

# Agenda Report

**TO:** CITY COUNCIL

February 26, 2007

**THROUGH:** FINANCE COMMITTEE

**FROM:** CITY MANAGER

**SUBJECT:** ADOPTION OF A RESOLUTION AND THE FIRST READING OF AN ORDINANCE AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF WATER REVENUE BONDS, 2007 SERIES, APPROVING A NOTICE OF INTENTION TO SELL BONDS, A PRELIMINARY OFFICIAL STATEMENT, A NOTICE INVITING BIDS AND OFFICIAL FORM OF PROPOSAL, AND AUTHORIZING THE PUBLICATION OF A NOTICE OF INTENTION TO SELL BONDS, ESTABLISHING A NOT TO EXCEED AMOUNT OF \$25 MILLION, THE EXECUTION AND DELIVERY OF A WATER REVENUE BOND INDENTURE, A SECOND SUPPLEMENT TO WATER REVENUE BOND INDENTURE, AND A CONTINUING DISCLOSURE AGREEMENT.

## **RECOMMENDATION:**

It is recommended that the City Council adopt:

1. A Resolution authorizing the invitation of bids for the purchase of Water Revenue Bonds, 2007 Series, approving a notice of intention to sell bonds, a preliminary official statement, a notice inviting bids and official form of proposal; and authorizing the publication of a notice of intention to sell bonds and authorizing certain other actions in connection therewith;
2. An Ordinance authorizing the issuance of a not to exceed \$25 million aggregate principal amount of Water Revenue Bonds, 2007 Series, payable out of the Water Fund and approving the execution and delivery of a water revenue bond indenture, a second supplemental to water revenue bond indenture, a disclosure agreement and other documents in connection therewith; and

3. A Resolution declaring the City's intention to reimburse itself from the proceeds of one or more tax-exempt financings for certain expenditures made and/or to be made in connection with the Water System.

## **BACKGROUND**

In 2001, Pasadena Water and Power Department (PWP) engaged Montgomery Watson Harza to evaluate the existing Water System to develop a capital improvement program for the Water System. In 2002, the City Council adopted the Water System Master Plan (Master Plan) as developed by the consultants including an 18-year plan for capital improvements to the Water System.

In 2003, the City issued its 2003 Water Revenue Refunding Bonds and refunded its outstanding 1993 Water Revenue Bonds, prepaid its obligation with the Financing Authority for Resource Efficiency of California (FARECal) and provided \$22 million to finance the first phase of the Water System Master Plan and an additional \$1 million to finance the initial phase of the water reclamation program. The capital improvements identified in the Master Plan is ongoing and on schedule with the first financing and the City currently forecasts approximately \$95 million of additional capital improvements for the Water System over the next five years. Annual capital improvements are expected to be approximately \$19 million.

In developing the funding requirements for the Master Plan capital improvement program, staff utilized the cost of service study and conducted an analysis to determine a financial structure that supports the needed capital investments and minimize the rate impacts on water customers. The Master Plan provides that a funding mix of revenue bond financing and cash from rates would be used on a 65:35 basis. To finance the improvements, the City adopted the Capital Improvement Charge in January 2003 as part of its water rate ordinance. Since adoption of this charge, the City has imposed water user charge increases three times for a current Capital Improvement Charge rate of \$0.54 per billing unit. Based on projected water consumption for FY 2007 and the current rate, the Capital Improvement Charge is estimated to generate approximately \$7.98 million each year. In order to match the borrowing amounts with the timing of the projected spending levels, the Water System second bond issuance is proposed in an amount not to exceed \$25 million.

Proceeds of the proposed 2007 Water Revenue Bonds will be used to finance the continued implementation of the Master Plan and the costs of construction and improvements to the Water System.

The City Council is also being asked to adopt a reimbursement resolution. The requested resolution allows the City to reimburse itself for certain expenditures made for capital improvements and other expenses related to the Water System. The Reimbursement Resolution provides the City the ability to reimburse itself for expenditures made 60 days prior to this resolution and up to 18 months from the date the expenditures are made.

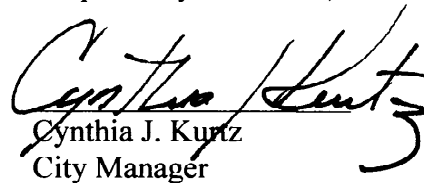
The Financing:

The Water Revenue Bonds will have a term of 30 years, will bear a fixed interest rate and will be sold on a competitive basis. The bonds will be insured and therefore bear a AAA rating. The average annual debt service is currently estimated at \$1.3 million and the True Interest Cost is estimated at 4.5%. The Resolution and Ordinance also approve the various documents in connection with the issuance of the Water Revenue Bonds and appoint Fulbright & Jaworski L.L.P., as bond and disclosure counsel, and Public Resources Advisory Group, as financial advisor.

FISCAL IMPACT

The estimated annual debt service on this transaction is \$1.3 million based on a financing with a level debt service. Payments will be made from the Water Fund and funds are available from currently approved rates. Based on water consumption for FY 2007 and the current rate, the Capital Improvement Charge is estimated to generate approximately \$7.98 million each year. In accordance with the Master Plan and the 65:35 funding mix, 35% of this amount will be used for cash funding the Water System's capital improvements and the 65% of the Charge revenues are sufficient to pay the debt service on the 2003 Water Revenue Bonds and the proposed 2007 Water Revenue Bonds.

