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

Fiscal Year Ended June 30	CalPERS— Misc Employees	CalPERS— Safety Employees	FPRS(2)
2006	$7,402	$6,936	$6,533
2007	10,056	8,671	6,744
2008	12,228	9,283	5,019
2009	12,580	9,916	3,630
2010	12,566	10,459	5,766
2011	12,518	10,346	5,175
2012	16,744	11,370	8,700
2013	17,439	10,993	7,239
2014(1)	20,996	13,108	N/A(3)
2015(1)	20,093	13,653	N/A(3)

(1) Projected annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated October 2013.
(2) Annual pension cost does not include Supplemental Payments required to be made by the City pursuant to Amended Contribution Agreement with FPRS. In years 2009 through 2013, Supplemental Payments were $956,000, $4,981,000, $8,036,000, $46,660,000 and $0, respectively.
(3) Projected FPRS contributions not available.

Post-Retirement Medical Benefits (OPEB)

The City of Pasadena provides a subsidy to retirees of the City who are members of CalPERS or FPRS. Two different levels of subsidy toward the purchase of medical insurance from CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA) are offered. Benefit provisions are established and amended through negotiations between the City and the respective unions.

The City's current contribution requirements have been established at the individual retiree levels of $115.00 or $40.25 per month depending on bargaining unit membership and policy enacted by CalPERS pursuant to State law. These minimum requirements are established by CalPERS and adjusted annually. The prior contribution requirements were $112.00 or $33.60 per month depending on the bargaining unit or the unrepresented group the employee was a member of. The City has historically funded these post-retirement health care benefits on a "pay-as-you-go" basis. For the fiscal year ended June 30, 2013, the City's contributions totaled $498,586 (representing 16.66% of the annual other post-employment benefit ("OPEB") cost (expense)). The City's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. As of June 30, 2013, the City's unfunded actuarial accrued OPEB liability was $32,236,889. See Note 21 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE CITY OF PASADENA."

Other than the pension benefits from the applicable retirement system and as described in this section, the City does not provide medical or other post-retirement benefits to its employees.

Insurance

The City funds a self-insured and self-administered program for workers' compensation claims exposures and general liability claims. Liability claims, losses and expenses paid averaged about $1,285,477 per year for the past 10 years and, when existing "reserves" are added, averaged around $1,705,532 in liability exposure per year over the past 10 years. The City anticipates these expenses annually and includes funding for them in its operating budget. The City carries excess liability coverage, with limits of $20 million, with a self-insured retention of $3 million dollars. The amount of self-insured liability claim expenditures and remaining reserves with respect to claims made in each of the fiscal years ended June 30, 2005 through June 30, 2014 are reflected in the following table:

CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2005 through 2014
(Unaudited)

Fiscal Year(1) Ended June 30,	Loss Paid	Expense Paid	Total Paid	Remaining Reserves for Unpaid Claims(1)
2005	$1,046,266	$875,675	$1,921,941	$ 31,100
2006	314,867	440,187	755,054	1,505,00
2007	646,367	140,224	786,591	23,539
2008	553,300	1,354,058	1,907,358	600,289
2009	3,111,889	472,378	3,584,267	635,313
2010	724,926	27,071	751,997	906,034
2011	1,097,721	10,283	1,108,004	2,880,793
2012	1,929,832	0	1,929,832	6,712,420
2013	91,750	0	91,750	1,991,375
2014	17,972	0	17,972	1,769,460

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

The City maintains commercial property insurance and boiler and machinery insurance on all City-owned buildings of an insurable nature (unless lease agreements require the occupant to carry such insurance) with current basic limits of $1 billion per occurrence per location subject to a $25,000 "All Risk" deductible, and there are various sub-limits and /or higher deductibles on specified types of properties. The City purchases Property Terrorism/NCBR coverage as well. General Property exclusions include earthquake, corrosion, and sabotage. The City also purchases Pollution and Storage Tank coverage, and Cyber Liability coverage.

CITY FINANCIAL INFORMATION

Certain statements included or incorporated by reference in the discussion below constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "projection" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or *revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.*

Budget Preparation and Approval Process

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

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

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

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

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

Budgetary Principles and Developments

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

General Fund Five Year Financial Plan. The City's five-year financial plan is an ongoing plan and is continually reviewed based on an analysis of current trends. The City's fiscal situation has improved since the recession and the City has shown signs of economic growth, including increases in retail sales activity, more tourism and business travel activity, lower unemployment rates, and improvement in residential and commercial real estate markets. The most recent five-year plan showed continued improvement in the City's finances, and included modest amounts for reserve replenishment through the fiscal year ending June 30, 2019. A summary of the most recent five-year plan is provided in the table below.

In preparing its financial forecasts for the five-year plan, City staff made a variety of assumptions, including, among others:

1. Continued modest revenue growth;

2. Reduced General Fund transfer from the Water Fund as a result of a litigation settlement;

3. Transfer from the Power Fund to the General Fund of 10% for fiscal year ending June 30, 2015 and then reduced to 9% through fiscal year ending June 30, 2019;

4. Minimal amounts above the pay-as-you-go cost for OPEB in fiscal years ending June 30, 2016, 2017, and 2019; and

5. CalPERs contributions will be as shown on the most recent CalPERS actuarial valuation report and based on CalPERS' projections. (See "Retirement Systems—California Public Employees' Retirement System" above).

There can be no assurance that assumptions described above not yet realized will be realized. Accordingly, there can be no assurance that the City's financial forecasts as shown in the table below will correspond with its actual financial results.

The table below shows estimated operating projections for the five-year forecast period based upon actions previously taken and those adopted in the 2014-15 Adopted Budget. The five-year financial forecast presentation differs from the City's presentation of its financial results; among other differences it is calculated on a cash basis and line items will not correspond to audited financial or budget presentations. The City's financial forecast is reviewed monthly and updated no less often than quarterly. It was last updated as of July 18, 2014.

