	\$56.3	\$ 92.5	\$ 62.8	\$ 97.5
Residential	23.4	24.4	24.3	34.5	37.4
Residential New Construction	11.5	9.8	61.2	23.3	81.1
Total	<u>\$ 85.7</u>	<u>\$90.5</u>	<u>\$178.1</u>	<u>\$120.6</u>	<u>\$216.1</u>
Number of Permits Issued					
Non Residential	592	619	717	663	606
Residential	1,780	2,077	3,022	2,106	2,234
Residential New Construction	32	39	25	20	27
Total	<u>2,404</u>	<u>2,735</u>	<u>3,764</u>	<u>2,789</u>	<u>2,867</u>

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business for the twelve-month periods ending September 30, 2009 through September 30, 2013.

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

Type of Business	Twelve-Month Periods Ended September 30				
	2009	2010	2011	2012	2013
Apparel Stores	\$ 179.0	\$ 199.1	\$ 195.0	\$ 203.8	\$ 216.7
General Merchandise Stores	218.3	210.6	213.7	216.3	207.8
Food Stores	118.2	116.1	116.3	137.2	139.8
Eating & Drinking Places	389.0	381.2	397.1	427.3	450.5
Home Furnishings & Appliances	167.0	177.7	176.8	189.8	185.7
Bldg. Material & Farm Implements	82.3	79.2	80.7	93.0	111.0
Auto Dealers & Auto Supplies	299.4	320.2	327.9	353.5	374.8
Service Stations	113.9	135.1	167.2	167.8	159.0
Other Retail Stores	360.9	350.1	358.3	361.2	373.0
Retail Stores Total	1,928.0	1,969.3	2,033.0	2,150.0	2,218.4
All Other Outlets	795.3	682.8	660.9	658.8	627.5
Total All Outlets	<u>\$2,723.3</u>	<u>\$2,652.1</u>	<u>\$2,693.9</u>	<u>\$2,808.8</u>	<u>\$2,845.9</u>

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

Community Facilities

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

Transportation

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

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

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

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of June 30, 2014, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

CITY OF PASADENA EMPLOYEE UNION REPRESENTATION

Name of Union	Number of Employees Represented As of June 30, 2014	Expiration of Contract
American Federation of State, County and Municipal Employees	270	July 3, 2012 ⁽¹⁾
International Brotherhood of Electrical Workers	102	June 30, 2016
International Union of Operating Engineers	22	June 30, 2014
Service Employee International Union	24	June 30, 2015
Pasadena Association of Clerical and Technical Employees/Laborers International Union of North America	319	September 30, 2015
Pasadena Fire Fighters Association	138	June 30, 2017
Pasadena Police Officers Association	175	June 30, 2016
Pasadena Police Sergeant Association	31	June 30, 2016
Pasadena Fire Fighters Management Association	6	June 30, 2012 ⁽¹⁾
Pasadena Management Association	435	March 17, 2014 ⁽¹⁾

⁽¹⁾ Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

Employees represented by Pasadena Management Association (PMA), Pasadena Association of Clerical and Technical Employees/Laborers (PACTE/LIUNA), American Federation of State, County and Municipal Employees (AFSCME), International Brotherhood of Electric Works (IBEW), International Union of Operation (IUOE), Service Employee International Unions (SEIU) and unrepresented employees have agreed to pay the full 8% contribution to CalPERS (defined below). The Pasadena Police Officers Association (PPOA) and Pasadena Police Sergeants Association (PPSA) have recently agreed to pay 6% of the 9% employee contribution to CalPERS, which was previously borne by the City. During the term of the PPOA and PPSA contracts, employees will ultimately contribute the full 9% employee contribution. The Pasadena Fire Fighters Association agreed to pay 6% of the 9% employee contribution

of CalPERS, which was previously borne by the City. During the terms of the PFFA contract, employees will ultimately contribute the full 9% employee contribution plus 3% PERS.