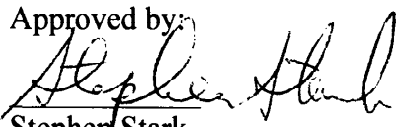
Respectfully submitted,

  
Cynthia J. Kurtz  
City Manager

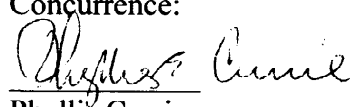
Prepared by:

  
Vic Erganian  
City Treasurer

Approved by:

  
Stephen Stark  
Director of Finance

Concurrence:

  
Phyllis Currie  
General Manager, Water and Power

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA, CALIFORNIA, AUTHORIZING THE INVITATION OF BIDS FOR THE PURCHASE OF WATER REVENUE BONDS, 2007 SERIES, OF SAID CITY; APPROVING A NOTICE OF INTENTION TO SELL BONDS, A PRELIMINARY OFFICIAL STATEMENT, A NOTICE INVITING BIDS AND OFFICIAL FORM OF PROPOSAL; AUTHORIZING THE PUBLICATION OF A NOTICE OF INTENTION TO SELL BONDS; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the City Council of the City of Pasadena, California (the "City Council") deems it necessary and proper that bids be invited for the purchase of the Water Revenue Bonds, 2007 Series (the "2007 Bonds") of the City of Pasadena, California (the "City"), and that the 2007 Bonds be sold in the manner and at the time and place hereinafter set forth;

**NOW, THEREFORE**, the City Council does hereby resolve, determine and order as follows:

**Section 1.** Electronic proposals for the purchase of the 2007 Bonds shall be received by the Director of Finance of the City at the time and place determined as provided in the Notice of Intention to Sell Bonds and the Notice Inviting Bids as hereinafter approved.

**Section 2.** The Director of Finance is hereby authorized and directed to publish a Notice of Intention to Sell Bonds, substantially in the form annexed hereto as "Exhibit A" and hereby approved by this City Council, by one insertion in the Pasadena Star-News, a newspaper of general circulation published in the City.

**Section 3.** The Director of Finance is further authorized and directed to publish a Notice of Intention to Sell Bonds by one insertion in The Bond Buyer, a financial publication generally circulated throughout California, prior to the date of receiving proposals for the purchase of the 2007 Bonds.

**Section 4.** The City Council hereby approves the Preliminary Official Statement substantially in the form on file with the City Clerk, a copy of which has been made available to this City Council, with such changes therein as the Director of Finance of the City may determine necessary, to be furnished to prospective bidders for the 2007 Bonds as provided in Section 5 hereof. The City authorizes the Director of Finance to deem the Preliminary Official Statement to be final within the meaning of Securities and Exchange Commission Rule 15c2-12 subject to completion of those items permitted by said Rule. The City Council directs the City Clerk to file the Preliminary Official Statement in her office and to identify it as being the Preliminary Official Statement so approved hereby, by an endorsement thereon to that effect over her signature. The Director of Finance or his designee is authorized and directed to execute and deliver a final Official Statement in substantially the form of the Preliminary Official Statement hereby approved, with such additions thereto and changes therein as are consistent with this Resolution and recommended or approved by disclosure

counsel to the City and approved by such officers and employees, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 5.** The Director of Finance is authorized and directed to cause to be furnished to prospective bidders, upon their request, a reasonable number of copies of the Ordinance authorizing issuance of the 2007 Bonds, the Water Revenue Bond Indenture and Second Supplement to Water Revenue Bond Indenture providing for the issuance of the 2007 Bonds as approved pursuant to said Ordinance and the Preliminary Official Statement. The Director of Finance is authorized and directed to cause to be furnished to prospective bidders, upon their request, a reasonable number of copies of the Notice Inviting Bids and Official Form of Proposal substantially in the form annexed hereto as "Exhibit B" and hereby approved by the City Council. The Director of Finance is further authorized and directed, after any proposal for the purchase of the 2007 Bonds has been accepted by the Director of Finance, and after the final Official Statement has been prepared, to cause to be furnished to the successful bidder, for use in connection with the resale of the 2007 Bonds, such number of copies of the final Official Statement as may be reasonably required.

**Section 6.** The Director of Finance may withdraw or modify the Notice Inviting Bids and Official Form of Proposal and the Notice of Intention to Sell Bonds, or either, at any time by notice published via The Bond Buyer Wire or other means determined by the Director of Finance to reasonably reach potential bidders for the 2007 Bonds. If the Director of Finance should withdraw the Notice Inviting Bids and Official Form of Proposal or the Notice of Intention to Sell Bonds at any time before the 2007 Bonds are awarded, and should at a later date determine that it is desirable to receive bids for the 2007 Bonds, the Director of Finance is hereby authorized to redistribute the Notice Inviting Bids and Official Form of Proposal and republish the Notice of Intention to Sell Bonds with such modifications or revisions as are approved by the Director of Finance.

**Section 7.** The City Council shall award the 2007 Bonds at the time and date specified in the Notice Inviting Bids by subsequent City Council action. If the City Council does not meet at City Hall in Council Chambers or does not achieve a quorum on the date on which bids for the 2007 Bonds are received, the Director of Finance or his designee is hereby authorized and directed on behalf of the City to accept the best bid for the 2007 Bonds received pursuant to and subject to the terms and conditions set forth in the Notice Inviting Bids and to award the 2007 Bonds to such best bidder (or reject all bids) and to take such other actions as the Director of Finance deems appropriate, consistent with the provisions hereof.