GENERAL FUND 5-YEAR FINANCIAL PLAN
($ in thousands)

	July 18, 2014 Estimated	Year Ending June 30, 2015 Adopted	2016 Projected	2017 Projected	2018 Projected	2019 Projected
Beginning Amount Available for Appropriations	$ 7,669,620	$ 8,995,144	$ 9,073,981	$ 10,001,463	$ 11,966,219	$ 12,278,022
REVENUES						
Property Taxes	$ 42,276,549	$ 44,120,000	$ 48,310,626	$ 50,291,439	$ 52,354,274	$ 55,388,496
Sales Tax	32,100,000	33,140,000	35,525,198	37,372,509	38,065,879	38,795,305
Utility User Tax	29,783,135	30,601,500	32,023,218	33,142,073	34,301,693	35,503,604
Transient Occupancy Tax	11,977,842	12,800,500	12,787,674	13,201,298	13,628,381	14,069,363
Franchise Taxes	2,537,908	3,237,100	2,672,039	2,742,137	2,814,338	2,888,705
Other Taxes	14,696,774	15,250,000	15,789,043	16,366,571	16,966,120	17,588,548
Total Taxes	$133,372,208	$139,149,100	$147,107,798	$153,116,027	$158,130,685	$164,234,021
Licenses & Permits	$ 3,947,821	$ 3,444,575	$ 4,195,135	4,324,244	$ 4,455,449	$ 4,588,808
Intergovernmental Revenues	14,801,859	14,557,443	14,542,916	14,886,076	15,237,815	15,598,348
Charges for Services	21,464,710	22,586,591	22,535,326	23,493,079	23,870,858	24,869,297
Fines & Forfeitures	6,680,142	6,763,094	7,075,492	7,282,105	7,494,918	7,714,115
Investment/Interest Earnings	3,320,000	1,424,894	1,864,537	1,879,973	1,895,872	1,912,248
Rental Income	1,095,600	1,205,589	1,100,332	1,102,805	1,105,352	1,107,975
Miscellaneous	1,503,334	1,370,154	1,503,017	1,527,668	1,553,058	1,579,210
TOTAL REVENUES	$186,185,673	$190,501,440	$199,924,551	$207,611,976	$213,744,007	$221,604,023
EXPENDITURES						
Personnel	$129,047,293	$129,733,138	$134,705,895	$140,643,635	$146,903,815	$153,370,179
Services & Supplies	30,187,436	33,829,547	34,506,138	35,196,261	35,900,186	36,618,190
Equipment	330,366	236,476	238,841	243,618	248,490	253,460
Internal Services	16,812,493	18,288,490	18,562,817	18,934,074	19,312,755	19,699,010
TOTAL EXPENDITURES	$176,377,588	182,087,651	$188,013,691	$195,017,587	$202,365,246	$209,940,839
Excess Revenues over (Expenses)	**$ 9,808,085**	**$ 8,413,789**	**$ 11,910,859**	**$ 12,594,389**	**$ 11,378,761**	**$ 11,663,184**
OPERATING TRANSFER (IN / (OUT))						
Debt Service	$(13,458,557)	$(13,828,122)	$(15,690,641)	$(15,690,641)	$(15,690,641)	$(15,690,641)
Contributions to Other Funds/Misc	(14,921,116)	(13,599,056)	(13,139,576)	(13,300,740)	(14,268,420)	$(14,846,844)
	0	0	0	0	0	0
Abatements for Svcs to Other Funds	1,347,060	184,502	185,987	187,516	189,092	190,715
Enterprise Contributions	18,550,052	18,907,724	17,660,853	18,174,231	18,703,011	19,247,654
NET OPERATING TRANSFER (IN / (OUT))	$ (8,482,561)	$ (8,334,952)	$(10,983,377)	$(10,629,634)	$(11,066,958)	$(11,099,116)
Operating Income/(Loss)	$ 1,325,524	$ 78,837	$ 927,482	$ 1,964,756	$ 311,803	564,068
CIP Project (Robinson Park) from reserve	0	0	0	0	0	0
NET OFF BUDGET RESERVE ACTIVITY	0	0	0	0	0	0
Ending Amount Available for Appropriations	8,995,144	9,073,981	10,001,463	11,966,219	12,278,022	12,842,090
Committed Fund Balance	38,591,712	38,591,712	38,591,712	38,591,712	38,591,712	38,591,712
Total Fund Balance	**$ 47,586,995**	**$ 47,665,693**	**$ 48,593,175**	**$ 50,557,930**	**$ 50,869,733**	**$ 51,433,801**

Source: City of Pasadena, Department of Finance.

General Fund Cash Reserve Policy. Beginning in fiscal year ended June 30, 2011, the City instituted a policy to maintain an operating reserve within its General Fund which is targeted at 10% of the current year's appropriations. On August 15, 2011, the City Council approved an increase in the General Fund Emergency Contingency Commitment to a target of 20% of the General Fund annual appropriations. The policy permits the City to take steps annually, starting in fiscal year ending June 30, 2015, to reach this goal by increasing the commitment by 2% per year over the course of five years, and also permits the City to commit to an increase of less than 2% by formal action. The current operating reserve is approximately $23.0 million. Under current City policy, only under emergency conditions does the City use this operating reserve. Cash reserves may be in the form of cash or other legal investments and do not refer to any other form of current or long-term assets, such as receivables, inventory, equipment, etc.

Set forth below is a summary of the condition of the City's General Fund reserves for the past five years. Until fiscal year ended June 30, 2010, the City's 10% operating reserve was identified as "Designated for-General Fund Reserve;" however, in fiscal year ended June 30, 2011, accounting changes resulted in the operating reserve being divided between that line item and the line item "Reserve Balance."

	As of June 30,				
	2009	**2010**	**2011**	**2012**	**2013**
Reserved Balance	$ 11,981,577	$ 7,996,500	$ 39,373,296	$88,395,664	$45,731,726
Designated for:					
General Fund Reserve	22,788,068	22,594,334	8,582,519	–	4,249,148
Budget Stabilization Reserve	–	–	–	–	–
Utility Users Tax Reserve	–	–	–	–	–
City Hall Seismic Retrofit	5,603,009	5,618,447	–	–	–
Retirement System	–	–	–	–	–
Future Projects – Rose Bowl	–	–	–	–	–
Designated balance	28,391,077	28,212,781	8,582,519	–	4,249,148
Unreserved Fund Balance	20,010,389	16,967,906	(1,390,808)	(34,619,797)	11,965,386
Total Fund Balance[1]	$60,383,043	$53,177,187	$46,565,007	$53,775,868	$61,946,260

(1) Excludes balance in SB481 Fund.
Source: City of Pasadena, Department of Finance

Capital Budgeting. The City prepares a 5-year capital improvement program ("CIP") budget, which is adopted yearly as part of the budget process. The CIP includes projects that have no funding sources. The most current 5-year CIP budget includes approximately $901.1 million, including all enterprise funds (Water & Power, Rose Bowl, and Pasadena Conference Operational Center), in total estimated project cost for 226 active projects. In fiscal year ended June 30, 2014, $94.8 million was appropriated to 99 projects. Implementation of the CIP is discretionary and will depend upon City resources. The City does not intend to issue general fund indebtedness in the near future to fund the CIP.