Retirement Systems

Pasadena Fire and Police Retirement System. Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") either when FPRS closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2013, FPRS had an unfunded actuarial accrued liability of \$40.79 million and had a funded ratio of 75.8%. For the fiscal year ended June 30, 2013, the City's annual pension cost was \$7,239,000 for FPRS. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Copies of FPRS' annual financial report may be obtained from the City's Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

In March 2011, the City Council approved a restructuring and refunding of outstanding pension obligation bonds relating to FPRS in order to address a mandatory tender of such bonds in 2015 and the issuance of new bonds up to a maximum amount of \$65 million. On March 29, 2012, the City issued \$47.440 million of taxable pension obligation bonds pursuant to such authorization.

The City contributed the net proceeds of such pension obligation bonds to FPRS. In making this contribution, the City fulfilled a commitment under a Contribution Agreement entered into on November 1, 2011, between the City and FPRS (the "Amended Contribution Agreement"). Under the Amended Contribution Agreement, the City must pay to FPRS, in addition to such net bond proceeds, supplemental payments if FPRS falls below the required minimum funding percentage in any fiscal year to fund the unfunded accrued actuarial liability (the "UAAL") of FPRS ("Supplemental Payments"). The Amended Contribution Agreement requires FPRS to be at least 75.5% funded for the fiscal year in which the City pays the net proceeds of such bonds to FPRS (the "Minimum Funding Percentage"). For each succeeding year, the Minimum Funding Percentage will increase by 0.5% a year over a nine-year period, up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap which is the lesser of certain benefit payments paid by FPRS in the prior fiscal year, or \$3 million plus a varying percentage of any funding deficit in the Minimum Funding Percentage over \$3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement is to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by FPRS's actuary and approved by FPRS after consultation with the City and the City's consultants. The current average investment rate used by 1937 Act Counties is approximately 8%; the City expects that the actuarial rate to be recommended by the system's actuary will be closer to [6]%.

The Amended Contribution Agreement requires that the City use tax increments from the Downtown Project Area, after deduction of (a) \$800,000 thereof which is to be put in a low and moderate

income housing trust fund, and (b) any amounts payable on bonds of the Commission Successor Agency, as successor to the Pasadena Community Development Commission (the “Commission”), from such tax increments (the tax increments, after the foregoing deductions, are herein referred to as “SB 481 Receipts”), to make (i) payments of principal, interest and premiums due on the City’s pension obligation bonds, (ii) payments on account of credit support, liquidity support and remarketing support for the City’s pension obligation bonds, (iii) Supplemental Payments to FPRS or (iv) reimbursement payments to the City on account of any General Fund monies used by the City in payment of any of the foregoing. In any one year, the City may receive SB 481 Receipts in an amount in excess of that necessary to make the various payments permitted or required under the Amended Contribution Agreement. Any such excess money will be held by the City in the Treasurer’s Pool, pending use for permitted purposes at a later date.

To date, the tax increment revenue from the Downtown Project Area has been sufficient to cover the debt service on the pension obligation bonds, provide funds for the City to make required Supplemental Payments and generate a reserve fund to be used for future obligations of FPRS. However, under the Reimbursement Agreement, the right to receive SB 481 Receipts terminates on December 31, 2014. Any previously received SB 481 Receipts remaining on hand on such date, however, may be used at a later date for any of the enumerated purposes set forth in the immediately preceding paragraph. Thereafter, the City will be obligated to pay debt service on the pension obligation bonds and to make the required Supplemental Payments to FPRS from the General Fund.

As of June 30, 2014, FPRS’ investment assets were allocated as follows:

**CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
Portfolio Information
as of June 30, 2014 (unaudited)**

Description of Assets	Market Value	Percentage of Portfolio
Cash and cash equivalents	\$2,404,152	1.62%
Interest Receivable	267,660	0.18
Government and agencies	32,697,092	22.05
Domestic corporate obligations	24,057,997	16.22
International corporate obligations	1,868,772	1.26
Real estate	16,261,014	10.97
Real estate (REITS)	256,321	0.17
Domestic corporate stocks	55,172,827	37.21
International corporate stocks	15,304,857	10.32
TOTAL	<u>\$148,290,692</u>	<u>100.00%</u>

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

Under its investment guidelines, FPRS must maintain sufficient liquidity to meet FPRS’ cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or

better by nationally recognized rating agencies. The assets of FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

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

As previously noted, the City has previously issued \$190,130,000 principal amount of pension obligation bonds to fund FPRS, of which \$123,921,000 were outstanding as of June 30, 2014. All of these pension bonds are scheduled to mature or are subject to mandatory tender on or May 15, 2015.