**Section 8.** The Director of Finance is authorized (but not required), for and in the name and on behalf of the City, to procure bond insurance for the 2007 Bonds on such terms and conditions as they may approve following consultation with the financial advisor to the City. The Director of Finance or his designee is hereby authorized to execute and deliver such commitments or other instruments as they may determine to be necessary or appropriate in connection with such bond insurance, such determination to be conclusively evidenced by the execution and delivery thereof.

**Section 9.** The law firm of Fulbright & Jaworski L.L.P., Los Angeles, California, is hereby retained as Bond Counsel and Disclosure Counsel in connection with the issuance of the 2007 Bonds, upon such terms and conditions as shall be approved by the Director of Finance.

**Section 10.** The firm of Public Resources Advisory Group, Los Angeles, California, is hereby retained as financial advisor in connection with the issuance of the 2007 Bonds, upon such terms and conditions as shall be approved by the Director of Finance.

ADOPTED at a regular meeting of the City Council this \_\_\_\_ day of \_\_\_\_\_, 2007, by the following vote:

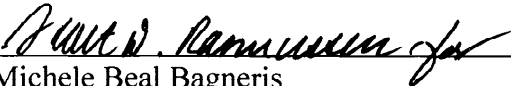
AYES:

NOES:

ABSENT:

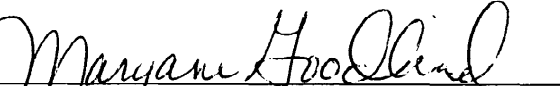
APPROVED AS TO FORM:

ATTEST:

  
Michele Beal Bagneris  
City Attorney

\_\_\_\_\_  
Jane L. Rodriguez  
City Clerk

APPROVED AS TO FORM:

  
Maryann Goodkind  
Fulbright & Jaworski L.L.P.  
Bond Counsel

**Exhibit A**  
**Notice of Intention to Sell Bonds**

**NOTICE OF INTENTION TO SELL BONDS**

§ \_\_\_\_\_\*  
**CITY OF PASADENA, CALIFORNIA**  
**WATER REVENUE BONDS, 2007 SERIES**

**NOTICE IS HEREBY GIVEN** that the City of Pasadena (the “City”) intends to receive electronically transmitted bids until

**10:00 a.m., Pacific time on Monday, April 16, 2007**

through the use of an electronic bidding service offered by i-Deal LLC/Parity®, for the purchase of all of the above-captioned bonds (the “Bonds”) dated as of the date of delivery thereof, and maturing on such dates as described in the related Notice Inviting Bids (the “Notice”). Bids for less than all of the Bonds will not be accepted. The City reserves the right to postpone the date established for the receipt of bids and/or to modify or amend the Notice as more fully described in the Notice.

**NOTICE IS HEREBY FURTHER GIVEN** that electronic copies of the Notice and the Preliminary Official Statement issued in connection with the sale of the Bonds, may be obtained from the City’s financial advisor, Public Resources Advisory Group, 11845 W. Olympic Boulevard, Suite 640, Los Angeles, California 90064, Attention: Louis Choi (telephone (310) 477-8487; fax (310) 477-0105).

Date: \_\_\_\_\_, 2007

/s/ STEPHEN C. STARK

Director of Finance  
City of Pasadena

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\* Preliminary, subject to adjustment as set forth in the Notice Inviting Bids.



**Exhibit B**  
**Notice Inviting Bids**

## **NOTICE INVITING BIDS**

### **CITY OF PASADENA, CALIFORNIA**

#### **Water Revenue Bonds, 2007 Series**

**NOTICE IS HEREBY GIVEN** that electronically transmitted bids will be received by the City of Pasadena, California (the "City"), through the use of an electronic bidding service offered by i-Deal LLC/Parity® ("Parity") (at [www.tm3.com](http://www.tm3.com)), on

**Monday, April 16, 2007  
at 10:00 A.M. Pacific time,**

for the purchase of \$\_\_\_\_\_ (approximate) aggregate principal amount of City of Pasadena, California Water Revenue Bonds, 2007 Series (the "2007 Bonds"), more particularly described herein. See "TERMS OF SALE—Form of Bid and Bid Check or Surety Bond—Warnings Regarding Electronic Bids" herein.

The City reserves the right to cancel or reschedule the sale of the 2007 Bonds or change the terms thereof upon notice given through The Bond Buyer Wire prior to the time bids are to be received. If the sale is rescheduled, bids will be received at the place set forth above, at such date and time as the City shall determine. Notice of the new sale date, time and terms, if any, will be given through The Bond Buyer Wire as soon as practicable prior to the new time bids are to be received. As an accommodation to bidders, telephone or fax notice of the change and of the new sale date and time will be given to any bidder requesting such notice from Public Resources Advisory Group, the City's financial advisor (the "Financial Advisor"), 11845 W. Olympic Boulevard, Suite 640, Los Angeles, California 90064, Attention: Louis Choi (telephone (310) 477-8487, fax (310) 477-0105). Failure of any bidders to receive such supplementary notice shall not affect the legality of the sale.

#### **TERMS OF THE 2007 BONDS**

**Important Note.** This Notice Inviting Bids will be submitted to i-Deal LLC for posting at the TM3 website and in the Parity bid delivery system. In the event the Parity system's summary of the terms of sale of the 2007 Bonds disagrees with this Notice Inviting Bids in any particulars, the terms of this Notice Inviting Bids shall control (unless notice of an amendment hereto is given as described above).