Adopted General Fund Budget for Fiscal Years 2013-14 and 2014-15

The budget preparation process for the fiscal year ending June 30, 2015 began in November 2013. In February and March 2014, the City Manager and the Department of Finance met with each department and operating company to review their estimated revenues, expenditures and budgetary requests for the upcoming fiscal year. Projected expenditures and revenues, managed savings, vacant positions, reorganizations, performance measures, performance targets, results statements, mission statements and new program requests were discussed at these meetings. Upon completion of the City Manager's review, the City Manager submitted the recommended operating budget to the City Council and a public hearing was opened from which to obtain comments from the City's residents and other stakeholders.

The City Council adopted the budget for the fiscal year ending June 30, 2015 on June 9, 2014. The General Fund portion of the appropriation budget for the fiscal year ending June 30, 2015 is $209.5 million.

Set forth below is the City's adopted General Fund budgets for fiscal year ending June 30, 2013 and shows the budget as adopted, the actual budget results and the variance for such fiscal year.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR FISCAL YEAR ENDED JUNE 30, 2013

	Fiscal Year Ended June 30, 2013		
	Budget	**Actual**	**Variance**
Revenues			
Taxes	$120,622,900	$122,014,755	$ 1,391,855
Licenses and permits	2,743,763	3,046,516	302,753
Intergovernmental revenues	16,243,615	14,709,095	(1,534,520)
Charges for services	30,963,463	32,475,987	1,512,524
Fines and forfeits	6,636,500	7,452,899	816,399
Investment earnings	1,111,595	9,874,106	8,762,511
Rental income	1,524,773	1,602,381	77,608
Miscellaneous revenues	2,533,783	2,644,508	110,725
Total Revenues	$182,380,392	$193,820,247	$11,439,855
Expenditures			
General Government	$ 29,724,981	$ 30,945,835	$ (1,220,854)
Public safety	98,754,897	96,012,393	2,742,504
Transportation	23,928,046	22,804,610	1,123,436
Culture and leisure	14,254,754	14,470,287	(215,533)
Community development	7,544,405	6,808,301	736,104
Total Expenditures	$174,207,083	$171,041,426	$ 3,165,657
Excess of revenues over expenditures	$ 8,173,309	$ 22,778,821	$ 14,605,512
Other financing sources (uses)			
Transfer in	$ 19,589,837	$ 21,783,098	$ 2,193,261
Transfer out	(30,623,921)	(42,141,527)	(11,517,606)
Total other financing sources (uses)	$ (11,034,084)	$ (20,358,429)	$ (9,324,345)
Change in fund balances	$ (2,860,775)	$ 2,420,392	$ 5,281,167
Fund balance at beginning of year	$ 59,525,868	$ 59,525,868	-
Fund balance at end of year	$ 56,665,093	$ 61,946,260	$ 5,281,167

Source: City of Pasadena Comprehensive Annual Financial Report for Year Ended June 30, 2013.

Set forth below are the City's adopted General Fund budgets for fiscal years ending June 30, 2014 and June 30, 2015, respectively.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETED FOR FISCAL YEAR ENDED JUNE 30, 2013

	Fiscal Year ended June 30, 2014 Adopted	Fiscal Year ending June 30, 2015 Adopted
Revenues		
Taxes	$132,986,600	$139,149,100
Building Licenses & Permits	390,000	855,000
Non-building Licenses & Permits	2,377,570	2,589,575
Federal Grants Direct	42,392	42,392
Federal Grants Indirect-State	100,000	0
State Non-Grant Direct	13,471,500	13,597,209
State Grant Direct	451,878	755,342
Intergovernmental-Local	310,000	162,500
Charges for Services	11,157,178	11,290,171
Charges for Services Quasi-External	11,434,642	11,295,850
Fines & Forfeitures	7,085,950	6,763,091
Investment Earnings	1,067,109	1,424,894
Rental Income	1,042,167	1,205,589
Miscellaneous Revenues	1,635,900	1,370,154
Total Revenues	$183,552,886	$190,500,867
Expenditures		
General Government	$ 28,167,220	$ 28,715,571
Public Safety	98,556,134	102,964,119
Transportation	25,347,952	26,349,258
Culture & Leisure	16,985,244	17,356,385
Community Development	7,581,615	7,199,580
Total Expenditures	$176,638,165	$182,584,913
Excess of Revenues over Expenditures	$ 6,914,721	$ 7,915,954
Other Financing Sources (uses)		
Transfer In	$ 19,241,850	$ 19,092,226
Transfer Out	(26,023,598)	(26,929,915)
Total Other Financing Sources (uses)	$ (6,781,748)	$ (7,837,689)
Change in Fund Balance	$ 132,973	$ 78,265

Source: City of Pasadena Adopted Budgets for fiscal years ended June 30, 2014 and June 30, 2015.

Accounting Policies, Reports, and Audits

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual requirements. The minimum number of funds is maintained consistent with legal and contractual requirements.

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

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

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

Government Funds
General Fund
Special Revenue Funds
Debt Services Funds
Capital Projects Funds

Fiduciary Funds
Trust and Agency Funds

Proprietary Funds
Enterprise Funds
Internal Service Funds

Capital Assets
Capital Assets used in the Operation of Governmental Funds

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

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

General Fund Comparative Operating Budget

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

CITY OF PASADENA
ADOPTED GENERAL FUND
COMPARATIVE OPERATING BUDGET
FISCAL YEARS 2013 THROUGH 2015

REQUIREMENTS	**2013**	**2014**	**2015**
Operating Expenditures	$169,292,712	$176,140,901	$182,087,651
Capital Expenditures			
Debt Service	32,683,497	13,458,577	13,828,122
Transfers Out	13,679,864	13,062,284	13,599,056
TOTAL REQUIREMENTS	$215,656,073	$202,661,762	$209,514,829
AVAILABLE FUNDS			
Revenues	$196,583,525	$183,552,886	$190,500,867
Transfers In	1,921,300	922,309	934,788
Reserves	-	-	-
Utility Contributions	17,317,177	18,319,541	18,157,438
TOTAL AVAILABLE FUNDS	$215,822,002	$202,794,736	$209,593,093