Enforceability of Certain Pension Payment Obligations. In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies ("CRAs"), including the Commission, and the disposition and winding-up of the operations of those agencies. The CRAs, including the Commission, were dissolved on February 1, 2012, pursuant to AB1x 26. However, AB1x 26 requires that the Commission's enforceable obligations are "to be honored." The City has elected to serve as the Commission Successor Agency. The Commission Successor Agency is a separate legal entity from the City, and is required to administer the dissolution of the Commission and the winding down of the Commission's activities, including making enforceable obligation payments and disposing of the Commission's property. See "RISK FACTORS—Redevelopment Agency Dissolution."

On December 18, 2012, the Department of Finance of the State of California (the "DOF") notified the City of Pasadena and its Commission Successor Agency that Items 1 (SB 481 Pension Payment Obligations) and I4 (SB 481 Affordable Housing Obligations) were determined by DOF not to be enforceable obligations under the redevelopment dissolution act (commonly known as AB 26) and not to be eligible for payment from former tax increment generated by the redevelopment projects (known as Redevelopment Property Tax Trust Fund, or RPTTF, funding). Previously the DOF, by letter dated June 29, 2012 had found both such items to be enforceable obligations and had found both such items to be eligible for payment from RPTTF funding. There have been no changes in facts or circumstances relating to such items between June 29, 2012 and December 18, 2012. This action was taken by letter from the Department of Finance dated December 18, 2012.

On December 28, 2012, the City filed litigation in the Superior Court of the State of California and applied for a temporary restraining order so that the RPTTF funds would be made available (for payment of Items 1 and 14), as required by applicable statutory validation, judicial validation and application of law, and to restrain the distribution of these funds on January 2, 2013 to other property tax agencies. *City of Pasadena Successor vs. Ana Matosantos Director of the State of California Department of Finance*, Case No. 34-2012-000134585-CU-MC-GDS. The City has prevailed thus far by first obtaining a Temporary Restraining Order and, more recently, a Preliminary Injunction which declare Items 1 (SB 481 Pension Payment Obligations) and 14 (SB 481 Affordable Housing Obligations) as obligations of the former redevelopment agency due to the City as valid enforceable obligations payable by the successor agency.

The Department of Finance, through the State Attorney General's Office, filed its Notice of Appeal of the Preliminary Injunction on March 11, 2013. On September 12, 2013, the Attorney General's Office filed its opening brief. The City's Opposition Brief was filed on November 12, 2013, and the Attorney General's Office's reply brief was filed on January 21, 2014. Oral argument in the Court of

Appeals was held on July 22, 2014. On August 19, 2014, the Court of Appeal issued a published decision remanding the case back to the trial court. (Pasadena v. Cohen; 2014 WL 4076040, Cal.App. 3 Dist., August 19, 2014 (NO. C073654)). The Court of Appeal did not rule on the merits of the case but rather directed the case to be heard in the writ department of Sacramento Superior Court. Because the Court of Appeal vacated the trial court's orders, the City expects to file new pleadings in the writ department within the next 30 days and the City will continue to seek a trial on the merits.

A final decree has not yet been obtained and further legal proceedings will follow in the coming months.

California Public Employees' Retirement System. Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS for purposes of pension benefits. CalPERS is an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov.

CalPERS is a contributory plan deriving funds from employer and employee contributions as well as earnings from investments. Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account, but is wholly or partially reimbursed by employees. Different employee bargaining groups have different reimbursement rates ranging from the full 8% to 4.6%. The City is also required to contribute at an actuarially determined rate. Benefit provisions and all other requirements are established by state statute or collective bargaining agreements with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost ("APC") equal to the annual required contribution ("ARC") plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation. In order to calculate the dollar value of the ARC for inclusion in the financial statements, the applicable contribution rate is multiplied by the payroll of the covered employees that were paid during the relevant period.