#### **Opening of Bids and Award of 2007 Bonds**

The bids will be received at the above time and place, will be opened by the Director of Finance, and the 2007 Bonds are expected to be awarded by the City at the City Council meeting later that day.

#### **The Issue**

The 2007 Bonds are being issued by the City for the purpose of providing moneys, together with other available funds, (i) to finance the costs of acquisition and construction of

certain improvements to the Water System of the City (the "Water System"); (ii) to make an additional deposit to the reserve fund; and (iii) to pay the costs of issuance of the 2007 Bonds, including the premium for a municipal bond insurance policy.

### **Authority For Issuance**

The 2007 Bonds are authorized and issued pursuant to Article XIV of the City Charter, an Ordinance to be adopted by the City Council of the City (the "Ordinance"), and a Water Revenue Bond Indenture, dated as of August 1, 2003 (the "Master Indenture"), by and between the City and The Bank of New York Trust Company, N.A. (formerly known as BNY Western Trust Company), as Trustee (the "Trustee"), as supplemented by a Second Supplement to Water Revenue Bond Indenture, dated as of April 1, 2007 (the "Second Supplement"), to be executed simultaneously with the delivery of the 2007 Bonds (collectively, the "Indenture"). The 2007 Bonds will be issued on a parity with other obligations of the Water System payable from Pledged Revenues and issued from time to time pursuant to the terms of the Indenture ("Parity Debt"), including its Water Revenue and Refunding Bonds, 2003 Series, currently outstanding in the principal amount of \$43,400,000 (the "2003 Bonds"). The 2003 Bonds, the 2007 Bonds and all other Water Revenue Bonds to be issued pursuant to the Indenture are herein referred to collectively as the "Bonds."

*Bidders are referred to the Indenture and the Preliminary Official Statement, dated \_\_\_\_\_, 2007, relating to the 2007 Bonds (the "Preliminary Official Statement"), for definitions of terms and for further particulars, including further information regarding the 2007 Bonds. This Notice Inviting Bids contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the 2007 Bonds. Bidders must read the entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.*

### **Security; Limited Obligations**

The 2007 Bonds are an obligation solely payable from the Water Fund of the City and certain other funds as provided in the Indenture. The 2007 Bonds are secured by a pledge of and lien upon Pledged Revenues of the Water System on a parity with the 2003 Bonds, other Bonds and other Parity Debt.

The City has covenanted in the Indenture to fix the rates for services furnished by the Water System so as to provide Gross Aggregate Revenues at least sufficient to pay, as the same become due, the principal of and interest on the Bonds and any other Parity Debt, all payments required for compliance with the Indenture, including payments required to be made into any Parity Reserve Fund, all payments required to be made with respect to any Subordinate Debt, all Operation and Maintenance Expenses and all payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Aggregate Revenues or any portion thereof and the charges shall be fixed so that in each Fiscal Year the Gross Aggregate Revenues less Operation and Maintenance Expenses will be at least equal to 1.10 times the amount necessary to pay principal and interest as the same become due on all Bonds and any other Parity Debt.

“Pledged Revenues” means all Gross CIC Revenues and all Net Other Water Revenues. “Gross CIC Revenues” means all CIC Revenues, all amounts deposited in the CIC Account and all interest earnings or income thereon or therefrom. “CIC Revenues” means all capital improvement charges collected and received pursuant to Chapter 13.20.035 of Title 13 of the Pasadena Municipal Code and interest earned thereon. “Net Other Water Revenues” means all Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom, less all Operation and Maintenance Expenses. “Other Water Revenues” means all the revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction, but not including the CIC Revenues.

**The general fund of the City is not liable for the payment of any 2007 Bonds, any premium thereon upon redemption prior to maturity or their interest, nor is the credit or taxing power of the City pledged for the payment of any 2007 Bonds, any premium thereon upon redemption prior to maturity or their interest. The Owner of any 2007 Bond shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of and interest on any 2007 Bonds and any premiums upon the redemption of any thereof prior to maturity are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Pledged Revenues and other funds, security or assets which are pledged to the payment of the 2007 Bonds, interest thereon and any premiums upon redemption.**

### **Parity Reserve Fund**

Pursuant to the Indenture, the City has established and agreed to maintain the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement.

“Reserve Fund Requirement” means, as of any date of determination and excluding any Parity Debt for which no reserve fund is to be maintained or for which a separate reserve fund is to be maintained, the least of (a) ten percent (10%) of the initial offering price to the public of each Series of Bonds and any Parity Debt to be secured by the Parity Reserve Fund as determined under the Code, or (b) the Maximum Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service on all Bonds and Parity Debt to be secured by the Parity Reserve Fund, all as computed and determined by the City and specified in writing to the Trustee.

Amounts in the Parity Reserve Fund shall be transferred by the City to the applicable debt service fund to pay principal of and interest on the Bonds and other Parity Debt secured by the Parity Reserve Fund in the event amounts on deposit therein are insufficient for such purposes.

