



**Notice of a Special Meeting of the
FINANCE COMMITTEE and/or CITY COUNCIL
1:30 p.m. – Monday, April 13, 2015
PASADENA CITY HALL - COUNCIL CHAMBERS ROOM S249
(AMENDED AND CORRECTED)**

NOTICE IS HEREBY GIVEN that a special meeting of the Finance Committee and/or City Council will be held **Monday, April 13, 2015 at 1:30 p.m.** in the **COUNCIL CHAMBERS ROOM S249**, at City of Pasadena City Hall, 100 N. Garfield Ave., Pasadena, California.

- A. CALL TO ORDER
- B. PUBLIC COMMENT (Three minutes - limited to items on the agenda.)
- C. APPROVAL OF MINUTES
- | | |
|--------------------|-------------------|
| -March 23, 2015 | -February 2, 2015 |
| -February 23, 2015 | -January 12, 2015 |
| -February 9, 2015 | -December 8, 2014 |
- D. **PUBLIC HEARING: FY 2016 – 2020 RECOMMENDED CAPITAL IMPROVEMENT PROGRAM BUDGET**
Recommendation: It is recommended that the City Council:
1. Open the public hearing on the City Manager's Recommended FY 2016 – 2020 Capital Improvement Program (CIP) Budget; and
 2. Continue the public hearing to April 27, 2015 at 1:30 p.m. and thereafter at each subsequent special meeting of the City Council until the City Council determines that the public hearing may close and then formally adopt the FY 2016 – 2020 CIP Budget.
- Discussion as part of the public hearing regarding Recommended Fiscal Year 2016 – 2020 Capital Improvement Program Budget:
- Streets and Streetscapes
 - Street Lighting
 - Sewers and Storm Drains
 - Transportation
 - Parking
 - Parks and Landscaping
 - Arroyo Projects
 - Municipal Buildings and Facilities

E. NEW BUSINESS

1. RESOLUTION OF THE CITY COUNCIL APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND/OR A LINE OF CREDIT OR SIMILAR BORROWING AND APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF ONE OR MORE SERIES OR SUBSERIES OF CITY OF PASADENA PENSION OBLIGATION BONDS IN AN AMOUNT NOT TO EXCEED \$130 MILLION

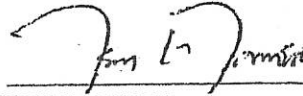
Recommendation: It is recommended that the City Council:

- (A) Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
- (B) Adopt a resolution approving the form of and authorizing the execution of a bond purchase agreement and/or a line of credit or similar borrowing and approving the form of and authorizing the distribution of a preliminary official statement, an official statement and a continuing disclosure agreement in connection with the issuance of one or more series or subseries of City of Pasadena Pension Obligation Bonds in an amount not-to-exceed \$130 million.

F. ADJOURN SPECIAL MEETING



BILL BOGAARD
Mayor



TERRY TORNEK
Chair, Finance Committee

This notice, in its entirety, was posted at City Hall and distributed as indicated below by 5:30 p.m. on Friday, April 10th, 2015.



Lori Eubanks, Recording Secretary
Finance Committee

Distribution:
City Council
Star-News
City Clerk
Pasadena Journal

Los Angeles Times
City Attorney
La Opinion
Council Chambers Bulletin Board

City Manager
Pasadena Weekly
Main Library
City Hall Front Kiosk



Meeting Minutes
REGULAR MEETING OF THE FINANCE COMMITTEE
March 23, 2015 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

- A. CALL TO ORDER: 4:00 p.m.
Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff/*Guests</u> | |
|-----------------------------------|------------------------|--------------------------|
| Mayor Bogaard | Michael Beck | Phillip Leclair |
| Victor Gordo | *George Cunningham | Steve Mermell |
| Margaret McAustin | Richard Davis | Javan Rad |
| Terry Tornek | Fred Dock | Larry Schroeder |
| | Vic Erganian | Chief Bertral Washington |
| Recording Secretary: Lori Eubanks | Julie Gutierrez | Laurie Yudess |
| | Brenda Harvey-Williams | |

- B. PUBLIC COMMENT – None.
- C. NEW BUSINESS

1. Authorization to Enter into a Contract with the City of Los Angeles for Administration of the 2014 Urban Area Security Initiative (UASI) Grant and Recognize and Appropriate A\$502,194 to the Fire Grants Fund (230)

Chief Bertral Washington presented this report. Staff recommended entering a contract with the City of Los Angeles to administer Urban Area Security Initiative (UASI) grants funds and appropriate \$502,194 from the UASI grant to the Fire Department Grant Fund. Funds from the grant would be used by the Police Department (\$270,830) for personal protective equipment, counter terrorism training, and physical security enhancement equipment; the Fire Department would receive \$136,364 for personal protective equipment, search and rescue equipment, and an incident response vehicle; and the Public Health Department would receive \$95,000 for mass fatality training and alternate care site planning.