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

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

CITY OF PASADENA
TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
TO GENERAL FUND
FISCAL YEARS 2011 THROUGH 2015
(DOLLAR AMOUNTS IN THOUSANDS)

	Fiscal Year Ended June 30,				
	2011[(2)]	2012	2013	2014[(4)]	2015[(4)]
Light and Power Fund					
Amount Transferred	$12,742	$15,861	$14,093	$15,047	$16,613
Amount a Percentage of Prior Year's Gross Income[(1)]	9.2%	8.0%	9.0%	9.0%	10.0%
Water Fund					
Amount Transferred	$2,564	$2,773	$3,116	$3,273	$1,544
As a Percentage of Prior Year's Gross Income[(1)]	6.0%	6.0%	6.0%	6.0%	NA

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

Tax Revenue Sources

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

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

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

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

CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years ended June 30, 2010 through June 30, 2014
(in Thousands)

	Fiscal Year Ended June 30,				
	2010	**2011**	**2012**	**2013**	**2014**[1]
Tax					
Property [2]	$ 68,353	$70,803	$54,051	$42,957[3]	$49,095
Sales	28,949	30,301	32,239	30,871[4]	30,912
Utility Users	29,520	29,355	29,318	29,531	28,823
Street Light & Traffic Signal	6,565	6,675	6,331	6,503	6,581
Transient Occupancy	8,406	9,088	10,094	11,109	12,043
Total	$141,793	$146,222	132,033	120,971	127,454

(1) Unaudited.
(2) Includes assessments.
(3) $11.0 million decrease in Property taxes related to reduced tax increment after the implementation of ABx1 26 and dissolution of the Pasadena Community Development Commission.
(4) Sales tax was $1.3 million less than in fiscal year ended June 30, 2012, reflecting a one-time reduction by the State for overpayment in the previous year due to the State's method of making estimated payments.

Source: City of Pasadena, Comprehensive Annual Financial Report.

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

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

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

The tax roll for the fiscal year ended June 30, 2014 reflected a total assessed valuation of approximately $22.9 billion for the City. Assessed net valuation for revenue purposes increased by approximately 5% for the fiscal year ended June 30, 2014 over the assessed net valuation for the fiscal year ended June 30, 2013, and the compounded average annual increase between assessed valuation for the fiscal year ended June 30, 2005 and the fiscal year ended June 30, 2014 was approximately 7.4%.

In 2011, the State of California enacted legislation commonly referred to as "AB1X 26," which required the dissolution of California redevelopment agencies and the dissolution and winding up of the operations of those agencies. The original effective date of AB1X 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding AB1X 26 as constitutional on December 29, 2011, the California Supreme Court set February 1, 2012 as the effective date for and the date on which California redevelopment agencies were dissolved pursuant to AB1X 26. AB1X 26 provided a framework for the dissolution and winding up of California redevelopment agencies and the management of the remaining obligations of the dissolved redevelopment agencies by their respective successor agencies and oversight boards to oversee those successor agencies. Pursuant to AB1X 26, tax increment will continue to flow to the payment of "enforceable obligations" (such as tax allocation bonds) of the dissolved redevelopment agencies.

CITY OF PASADENA
ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2006 through 2015
($ in thousands)

Fiscal Year Ended June 30	Secured Valuations	Homeowner Exemption	Net Secured Valuations	Unsecured Valuations	Total Assessed Valuation	Less PCDC[1] Increment	Net Valuation
2006	$15,071,976	$(134,404)	$14,937,572	$598,396	$15,535,968	$(2,097,532)	$13,438,436
2007	16,759,246	(133,112)	16,626,134	620,524	17,246,658	(2,522,337)	14,724,321
2008	18,339,519	(134,380)	18,205,139	607,779	18,812,938	(2,405,375)	16,407,563
2009	20,237,173	(136,262)	20,100,911	651,375	20,752,286	(2,799,791)	17,952,495
2010	20,204,880	(138,630)	20,066,250	644,888	20,711,138	(2,828,387)	17,882,751
2011	20,481,388	(138,275)	20,343,113	605,404	20,948,517	(2,829,885)	18,118,632
2012	20,969,532	(137,842)	20,831,690	567,527	21,399,217	(2,988,477)	18,410,740
2013	21,368,295	(136,241)	21,232,054	571,615	21,803,669	-	21,803,699
2014	22,534,203	(134,257)	22,399,945	575,006	22,974,952	-	22,974,951
2015	23,756,525	(131,812)	23,624,713	608,539	24,233,252	-	24,233,252

(1) Pasadena Community Development Commission, the former redevelopment agency for the City.
Source: Los Angeles County Auditor-Controller and California Municipal Statistics, Inc.

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

CITY OF PASADENA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years ended June 30, 2005 through June 30, 2014
(unaudited)

Fiscal Year	General City	City Debt Service*	Los Angeles County General	Pasadena School District	Pasadena Comm. College District	Flood Control District	Metropolitan Water District	Total
2005	0.340900	0.000000	0.333200	0.331600	0.101900	0.000300	0.005800	1.113700
2006	0.340500	0.000000	0.322500	0.355500	0.964000	0.000100	0.005200	1.120200
2007	0.369100	0.000000	0.306700	0.284700	0.112200	0.000000	0.004700	1.077400
2008	0.337300	0.000000	0.327700	0.299300	0.110300	0.000000	0.004500	1.079100
2009	0.332800	0.000000	0.363500	0.276500	0.010180	0.000000	0.004300	1.078900
2010	1.000000	0.000000	0.000000	0.108364	0.023002	0.000000	0.004300	1.135666
2011	1.000000	0.000000	0.000000	0.101949	0.019864	0.000000	0.003700	1.125513
2012	1.000000	0.000000	0.000000	0.111200	0.019556	0.000000	0.003700	1.134456
2013	1.000000	0.000000	0.000000	0.114033	0.020556	0.000000	0.003500	1.138089
2014	1.000000	0.000000	0.000000	0.103507	0.018993	0.000000	0.003500	1.126000