## **Municipal Bond Insurance and Underlying Ratings**

\_\_\_\_\_ (the “Bond Insurer”) has issued a commitment for a financial guaranty insurance policy relating to the 2007 Bonds. All bids are conditioned upon the issuance, effective as of the date on which the 2007 Bonds are issued, of a policy of insurance by the Bond Insurer, insuring the payment when due of principal of and interest on the 2007 Bonds. Each 2007 Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of the Bond Insurer. **The cost of obtaining such insurance and any rating agency costs related thereto will be borne entirely by the City and not by the successful bidder.** Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc. (“S&P”), will assign the 2007 Bonds ratings of “Aaa” and “AAA,” respectively, upon the understanding that the Bond Insurer will issue its financial guaranty insurance policy simultaneously upon the issuance of the 2007 Bonds. The 2007 Bonds have also been assigned an underlying rating \_\_\_ by S&P and \_\_\_ by Fitch.

## **Book-Entry Only**

The 2007 Bonds will be issued as fully registered bonds and, when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as security depository for the 2007 Bonds. Individual purchases of the 2007 Bonds will be made in book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal of, interest and premium, if any, on the 2007 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2007 Bonds.

## **Interest Payment Dates**

The 2007 Bonds will be as of the date of delivery and interest will be payable semiannually on each June 1 and December 1, commencing June 1, 2007, to holders of record on the preceding May 15 and November 15, respectively, until maturity or redemption.

## **Principal Amortization**

The 2007 Bonds shall be subject to principal amortization through serial maturities maturing on June 1 in the following years and amounts described in the following table, subject to the adjustments described below:

June 1	Principal Amount*	June 1	Principal Amount*
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\* Preliminary, subject to adjustment as described below.

### **Adjustment of Principal Amounts and Amortization Schedule**

The principal amounts set forth in this Notice Inviting Bids reflect certain estimates of the City and its Financial Advisor with respect to the likely interest rates of the winning bid and the premium, if any, contained in the winning bid. The principal amortization schedule may be changed prior to the time bids are to be received and, if adjustments are made, bidders must bid on the basis of the adjusted schedules. Such changes, if any, will be communicated through The Bond Buyer Wire not later than 11:00 a.m., Pacific time, on the business day prior to the bid opening. After selecting the winning bid, the principal amount of the 2007 Bonds and amortization schedule may be adjusted in \$5,000 increments as necessary in the determination of the City's Financial Advisor to reflect the actual interest rates and any premium in the winning bid and to achieve the City's debt structuring objectives. Such adjustments after the selection of the winning bid will not change the principal amount due on the 2007 Bonds in any year by more than the greater of \$100,000 or ten percent (10%). Any such adjustment will be communicated to the winning bidder within 24 hours after acceptance of the bids. Changes in the amortization schedule made subsequent to bid opening as described above will not affect the determination of the winning bidder or give the winning bidder any right to reject the 2007 Bonds. The winning bidder may not withdraw its bid or change the interest rates bid as a result of any changes to the principal payments of the 2007 Bonds in accordance with this Notice Inviting Bids; further, the dollar amount of the price bid will be changed so that the percentage of net compensation paid to the winning bidder will not increase or decrease from what it would have been if no adjustments had been made by the City.

### **Serial Bonds and/or Term Bonds**

Bidders may provide that the 2007 Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds. No term bond may include any mandatory sinking payments prior to June 1, 2016.

## **Mandatory Sinking Fund Redemption**

If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond shall be subject to mandatory sinking fund redemption commencing on June 1 of the first year which has been combined to form such term bond and continuing on June 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth in the table above under the caption "Principal Amortization", as adjusted in accordance with the provisions described above under the caption "Adjustment of Principal Amounts and Amortization Schedule". The 2007 Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed in part at par and shall be selected by lot from among the 2007 Bonds then subject to redemption. The City, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption which have been purchased and cancelled by the City or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

## **Optional Redemption**

The 2007 Bonds maturing on or prior to June 1, 2016 are not subject to call and redemption prior to maturity. The 2007 Bonds maturing on or after June 1, 2017 are subject to call and redemption prior to maturity, at the option of the City, as a whole or in part on June 1, 2016 or on any date thereafter, in any order of maturity established by the City and by lot within a single maturity, from funds derived by the City from any source of available funds, at a redemption price equal to the principal amount of the 2007 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

## **Notice of Redemption**

Notice of such redemption shall be mailed to the Owners of the 2007 Bonds, certain securities depositories and one or more information services. Notice of such redemption shall be given to the Owners of the 2007 Bonds designated for redemption at their addresses appearing on the bond registration books, not less than 30 days nor more than 60 days prior to the redemption date. The actual receipt by the Owners of any 2007 Bond shall not be a condition precedent to the redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of 2007 Bonds or the cessation of interest on the redemption date.

## **Trustee**

The Bank of New York Trust Company, N.A., Los Angeles, California is the Trustee for the payment of principal of, premium, if any, and interest on, the 2007 Bonds and for the registration of the 2007 Bonds.

## **Legal Opinion**

The City will furnish to the successful bidder at the closing of the 2007 Bonds, the legal opinion of Bond Counsel, Fulbright & Jaworski L.L.P., that based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy

of certain representations and compliance with certain covenants, interest on the 2007 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes; and interest on the 2007 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such counsel may observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2007 Bonds.

### **Continuing Disclosure**

In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the City will undertake, pursuant to a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A form of the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## **TERMS OF SALE**

### **Interest Rates and Minimum Purchase Price**

Bidders must specify a rate of interest for each maturity of the 2007 Bonds. The rates of interest must be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and the true interest cost to the City shall not exceed five and one-half percent (5.5%) per annum. All 2007 Bonds of the same maturity must bear the same rate of interest.