The City contributed 100% of its APC for the Miscellaneous Plan for the fiscal years ended June 30, 2011, June 30, 2012 and June 30, 2013 in the amount of \$10,346,000, \$11,370,000 and \$10,993,000, respectively. The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2012. The contribution rate indicated for the period is 29.321% of payroll for the safety plan and 19.219% of payroll for the Miscellaneous Plan. No assurances can be given that the contribution rates and the ARCs will not increase in future years.

On March 14, 2012, CalPERS gave approval to a one-quarter point reduction in its annual investment return forecast (from 7.75% to 7.5%). CalPERS has indicated that it would phase-in the impact of the adjustment over two years, to lessen the strain on local governments. This reduction will increase the City's reported unfunded pension liability. There can be no assurances that CalPERS will not make additional changes in actuarial assumptions in the future.

In April 2013, CalPERS approved new actuarial policies that are aimed at returning the CalPERS system to fully-funded status within 30 years. These new policies include a rate-smoothing method with

a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the new policy until fiscal year 2015-16 for the State, schools and all public agencies. These new policies are projected to increase required State and local contributions.

In the report received in October 2013 (which is the most recent report available from CalPERS), the actuarial staff of CalPERS reported an unfunded liability, as of June 30, 2012, of \$157.1 million for the City’s miscellaneous employees as compared to an underfunding of \$153.0 million the previous year and an unfunded liability of \$74.7 million for safety employees as compared to \$72.0 million the previous year. Based upon this report for June 30, 2012 from CalPERS staff, the City reported that its CalPERS obligation had a funded ratio of 81.6% based upon the actuarial value of plan assets (68.0% based upon the market value of plan assets) with respect to the City’s miscellaneous employees and a funded ratio of 82.6% based upon the actuarial value of plan assets (69.5% based upon the market value of plan assets) for safety employees.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System (“PARS”), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The plan agreement requires the City to contribute an amount equal to 4.0% of the employee’s earnings and the covered employee contributes 3.5%. The City’s payroll for employees covered by PARS for the fiscal year ended June 30, 2013 was \$3,343,079. Both the City and the covered employees made the total required 7.5% contributions of \$133,723 from the City and \$117,008 from the covered employees.

Funding Status of Plans. The tables below summarize the funded status of the City’s retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City’s employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 24 to the City’s comprehensive annual financial report, attached hereto as APPENDIX B – “FINANCIAL STATEMENTS OF THE CITY OF PASADENA.”

**City of Pasadena
Retirement Plan Trend Information
(\$ in thousands)**

CalPERS - Miscellaneous Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2006	\$534,487	\$496,180	\$38,307	92.8%	98.5%	\$93,252	41.1%
2007	585,908	539,717	46,191	92.1	106.8	102,135	45.2
2008	638,095	579,068	59,027	90.7	92.6	111,186	53.1
2009	732,713	607,710	125,003	82.9	60.6	116,952	106.9
2010	773,303	635,455	137,847	82.2	64.4	115,289	119.6
2011	819,327	666,290	153,037	81.3	72.3	110,571	138.4
2012	852,217	695,108	157,109	81.6	68.0	105,201	149.3

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

CalPERS - Safety Employees

Valuation Date (June 30)	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio		Annual Covered Payroll	(Overfunded) Unfunded AAL as a % of Covered Payroll
				AVA	Market Value		
2006	\$247,233	\$211,753	\$35,480	85.6%	90.2%	\$35,030	101.3%
2007	285,822	238,041	47,781	83.3	95.4	40,138	119.0
2008	317,140	262,817	54,323	82.9	83.5	42,996	126.3
2009	352,610	283,880	68,730	80.5	58.7	45,516	151.0
2010	373,670	307,056	66,614	82.2	64.7	45,643	145.9
2011	403,626	331,603	72,023	82.2	73.6	44,058	163.5
2012	429,718	355,015	74,703	82.6	69.5	42,612	175.3

Source: CalPERS actuarial valuations through June 30, 2011 date is taken from annual valuation report dated October, 2012.
CalPERS actuarial valuation for June 30, 2012 data is taken from annual valuation report dated October, 2013

FPRS

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

Source: FPRS actuarial valuations through June 30, 2013.