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

CITY OF PASADENA
TOP TEN PROPERTY TAXPAYERS
As of June 30, 2014

Property Owner	Primary Land use	June 30, 2014 Assessed Valuation	% of Total
PPF Off 100 West Walnut Street	Office Building	$ 326,298,000	1.42
Kaiser Foundation Health Plan Inc.	Office Building	228,054,453	0.99
Paseo Colorado Holding LLC	Shopping Center	199,951,085	0.87
Equity Office Properties Trust	Office Building	165,393,501	0.72
Pacific Huntington Hotel Corp	Office Building	151,522,564	0.66
Irvine Company LLC	Office Building	144,500,000	0.63
Tishman Speyer Archstone Smith	Apartments	135,665,406	0.59
BCSP Pasadena Towers Property	Apartments	123,216,000	0.54
SSR Paseo Colorado LLC	Apartments	114,893,796	0.50
TC Trio Apartment LLC	Apartments	114,108,420	0.50
Total principal property taxpayers gross assessed value		$1,703,603,225	7.42%
Total city assessed value		$22,974,952,012	100.00%

Source: MuniServices.

General Fund Comparative Financial Statements

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

CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years ended June 30, 2011 through June 30, 2013

	As of June 30,		
Assets	**2011**	**2012**	**2013**
Cash and investments	$27,561,067	$29,046,772	$35,468,139
Accounts receivable	17,132,926	18,450,077	16,036,315
Less allowance for uncollectible amounts	–	–	–
Notes receivable	52,397	52,397	51,508
Due from other funds	8,582,519	5,509,340	4,214,228
Prepaids and other assets	26,833	27,560	25,000
Advances to other funds	15,332,198	48,636,872	45,919,450
Advances to component units	764,740	2,056,631	1,841,417
Allowance uncollectible for long term receivables	(10,000,845)	-	-
Property held for resale	-	8,300,000	8,300,000
Total assets	$59,451,835	$112,079,649	$111,856,057
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	$8,062,810	$7,364,133	$6,811,667
Deposits	1,984,321	2,260,891	2,279,530
Due to other governments	50,234	18,763	-
Advances from other funds	-	-	1,100,000
Total liabilities	$10,097,365	$9,643,787	$10,191,197
Deferred inflow of resources	2,789,463	48,659,994	39,718,600
Fund Balances:			
Nonspendable	52,397	8,352,397	8,351,508
Committed	39,320,899	80,043,268	37,380,218
Assigned	8,582,519	5,509,340	4,249,148
Unassigned	(1,390,808)	(40,129,137)	11,965,386
Total Fund balances	46,565,007	53,775,868	61,946,260
Total liabilities and fund balances	$59,451,835	$112,079,649	$111,856,057

Source: City of Pasadena, Department of Finance.

CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years ended June 30, 2011 through June 30, 2013

	Fiscal Year Ended June 30,		
	2011	**2012**	**2013**
Revenues:			
Taxes	$113,809,641	$120,658,622	$122,014,755
Licenses and permits	2,471,544	2,738,785	3,046,516
Intergovernmental revenues	14,570,521	14,388,263	14,709,095
Charges for services	32,092,354	29,613,903	32,475,987
Fines and forfeits	6,362,032	6,796,482	7,452,899
Investment earnings	22,927,674	9,665,891	9,874,106
Net changes in fair value of investments	–	–	–
Rental income	1,073,420	1,336,611	1,602,381
Miscellaneous revenue	2,307,555	10,390,704	2,644,508
Total revenues	$195,614,741	$195,589,261	$193,820,247
Expenditures:			
Current:			
General government	$ 39,277,386	$ 31,009,397	$ 30,945,835
Public Safety	97,209,419	97,057,997	96,012,393
Transportation	23,026,269	23,883,432	22,804,610
Culture and leisure	13,783,967	14,724,109	14,470,287
Community development	8,104,996	7,063,911	6,808,301
Capital outlay	–	–	–
Total expenditures	$181,402,037	$173,738,846	$171,041,426
Excess (deficiency) of revenues over (under) expenditures	$ 14,212,704	$ 21,850,415	$ 22,778,821
Other financing sources (uses):			
Issuance of long-term debt			
Transfers in	$ 26,931,281	$ 20,225,884	$ 21,783,098
Transfers out	(47,756,165)	(37,847,163)	(42,141,527)
Total other financing sources (uses)	$(20,824,884)	$(17,621,279)	$(20,358,429)
Extraordinary gain (loss)	–	(364,808)	–
Change in fund balances	(6,612,180)	3,864,328	2,420,392
Fund balances at beginning of year, as restated	53,177,187	49,911,540	59,525,868
Fund balances at end of year	$46,565,007	$53,775,868	$61,946,260

Source: City of Pasadena, Department of Finance

Investment Practices

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

The Treasurer invests temporarily idle cash for the City as part of a pooled investment program which combines general receipts with special funds for investment purposes. The City's accounting division then allocates interest earnings on a pro rata basis when the interest is earned and distributes interest receipts based on the previously established allocations. All funds of the City, other than bond proceeds, the investment assets of the Commission, the City's Capital Endowment Fund and the Stranded Investment Reserve Fund, are invested pursuant to this pooled investment program. Funds of the Commission are invested pursuant to the Investment Policy, but are kept separate from other City funds. The Treasurer does not invest funds of any other governmental entities as part of its pooled investment program. All bond proceeds are invested in accordance with the permitted investments described in the applicable trust indenture.

Pooled Investment Portfolio. As of June 30, 2014, the funds invested pursuant to the pooled investment program had a market value of $322,281,962. The City Treasurer prices the pooled portfolio and all other funds and investments under management on a monthly basis. The market values are obtained from Interactive Data Corporation ("IDC") and Bloomberg Financial Systems. The modified duration of the City's Pooled Investment Portfolio as of June 30, 2014 was 1.84 years. Of the investments on that date, approximately 26.14% had maturities of thirty days or less.

The assets of the portfolio as of June 30, 2014 are shown in the following table:

CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO

	Market Value	Percentage of Total[1]
Money Market – Collateralized	$ 53,791,268	16.74%
Municipal Bonds	41,777,538	13.00
Corporate Bonds	72,871,801	22.67
Federal Agencies	139,450,921	43.39
Certificates of Deposit	744,000	.23
LAIF	4,730,897	1.47
Cash in Bank	8,025,539	2.51
Total	321,391,962	100.00
Accrued Interest Receivable	890,000	
Grand Total	$322,281,962	

(1) At market value. The Weighted Average Maturity of the above portfolio is 2.27 years.
Source: City of Pasadena.

The Investment Policy. The City's treasury operations are managed according to the Investment Policy which sets forth permitted investment vehicles, liquidity parameters and maximum maturities. The Investment Policy is reviewed and authorized by the City Council on an annual basis. The City Council approved the Investment Policy for the fiscal year ended June 30, 2015 on August 11, 2014.

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

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

2. *Liquidity*. The City will maintain sufficient liquidity in the investment portfolio to enable the City to meet all operating requirements which might be reasonably anticipated and investments will be authorized only in securities that are actively traded in the secondary market. The City operates its

own electric and water utility and bills monthly for these services. The utility billing program generates significant cash flow on a daily basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonably anticipated operating requirements.

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

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

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

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

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

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

- The value of bankers acceptances, bills of exchange or time drafts drawn on and accepted by commercial banks may not exceed 40% of the City's portfolio book value as measured on the date of purchase and the days to maturity of such investments may not exceed 180 days.

- Commercial paper must be rated P-1 and issued by U.S. corporations with assets greater than $500 million and a long-term debenture rating of A or better. The City is not permitted to purchase commercial paper that exceeds 270 days to maturity nor hold more than 10% of a corporation's outstanding commercial paper. The value of the City's holdings of commercial paper may not exceed 15% of the book value of the City's portfolio as measured on the date of purchase.

- The value of the City's holdings of negotiable certificates of deposits may not exceed 30% of the book value of the City's portfolio as measured on the date of purchase.

- The market value of the securities used as collateral for repurchase agreements may not be permitted to fall below 102% of the value of the repurchase agreement. Execution of a PSA Master Repurchase Agreement is required for all repurchase agreements transacted and the maturity of repurchase agreements may not exceed one year.

- The value of the City's reverse repurchase agreement holdings may not exceed 20% of the book value of the City's portfolio as measured on the day of purchase. Reverse repurchase agreements may not exceed 92 days to maturity unless the agreement includes a written guarantee of minimum earnings for the entire period. Term reverse repurchase transactions in excess of 92 days are only permitted if the securities underlying the reverse are matched to the maturities of the reinvestments.

- No more than 25% of the City's investment portfolio may be invested in time deposits.

- Medium-term corporate bonds must be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. The value of the City's holdings of medium-term corporate bonds is limited to 30% of the City's portfolio book value as measured on the date of purchase and no more than 5% of the cost value may be invested in bonds held by one corporation.

- The value of the City's mutual fund holdings may not exceed 20% of the City's portfolio book value as measured on the date of purchase.

- Any eligible mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond must be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. In addition, purchases of such securities may not exceed 20% of all of the City's surplus funds that may be invested in accordance with the foregoing investment guidelines and restrictions.

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

STATE OF CALIFORNIA BUDGET

A number of the City's revenues are collected and subvened by the State (such as sales tax and motor-vehicle license fees) or allocated in accordance with State law (most importantly, property taxes). Therefore, State budget decisions can have an impact on City finances. Approximately ____% of the City's General Fund revenues are collected by the State and allocated by State law. During prior State fiscal crises, the State has often chosen to reallocate a portion of such revenues to assist in its own budget balancing, although recent Constitutional initiatives passed in 2004 and 2010 limit the State's ability to divert revenues from localities (including the City) in the future.

The State's fiscal year begins on July 1 and ends on June 30. The State Constitution requires the Governor to submit a budget for each fiscal year to the Legislature by the preceding January 10 (the "Governor's Budget"). The Constitution requires the Legislature to pass a budget bill by June 15, although the Legislature has frequently failed to meet this deadline. Because more than half of the State's General Fund income is derived generally from the April 15 personal income tax, the Governor submits a "May Revision" to his proposed budget. The Legislature typically waits for the May Revision before making final budget decisions. Once the budget bill has been approved by a majority vote of each house of the Legislature, it is sent to the Governor for signature. Increases in taxes require approval of a two-thirds majority of each house.

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

The State budget for fiscal year 2014-15 ("2014-15 State Budget") was adopted on June 20, 2014 The 2014-15 State Budget was the third consecutive balanced budget and the fourth consecutive budget to be enacted timely. The 2014-15 State Budget reflects continued improvement in the State's finances (resulting in significant part from the enhanced revenues from Proposition 30, described below) and high capital gains revenues in 2013. The 2014-15 State Budget assumes a modest $449 million operating surplus at the end of fiscal year 2014-15 and includes the first deposit into the Budget Stabilization Account since 2007, in the amount of $1.6 billion.

With the approval by the voters in November 2012 of Proposition 30's seven-year personal income tax increase and four-year sales tax increase (collectively known as "Proposition 30"), the State significantly improved its general fiscal condition. As a result of the passage of Proposition 30 and other measures taken by the administration, the LAO reported in January 2013 that the State had reached a point where its underlying expenditures and revenues are roughly in balance. The LAO further reported in November 2013 that the State's budgetary condition was stronger at that time than at any point in the past decade and that there is no longer a structural imbalance in the State's budget.

While the State's general fiscal condition has improved since the recession, there can be no assurances that the State will not experience future budget challenges. The City cannot anticipate how any of the State's future budget challenges may impact the revenues or expenditures of the City.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution – Proposition 13

Section 1(a) of Article XIII A of the State Constitution ("Article XIII A") limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the

1% limitation does not apply to (i) *ad valorem* taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (iii) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the City may appeal the determination of the Los Angeles County Assessor of the Full Cash Value of their property. At any given point in time, appeals are pending in the City. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the City.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State have approved amendments to Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Another amendment permits the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Another amendment permits the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In 1990, the voters approved a further amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose "special taxes."

Article XIII B of the State Constitution – Gann Limit

State and local government agencies in the State are each subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. The base year for establishing such appropriations limit is fiscal year

1978-79. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service," (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters, or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, an agency's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If an agency's revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, *et seq.* of the State Government Code defines certain terms used in Article XIII B and sets forth the methods for determining the appropriations limits for local jurisdictions. The City's appropriations limit for fiscal year ended June 30, 2014 was $244.5 million. The City estimates that its appropriations limit for the fiscal year ending June 30, 2015 is $245.3 million.

Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C of the State Constitution ("Article XIII C") requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote, and taxes for specific purposes, even if deposited in the general fund, require a two-thirds vote. The voter approval requirements of Article XIII C reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIII D of the State Constitution ("Article XIII D") contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIII D also contains several new provisions affecting a "fee" or "charge," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person, exceed the proportional cost of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The City has three enterprise funds that are self-supporting from fees and charges (refuse, water and electricity), two of which (water and refuse) have been judicially determined to be property-related for purposes of Article XIII D. As a result, the City has since 2000 followed the notice and public hearing requirements of Section 6 of Article XIII D before imposing or increasing any water or refuse service fees or charges.

However, California courts have held that property-related fees which are used by a city for general fund purposes and which are not compensation to the city for the costs of providing the related service are an impermissible tax under Article XIIID. Under Section 1408 of the City Charter, last approved by the voters in 1993, the City annually transfers up to 6% of the gross revenue of the water enterprise fund to the General Fund. No assurance can be given that future water enterprise transfers to the General Fund will not have to be reduced or eliminated under Article XIIID.

In addition to the provisions described above, Article XIII C removes prohibitions and limitations on the initiative power in matters of any "local tax, assessment, fee or charge." Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C, so it was unclear whether the definitions of these terms in Article XIII D (which are generally property-related as described above) would limit the scope of the initiative power set forth in Article XIII C. The issue was clarified in 2006, when the California Supreme Court held that the Article XIII D definitions do not limit the scope of Article XIII C initiative powers. Accordingly, the Article XIII C initiative power could potentially apply to non property related revenue sources that currently constitute a substantial portion of general fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID.

Proposition 26 also provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Since the adoption date of Proposition 26, any new or increased electric rates may not exceed the reasonable cost of providing electric service and the burden of establishing the reasonableness of such rates is placed upon the City. Sections 1407 and 1408 of the City Charter, last approved by the voters in 1993, authorize the City to transfer up to 16% of the gross income from the electric enterprise fund to the General Fund for general municipal purposes. See "CITY FINANCIAL INFORMATION—Transfers to the General Fund from Utility Funds" above. Since Proposition 26 has been recently enacted, there is little caselaw interpreting this Constitutional provision. It is the City's belief that Proposition 26 is not retroactive and, for that reason, it is the City's further belief that transfers from its electric enterprise fund should be unaffected by Proposition 26. Accordingly, in the absence of judicial authority to the contrary, the City intends to continue making these transfers to the General Fund in accordance with its Charter. Nonetheless, there can be no assurance that electric enterprise transfers to the General Fund will not have to be reduced or eliminated in the future under Proposition 26.

Proposition 1A

As part of then-Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the State Legislature and subsequently approved by the voters as Proposition 1A ("Proposition 1A") at the November 2004 election. Proposition 1A amended the State Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales, and vehicle license fee revenues as of November 3, 2004.

Proposition 1A prohibits the State from mandating activities on cities, counties or special districts without providing for the funding needed to comply with the mandates. If the State does not provide funding for the mandated activity, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expanded the definition of what constitutes a mandate on local governments to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had partial or complete responsibility. The State mandate provisions of Proposition 1A do not apply to schools or community colleges or to mandates relating to employee rights.

Proposition 1A also allowed the State to borrow up to 8% of local property tax revenues, beginning with fiscal year 2008-09, but only if the Governor proclaimed such action was necessary due to a severe State fiscal hardship and two-thirds of both houses of the State Legislature approved the borrowing. The amount borrowed was required to be paid back within three years. The 2009-10 State budget authorized the State to exercise its Proposition 1A borrowing authority. This borrowing generated $1.998 billion that was used to offset State general fund spending. [Such diverted revenues were repaid, with interest.]

On November 2, 2010, State voters adopted Proposition 22 ("Proposition 22"), which further restricts the ability of the State to use or borrow money from local governments. Proposition 22 supersedes the provisions of Proposition 1A that allow the State to borrow money from local governments and prohibits any future such borrowings by the State from local government funds. However, the Proposition 1A borrowing completed in 2009 is grandfathered.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the electorate voting in such election within two years of the adoption of the initiative or be terminated by November 15, 1988. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) ("*Santa Clara*"), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a "special tax," as required by Proposition 62. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In deciding the *Santa Clara* case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the State Constitution. The State Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on *Woodlake*. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986. Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, certain provisions of Proposition 62 (e.g. voter approval of taxes) are now governed by the State Constitution.

Following the *Santa Clara* decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the State Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("*La Habra*"). In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Future Initiatives

Article XIII A, Article XIII B and the propositions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations which may affect the City's revenues or its ability to expend its revenues.

BONDED AND OTHER INDEBTEDNESS

Introduction

The City has issued or caused the issuance of a variety of bonded and other debt obligations as provided for under the State Constitution, judicial interpretation of the State Constitution, State statutes, and its own Charter powers. The following summarizes that indebtedness. The City has never failed to pay principal of or interest on any debt or lease obligation when due.

The Director of Finance serves as the City's debt coordinator. The City Treasurer serves on each financing team, along with other finance staff members. All debt issuance must be approved by the City's Finance Committee and the City Council.

Debt Management Policy

The City has adopted debt management policies to standardize and rationalize the issuance and management of debt by the City. One of the principal objectives of the debt management policies is to maintain the highest possible credit ratings for all categories of short and long term debt that can be achieved without compromising the delivery of basic services by the City.

The City's debt management policy requires the City to develop a multi-year capital improvement program to be considered by the City Council as part of the yearly budget process. The City does not anticipate issuing General Fund indebtedness in the near future.

General Obligation Debt

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

Long-Term Debt Obligations Payable from the General Fund

As of June 30, 2014, the City had total long-term debt obligations payable from the City's General Fund of approximately $634.0 million. Of this total, obligations for general government purposes represented approximately 14.2%, pension obligation bonds approximately 19.6% and "self-supporting" obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 66.2%. [For the past ten years, the City has made no contribution from its General Fund towards the payment of "self supporting" obligations. Further, the City does not expect to make any contribution to the payment of such "self supporting" obligations in the near future.] **[Confirm]** For fiscal years ending June 30, 2012, 2013, and 2014 the City's annual debt service payable from the General Fund are $__________, $__________ and $__________, respectively. Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

LONG TERM OBLIGATIONS PAYABLE FROM CITY GENERAL FUND
AS OF JUNE 30, 2014
($ in Thousands)

City Issues	Original Par	Outstanding	Final Maturity	Variable/Fixed Synthetic Fixed (SWAP)	Letter of Credit Expiration Date	SWAP Counterparty
Pension Obligation Bonds						
1999 A&B Taxable POBs (1)	$101,940	$52,790	2022	Fixed	–	–
2004 Taxable POBs	40,750	23,691	2015	Variable		
2012 Taxable POBs	47,440	47,440	2041	Variable	–	–
Sub-Total Pension Obligation Bonds	**$190,130**	**$123,921**				
City Leases						
1993 COPs	$ 79,835		2016	Fixed	–	–
2000 Lease Financing	4,000	1,392	2020	Fixed	–	–
2006 VRDBs (City Hall Portion)	10,355	6,180	2023	Variable/SWAP(Synthetic Fixed)	–	–
2006 Equip Lease Financing	180	7	2014	Fixed	–	–
2008 B Refunding COPs	26,759	14,570	2019	Fixed	–	–
2008 C Refunding COPs	71,450	62,020	2038	Fixed	–	–
2011 Equip Lease Financing – ARTS Buses	2,073	1,718		Fixed		
2012 Equip Lease Financing – Helicopter	1,584	1,115		Fixed		
2012 Equip Lease Financing – 911 System	3,947	2,778		Fixed		
2013 Equip Lease Financing – Dental Clinic	265	214		Fixed		
2013 Equip Lease Financing – Meter Equip	351	317		Fixed	–	–
Sub-Total City Leases	**$200,799**	**$90,311**				
Self-Supporting Obligations						
1993 Refunding COPs (Old Pasadena Parking)	$28,050	$7,640	2018	Fixed	–	–
1999 Marriott Garage Lease Financing	2,600	987	2019	Fixed	–	–
2006 A CAB COPs (Conference Center)	27,140	39,950	2034	Fixed	–	–
2006 Equip Lease Financing	225	9	2014	Fixed	–	–
2008 A COPs (Conference Center)	134,720	134,720	2035	Variable/SWAP(Synthetic Fixed)	3/31/2015	RBC Bank
2008 B COPs (Conference Center)	891	485	2019	Fixed	–	–
2008 Paseo Colorado Taxable Revenue Bonds	28,800	25,900	2038	Variable	3/15/2015	KBC Bank
2010 A PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-Exempt	36,808	38,100	2033	Fixed	–	–
2010 B PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-BABS	106,660	106,660	2043	Fixed	–	–
2010 C PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Taxable	5,005	5,005	2020	Fixed	–	–
2010 D PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-RZEDBS	7,400	7,400	2043	Fixed		
2013 A Rose Bowl VRD Lease Revenue Bonds (Tax-Exempt)	11,035	11,035	2043	Fixed		
2013 A Rose Bowl VRD Lease Revenue Bonds (Tax-Exempt) – Refunding Portion	23,965	23,865	2020	Variable/SWAP(Synthetic Fixed)		
2013 A Rose Bowl VRD Lease Revenue Bonds (Taxable)	19,065	18,030	2043	Fixed	–	–
Sub-Total Self-Supporting	**$432,264**	**$419,786**				
Total General Fund Obligations	**$823,193**	**$634,018**				

(1) 1999 A&B Taxable POBs subject to mandatory tender on May 15, 2015.
Source: City of Pasadena, Department of Finance.

Revenue Bonds

The City Charter and State law provide for the issuance of revenue bonds, and the execution of installment purchase contracts that support revenue certificates of participation, which are secured by and payable from the revenues generated by various enterprise and special fund operations. These revenue bonds do not represent obligations of the General Fund of the City, nor are they secured by taxes. Revenue bonds and certificates of participation have been issued that are secured by electric and water revenue enterprises. See Note 9 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE CITY OF PASADENA."

Cash-flow Borrowings

In the past ten years, the City has not issued tax and revenue anticipation notes to alleviate short-term cash flow needs that occur early in the fiscal year when taxes and revenues have not yet been received.

Estimated Direct and Overlapping Bonded Debt

The estimated direct and overlapping bonded debt of the City as of June 30, 2014 is shown on the following page.

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CITY OF PASADENA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of June 30, 2014

[Ordered from MuniServices]

2012-13 Assessed Valuation: $__________

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 06/30/13
Los Angeles County Flood Control District	2.201%	$384,735
Metropolitan Water District	1.058	1,399,470
Pasadena Area Community College District	34.854	33,936,751
La Cañada Unified School District	0.211	58,197
Pasadena Unified School District	73.318	264,282,063
Los Angeles County Improvement District No. 2658-M	.987	23,688
Los Angeles County Regional Park and Open Space Assessment District	2.029	2,305,248
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$302,390,152
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Los Angeles County General Fund Obligations	2.026%	$ 37,240,672
Los Angeles County Superintendent of Schools Certificates of Participation	2.029	193,361
Los Angeles County Sanitation District Nos. 15, 16 & 17 Certificates of Participation	0.409-59.512	8,373,248
Pasadena Unified School District Certificates of Participation	73.318	1,221,965
City of Pasadena General Fund Obligations	100.000	482,596,382
City of Pasadena Pension Obligations	100.000	126,275,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$655,900,628
Less: Los Angeles County General Fund Obligations supported by landfill revenue		102,165
		351,723,351
City of Pasadena General Fund Obligations supported by other revenue sources		$304,075,112
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT	100.000%	$2,130,000
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY):		$608,871,382
		$57,148,031
TOTAL GROSS DIRECT DEBT		$351,549,398
TOTAL NET DIRECT DEBT		$351,447,233
TOTAL NET OVERLAPPING DEBT		
TOTAL GROSS OVERLAPPING DEBT		$960,420,780 [2]
		$608,595,264
GROSS COMBINED TOTAL DEBT	2.201%	$384,735
NET COMBINED TOTAL DEBT	1.058	1,399,470

Source: [MuniServices LLC].

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

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

LITIGATION

As of the date of the Reoffering Memorandum, there is no litigation pending against the City or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or the Trust Agreement in any way contesting or affecting the validity thereof or the authorizations or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the proceeds of the Bonds.

There are no pending lawsuits as of the date hereof, that the City Attorney believes challenge the validity of the Bonds or the Trust Agreement, the corporate existence of the City, or the title of the executive officers to their respective offices.

The City also believes that there is no litigation pending or threatened against the City where an unfavorable judgment would have a material adverse effect on the City's financial position.