**Bidders may bid to purchase the 2007 Bonds with a premium of not more than 5% of the principal amount thereof; however, no bid will be considered at an aggregate price less than one hundred percent (100%) of the principal amount of the 2007 Bonds.**

### **Award**

If satisfactory bids are received, the 2007 Bonds will be awarded to the highest responsible bidder. The highest bid will be that which results in the lowest True Interest Cost. The True Interest Cost shall be computed by doubling the semiannual interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the date of the 2007 Bonds and to the price bid. For the purpose of calculating the True Interest Cost, the principal amount of 2007 Bonds established for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity in each year. Pursuant to the Ordinance, the True Interest Cost shall not exceed five and one-half percent (5.5%) per annum. In the event that two or more bidders have bid the same True Interest Cost, the award shall be made by lot.



## **Right of Rejection**

The City reserves the right, in its discretion, to reject any and all proposals, including any proposals not conforming to this Notice Inviting Bids, and to waive any irregularity or informality in any proposal.

## **Equal Opportunity**

It is the policy of the City that disadvantaged business enterprises (“DBE”) and all other business enterprises have an equal opportunity to participate in the performance of the City contracts. Bidders are required to make a good faith effort to reach out to the DBEs to ensure they have equal opportunity to compete for the purchase of the 2007 Bonds.

## **Form of Bid and Bid Check or Surety Bond**

Bidders must purchase the 2007 Bonds at a price equal to the principal amount thereof plus a premium, if any. Each bid must be delivered by electronic transmission, as described below, and received by 10:00 a.m., Pacific time, Monday, April 16, 2007. Each bid must be in accordance with the terms and conditions set forth in this Notice Inviting Bids.

In the event multiple bids are received from a single bidder by any means or combination thereof, the City shall accept the best of such bids, and each bidder agrees by submitting any bid to be bound by its best bid.

***Warnings Regarding Electronic Bids:*** The City will accept bids in electronic form solely through i-Deal’s Parity<sup>®</sup> System (at [www.tm3.com](http://www.tm3.com)). Each bidder submitting an electronic bid understands and agrees by doing so that it is solely responsible for all arrangements with Parity, and that Parity is not acting as an agent of the City. Instructions and forms for submitting electronic bids must be obtained from Parity, and the City assumes no responsibility for ensuring or verifying bidder compliance with Parity’s procedures. The City shall be entitled to assume that any bid received via Parity has been made by a duly authorized agent of the bidder.

The City will make its best efforts to accommodate electronic bids; however the City, the Financial Advisor and Bond Counsel assume no responsibility for proper functioning of the Parity System, for any error contained in any bid submitted electronically, or for failure of any bid to be transmitted, received or opened at the official time for receipt of bids. The official time for receipt of bids will be determined by the City at the place of bid opening, and the City shall not be required to accept the time kept by Parity as the official time. The City assumes no responsibility for informing any bidder prior to the deadline for receiving bids that its bid is incomplete or not received.

A good faith deposit (the “Deposit”) in the form of a cashier’s check in immediately available funds, or a financial surety bond, in each case in the amount of \$200,000, payable to the order of the City, is required with each bid to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid. If a check is used, it must accompany the bid. If a financial surety bond is used, it must be issued by an insurance company licensed to issue such a bond in the State of California, and such bond must be submitted to the Financial Advisor, Public Resources Advisory Group, 11845 W. Olympic Boulevard, Suite 640, Los

Angeles, California 90064, Attention: Louis Choi (telephone (310) 477-8487, fax (310) 477-0105), with a facsimile copy to the City at (626) 744-7093, Attention: Stephen C. Stark, Director of Finance, prior to opening of the bids. The financial surety bond must identify the bidder whose Deposit is guaranteed by such financial surety bond, and the City assumes no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. If the Bonds are awarded to a bidder submitting a financial surety bond, then said successful bidder is required to submit its Deposit to the City in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer not later than 12:00 noon, Pacific time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond shall be drawn by the City to satisfy the Deposit requirement. Wiring instructions will be provided to the successful bidder.

The City does not endorse the use of a financial surety bond or any particular financial surety provider. The City will accept a financial surety bond in lieu of a cashier's check under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond, including ensuring that evidence of the financial surety bond is provided to the Financial Advisor.

No interest will be paid upon the Deposit made by any bidder. Deposit checks of all bidders (except the successful bidder) will be returned by the City promptly following the award of the 2007 Bonds to the successful bidder. The Deposit of the successful bidder will, immediately upon acceptance of its bid, become the property of the City to be held and invested for the exclusive benefit of the City. The principal amount of such Deposit shall be applied to the purchase price of the 2007 Bonds at the time of delivery thereof. If the sale of the 2007 Bonds is cancelled or postponed, all sealed bids shall be returned unopened.

If the purchase price is not paid in full upon tender of the 2007 Bonds, the successful bidder shall have no right in or to the 2007 Bonds or to the recovery of its Deposit, or to any allowance or credit by reason of such Deposit, unless it shall appear that the 2007 Bonds would not be validly issued if delivered to the successful bidder in the form and manner proposed. In the event of nonpayment by the successful bidder, the amount of the Deposit shall be retained by the City. Notwithstanding the foregoing, should the successful bidder fail to pay for the 2007 Bonds at the price and on the date agreed upon, the City retains the right to seek further compensation for damages sustained as a result of the successful bidder so doing.

### **Estimate of True Interest Cost**

Each bidder is requested, but not required, to supply an estimate of the True Interest Cost to the City on the basis of its bid, which shall be considered as informative only and not binding on either the bidder or the City.

### **Award**

The City will take action awarding the 2007 Bonds or rejecting all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such

time of award is waived by the successful bidder. Notice of award will be given promptly to the successful bidder.

### **Reoffering Price**

The successful bidder will, within one hour after being notified of the City's intent to award the 2007 Bonds to such bidder, advise the City of the initial public offering prices of the 2007 Bonds. The successful bidder will also be required, prior to delivery of the 2007 Bonds, to furnish to the City a certificate acceptable to Bond Counsel stating (i) that as of the date of sale, all of the 2007 Bonds purchased were expected to be reoffered in a bona fide public offering; (ii) that as of the date of the certification, all of the 2007 Bonds purchased had actually been offered to the general public; and (iii) the maximum initial bona fide offering prices at which a substantial amount (at least 10%) of each maturity of the 2007 Bonds purchased was sold to the general public.

### **California Debt and Investment Advisory Commission**

The successful bidder will be required to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC") under California law. CDIAC will invoice the successful bidder after the delivery of the 2007 Bonds.

### **CUSIP Numbers and Other Fees**

It is anticipated that CUSIP numbers will be printed on the 2007 Bonds, but neither the failure to print such numbers on any 2007 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for said 2007 Bonds in accordance herewith. The successful bidder will be responsible for obtaining CUSIP numbers. All charges of the CUSIP Service Bureau for the assignment of CUSIP numbers for the 2007 Bonds shall be paid by the successful bidder. The successful bidder shall also be required to pay all fees required by DTC, the Bond Market Association, the Municipal Securities Rulemaking Board and any other similar entity imposing a fee in connection with the execution and delivery of the 2007 Bonds.

### **No Litigation**

There is no litigation pending concerning the validity of the 2007 Bonds, the corporate existence of the City, or the title of the officers thereof to their respective offices, and the City will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the 2007 Bonds.

### **Official Statement**

The City has approved a Preliminary Official Statement dated \_\_\_\_\_, 2007, which the City has "deemed final" for purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission although subject to revision, amendment and completion in a final Official Statement in conformity with such Rule. The City will furnish to the successful bidder, at no expense to the successful bidder, up to 250 copies of the Official Statement within seven (7) business days of the award date.

## **Certificate**

The City will provide to the successful bidder of the 2007 Bonds a certificate, signed by a responsible officer, confirming to the successful bidder that, at the time of the acceptance of its bid for the 2007 Bonds and at the time of delivery thereof, the Preliminary Official Statement and the final Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

## **Delivery and Payment**

Delivery of the 2007 Bonds is expected to occur on or about April 24, 2007. The 2007 Bonds will be delivered in New York, New York for deposit with DTC. The successful bidder shall pay for the 2007 Bonds on the date of delivery in Federal Reserve Bank funds or equivalent immediately available funds. Payment on the delivery date shall be made in an amount equal to the final adjusted price for the 2007 Bonds less the amount of the Deposit. Any expense of providing immediately available funds, whether by transfer of Federal Reserve Bank funds or otherwise, shall be borne by the successful bidder. The cost of printing the 2007 Bonds will be borne by the City.

## **Tax-Exempt Status**

In the event that prior to the delivery of the 2007 Bonds (a) the interest received by any private holder from bonds of the same type and character as the 2007 Bonds shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such law or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is enacted which will have a substantial adverse tax effect on holders of the 2007 Bonds as such, the successful bidder may, at its option, prior to the tender of the 2007 Bonds by the City, be relieved of its obligation to purchase the 2007 Bonds and in such case the proceeds of the Deposit accompanying its bid will be returned.

## **Right of Cancellation by City**

The City reserves the right at any time prior to and including the day of the bid opening, to cancel the public sale of the 2007 Bonds. In such event, the City shall cause notice of the cancellation of this invitation for bids and the public sale of the 2007 Bonds to be communicated through The Bond Buyer Wire as promptly as practicable. However, no failure to publish such notice, failure of any prospective bidder to receive such notice or any defect or omission therein shall affect the cancellation of the public sale of the 2007 Bonds.

## **Right of Cancellation by Bidder**

The successful bidder shall have the right, at its option, to cancel its obligation to purchase the 2007 Bonds if the City shall fail to execute the 2007 Bonds and tender the same for delivery within 60 days from the date of award thereof, and in such event the successful bidder shall be entitled to the return of the Deposit accompanying its proposal.

**Right to Modify or Amend**

The City reserves the right to modify or amend this Notice Inviting Bids including, but not limited to, the right to adjust and change the principal amortization schedule of the 2007 Bonds being offered prior to the time bids are to be received. Such notifications or amendments shall be communicated through The Bond Buyer Wire except as provided in "Adjustment of Principal Amounts and Amortization Schedule" herein.

**Additional Information**

Copies of the Ordinance, the Indenture, the Official Form of Proposal for Bonds and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the City's Financial Advisor, Public Resources Advisory Group, 11845 W. Olympic Boulevard, Suite 640, Los Angeles, California 90064, Attention: Louis Choi (telephone (310) 477-4278, fax (310) 477-0105).

Date: \_\_\_\_\_, 2007

\_\_\_\_\_  
/s/ STEPHEN C. STARK

Director of Finance  
City of Pasadena

**OFFICIAL BID FORM  
 BID FOR THE PURCHASE OF**

\$ \_\_\_\_\_  
**CITY OF PASADENA, CALIFORNIA  
 Water Revenue Bonds, 2007 Series**

April \_\_\_\_, 2007

City of Pasadena  
 c/o Public Resources Advisory Group  
 11845 W. Olympic Boulevard, Suite 640,  
 Los Angeles, California 90064,  
 Phone (310) 477-8487  
 Fax (310) 477-0105  
 Email [lchoi@pragla.com](mailto:lchoi@pragla.com)

Ladies and Gentlemen:

We offer to purchase the \$ \_\_\_\_\_\* City of Pasadena Water Revenue Bonds, 2007 Series, dated as of the date of delivery, expected to be April 24, 2007, and in the principal amounts, in such denominations, maturing on June 1 in the years and bearing interest as follows:

Maturity Date (June 1)	Principal Amount	Serial Maturity	Sinking Account Redemption (check)	Interest Rate	Maturity Date (June 1)	Principal Amount	Serial Maturity	Sinking Account Redemption (check)	Interest Rate
2008		_____	_____	_____	2023		_____	_____	_____
2009		_____	_____	_____	2024		_____	_____	_____
2010		_____	_____	_____	2025		_____	_____	_____
2011		_____	_____	_____	2026		_____	_____	_____
2012		_____	_____	_____	2027		_____	_____	_____
2013		_____	_____	_____	2028		_____	_____	_____
2014		_____	_____	_____	2029		_____	_____	_____
2015		_____	_____	_____	2030		_____	_____	_____
2016		_____	_____	_____	2031		_____	_____	_____
2017		_____	_____	_____	2032		_____	_____	_____
2018		_____	_____	_____	2033		_____	_____	_____
2019		_____	_____	_____	2034		_____	_____	_____
2020		_____	_____	_____	2035		_____	_____	_____
2021		_____	_____	_____	2036		_____	_____	_____
2022		_____	_____	_____	2037		_____	_____	_____

and to pay therefor the principal amount thereof, plus a premium of \$ \_\_\_\_\_ or minus a discount of \$ \_\_\_\_\_ (not to exceed 1% of the principal amount of the Bonds) on the aggregate principal amount (making an aggregate sum of \$ \_\_\_\_\_).

\* Preliminary, subject to change.

This bid is made subject to all the terms and conditions of the Official Notice Inviting Bids for said Bonds dated as of April \_\_, 2007, all of which terms and conditions are made a part hereof as fully as though set forth in full in this bid.

This proposal is subject to acceptance, in whole or in part, within twenty-four (24) hours after the expiration of the time for the receipt of proposals, as specified in said Official Notice Inviting Bids.

This bid is secured by a Financial Surety Bond (as defined in the Official Notice Inviting Bids), and we certify that evidence thereof has heretofore been provided to Public Resources Advisory Group, as financial advisor to the City.

We hereby request that \_\_\_\_ (not to exceed 100) printed copies of the Official Statement pertaining to the Bonds be furnished us in accordance with the terms of said Official Notice Inviting Bids.

The following is our computation made as provided in the Official Notice Inviting Bids, but not constituting any part of the foregoing, of the true interest cost under the foregoing proposal:

Total Interest	\$ _____
True Interest Cost	_____ %

Following is a list of the members of our account on whose behalf this bid is made.

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Respectfully submitted,

Name of Firm: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA DECLARING ITS INTENT TO ISSUE TAX-EXEMPT OBLIGATIONS FOR CERTAIN PUBLIC IMPROVEMENTS AND TO ALLOW FOR THE REIMBURSEMENT OF EXPENDITURES MADE PRIOR TO THE ISSUANCE OF SUCH OBLIGATIONS**

**WHEREAS**, the City of Pasadena (the “City”) desires and intends to finance certain capital improvements to its water system (the “Project”); and

**WHEREAS**, the City expects to cause the execution, delivery, and sale of tax exempt bonds, notes, or other obligations, in one or more series, for the purpose of providing financing for the Project in a principal amount of not to exceed \$25,000,000 (the “Obligations”); and

**WHEREAS**, the City expects to incur certain expenditures relating to the Project and to pay for such expenditures from the City’s money on hand prior to the execution of the Obligations (the “Reimbursement Expenditures”); and

**WHEREAS**, the City reasonably expects to use a portion of the proceeds of the Obligations to reimburse the City for the Reimbursement Expenditures; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Pasadena:

**Section 1.** The City hereby declares its official intent, subject to further approval of this Council, to use the proceeds of the Obligations to reimburse itself for the Reimbursement Expenditures. It is intended that this Resolution shall constitute a declaration of “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations promulgated under Section 150 of the Internal Revenue Code of 1986.

**Section 2.** The adoption of this Resolution shall not bind the City to proceed with the execution and delivery of the Obligations until and unless all other necessary actions and approvals are taken or received in accordance with all applicable laws.

**Section 3.** All actions heretofore taken by the officers, or their respective designees, and the employees and agents of the City in connection with the financing of the Project are hereby ratified and confirmed. The officers and their designees, the employees and agents of the City are hereby authorized to take any and all actions in connection with the financing of the Project and as may be necessary and consistent with the purposes of this Resolution.

**Section 4.** This Resolution shall take effect immediately upon its adoption.



Adopted at a regular meeting of the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2007,  
by the following vote:

Ayes:

Noes:


Absent:

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Michele Beal Bagneris  
City Attorney

\_\_\_\_\_  
Jane L. Rodriguez  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Maryann Goodkind  
Fulbright & Jaworski L.L.P.  
Bond Counsel