The Finance Committee approved forwarding this report to the City Council.

2. Approve Journal Voucher Amending Projects in the Fiscal Year 2015 Capital Improvement Program Budget and Operating Budget

Brenda Harvey-Williams presented this report. Staff recommended approval of a journal voucher with a net increase of \$909,036 amending 16 projects in the Fiscal Year 2015 Capital Improvement program budget and amending the Fiscal Year 2015 Operating Budget accordingly. Councilmember McAustin noted that Item 10 of the report had the street name of Hudson Avenue incorrect. Staff subsequently corrected the street name to Walnut Avenue.

The Finance Committee approved forwarding this report to the City Council.

3. Authorize the City manager to Enter Into a Contract with ShareSquared to Furnish and Deliver and Enterprise Content Management System

Laurie Yudess, Project Manager, Department of Information Technology (DoIT), presented this report. Staff recommended entering a contract with ShareSquared to install and configure software, licenses, and provide implementation for an Enterprise Content Management System (ECMS) for an amount not to exceed \$619,654. The City's Questys software, in the current version, is insufficient. The new ECMS is expected to provide enhanced functionality, efficiencies, a records management component to retain and dispose of records in the proper and legal timeframe, automate several manual processes, and capture both paper and electronic files from various inbound sources including integration with Microsoft Office products.

The Finance Committee approved forwarding this report to the City Council.

4. Issuance of a Purchase Order to Cale America, Inc. for an Amount Not to Exceed \$124,000 for the Purchase of Multi-Space Parking Meters for the Shoppers Lane Parking Lots

Fred Dock, Director of Transportation, presented this report. Staff recommended entering a contract with CALE America, Inc. to purchase 14, multi-space meters to be installed in the Shoppers Lane parking lots in the amount not to exceed \$124,000. Yet to be decided by the South Lake Parking Commission is whether the parking will be pay and display or pay by space.

The Finance Committee approved forwarding this report to the City Council.

5. Quarterly Investment Report – Quarter Ending December 31, 2014

Vic Erganian, Deputy Director of Finance, presented this report. The Finance Committee received and filed the report and approved forwarding the report to the City Council.

D. INFORMATION ONLY

1. Response to Questions from the Committee Regarding General Audit Questions (Oral Report)

Larry Schroeder, Special Assistant to the City Manager, presented this report. This report was presented at the request of the Finance Committee to clarify distinctions between three audits currently being pursued by the City; 1) an Internal Audit; 2) a Fraud Risk Assessment Audit; and 3) a Desk Audit. Chair Tornek requested a formal, written report be completed and submitted to the Finance Committee.

2. Financial Status Report (FSR) – 2nd Quarter FY 2015

Richard Davis, Budget Administrator, presented this report. The FSR provides an estimate of projected, fiscal, year-end results based on current and extrapolated performance using



Meeting Minutes
REGULAR MEETING OF THE FINANCE COMMITTEE
February 23, 2015 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: 4:05 p.m.

Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff/*Guests</u> |
|------------------------|--------------------------|
| Mayor Bogaard | Julie Gutierrez |
| Victor Gordo (Absent) | Javan Rad |
| Margaret McAustin | Chief Bertral Washington |
| Terry Tornek | Larry Schroeder |
| | Steve Wright |
| | *Darryl Dunn |

Recording Secretary: Lori Eubanks

B. PUBLIC COMMENT – None.

C. NEW BUSINESS

- 1. Adoption of Resolution to Accept a HUD Section 108 Guaranteed Loan, Pledge Community Development Block Grant Funds for Loan Repayment, and to Provide Additional Loan Security From City General Fund Reserves for the Rehabilitation of the Robinson Park Recreation Center Facility**

This report was pulled from the agenda.

- 2. Recognize and Appropriate \$8,064 from the 2013 Homeland Security Grant Program (HSGP) to the Fire Grant Fund (230)**

Chief Bertral Washington presented this report. Staff recommended appropriation of \$8,064 to the Fire Department Grant Fund (230) for a Mobile Exercise (MOBEX) drill.

The Finance Committee approved forwarding this report to City Council.

Chair Tornek requested that Chief Washington return at some future date with an update on training and related financial implications.

D. INFORMATION ONLY

- 1. Update on the Status of Underground Utilities Program Audit Discussion**

Julie Gutierrez, Assistant City Manager, presented this report which will be followed with a full, written report and presented at the next Finance Committee meeting.



Meeting Minutes
REGULAR MEETING OF THE FINANCE COMMITTEE
February 9, 2015 • 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

- A. CALL TO ORDER: 4:04 p.m.
Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff/*Guests</u> | |
|------------------------|----------------------|-----------------|
| