

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA AUTHORIZING THE SOLICITATION AND/OR NEGOTIATION OF AND ENTRY INTO ONE OR MORE INTEREST RATE SWAPS; APPROVING AND AUTHORIZING THE ENTRY INTO ONE OR MORE INTEREST RATE SWAP AGREEMENT(S) AND INTEREST RATE SWAP TRANSACTIONS TO REPLACE DEPFA BANK PLC AS SWAP COUNTERPARTY; AND APPROVING AND AUTHORIZING CERTAIN ACTIONS RELATING THERETO

WHEREAS, the City of Pasadena (the "City") is a municipal corporation and a chartered city of the State of California (the "State"), organized and existing under its Charter, the Constitution and the laws of the State; and

WHEREAS, pursuant to its Charter, the City has the power to exercise any rights, powers and privileges granted or prescribed by the general laws of the State; and

WHEREAS, the City has previously entered into a lease and lease-back transaction with the Pasadena Public Financing Authority for various property within the City under which the City is obligated to make base rental payments ("Base Rental Payments"), consisting of a principal component and an interest component; and

WHEREAS, the City has previously executed and delivered its \$134,720,000 Variable Rate Demand Refunding Certificates of Participation, Series 2008A (the "2008A Certificates") evidencing and representing interests in such Base Rental Payments; and

WHEREAS, Section 5922 of the California Government Code provides that in connection with, or incidental to, the issuance or carrying of bonds (defined to include lease agreements) any public entity may enter into any contracts which the public entity determines to be necessary or appropriate to place the obligations represented by the bonds, in whole or in part, on the interest rate, currency, cash flow or other basis desired by the public entity, including without limitation contracts commonly known as interest rate swap agreements or contracts providing for payments based on levels of, or changes in, interest rates or stock or other indices, or contracts to exchange cash flows or a series of payments, in each case to hedge payment, rate, spread or similar exposure; and

WHEREAS, the City placed a portion of the variable rate interest obligation of the City with respect to the 2008A Certificates on the interest rate basis desired by the City (being a substantially fixed-rate payment basis), as set forth in a Swap Agreement with Depfa Bank plc (the "Depfa Swap Agreement"); and

WHEREAS, in light of the deterioration in the credit rating of Depfa Bank plc (hereinafter, "Depfa") that has occurred since the City entered in the Depfa Swap Agreement, the City has determined that it is in the best interests of the City to authorize the Director of Finance of the City to take all actions necessary to terminate the existing Depfa Swap Agreement and to solicit from and/or negotiate with one or more potential providers that satisfy the requirements of

the City's Derivatives Policy one or more replacement interest rate swap agreements ("replacement swap agreements"); and

WHEREAS, the Depfa Swap Agreement provides for the City to pay a fixed-rate of 3.536%, which fixed-rate represented the on-market rate at the time the Depfa Swap Agreement was executed in August 2006 (in anticipation of the issuance of the City's 2006 certificates of participation that were refunded by the 2008A Certificates), and, due to current prevailing interest rates being at a materially lower level (approximately 2.65%), early termination of the Depfa Swap Agreement will require that the City make a substantial termination payment to Depfa, currently estimated at approximately \$11,000,000 to \$14,000,000; and

WHEREAS, any replacement interest rate swap agreement(s) would provide that, in exchange for receiving the currently above-market fixed-rate of 3.536% from the City over the term of any such replacement swap agreement(s), the provider(s) of any such replacement swap agreement(s) would make an initial payment to the City in an amount no less than the sum of any termination payment due to Depfa plus any expenses incurred by the City in connection with the termination and replacement; and

WHEREAS, the entering into by the City of one or more replacement swap agreements contemporaneously with the termination of the Depfa Swap Agreement would also allow the City to maintain the preferred substantially fixed-rate payment basis desired by the City for the 2008A Certificates; and

WHEREAS, it is desirable that the City Council provide for the execution and delivery of the replacement swap agreements at this time;

NOW, THEREFORE, BE IT RESOLVED, ORDERED AND FOUND by the City Council of the City of Pasadena, that:

Section 1. The City Council of the City hereby finds and determines that the replacement swap agreement(s) authorized hereunder are designed to offset, hedge or reduce interest rates, payment and other risks to the City with respect to the variable rate 2008A Certificates.

Section 2. The City Council of the City hereby finds and determines that any initial payment(s) received by the City in connection with entering into one or more replacement swap agreement(s) at the 3.536% fixed-rate payment level under the existing Depfa Swap Agreement are a function of such rate being above current market levels and that by using any such payment(s) as the source of payment of amounts due to Depfa in connection with the termination of the Depfa Swap Agreement, that the City will have largely preserved the status quo, including the initial value of the replacement swap agreement(s) being negative to the City in an amount approximately equal to the current value of the Depfa Swap Agreement.

Section 3. The City Manager and the Director of Finance, acting singly, is hereby authorized to terminate the Depfa Swap Agreement, and to solicit bids from, and/or negotiate with, one or more potential swap providers meeting the requirements of the City's Derivatives Policy for counterparties and to enter into replacement swap agreements (including by verbal award pending satisfactory written documentation) and to execute and deliver one or more new

International Swaps and Derivatives Association, Inc. Master Agreements, related Schedules, related Credit Support Annexes, and related Confirmations therefor with such qualified counterparties in connection with the 2008A Certificates in an aggregate notional amount not exceeding the notional amount of the Depfa Swap Agreement, with a termination date not exceeding the termination date of the Depfa Swap Agreement, secured by the same source of payments as set forth in the Depfa Swap Agreement and at a fixed interest rate to be paid by the City no higher than as under the Depfa Swap Agreement, and with other terms and provisions materially similar to those of the Depfa Swap Agreement, with only such changes, insertions and omissions as shall be approved by the City Manager or Director of Finance, after consultation with bond counsel and the City's swap financial advisor, said execution by the City Manager or the Director of Finance being conclusive evidence of such approval.

Section 4. The City Clerk is hereby authorized and directed to attest the signature of the City Manager, the Director of Finance or such other City officers as may be required or appropriate in connection with the execution and delivery of the replacement swap agreement(s) or any related document or instrument, as applicable.

Section 5. All prior actions taken by the City Manager, the Director of Finance and such other proper officers of the City towards the termination of the Depfa Swap Agreement and execution of the replacement swap agreements are hereby ratified, confirmed and approved. The City Manager, the Director of Finance and such other proper officers of the City are hereby authorized, individually and collectively, to take such further actions, and to execute any and all documents necessary to enter into the replacement swap agreements and to do and cause to be done any and all acts and things deemed necessary or advisable for carrying out the transactions contemplated by this Resolution.

Section 6. This Resolution shall take effect immediately upon its adoption.

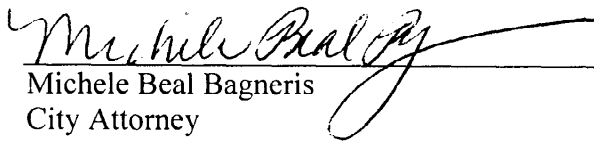
Adopted at a regular meeting of the City Council this 14th day of March, 2011, by the following vote:

Ayes:

Noes:

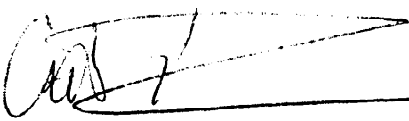
Absent:

APPROVED AS TO FORM:


Michele Beal Bagneris
City Attorney

Mark Jomsky
City Clerk

APPROVED AS TO FORM:



Cecilia Dyba
Fulbright & Jaworski L.L.P.
Bond Counsel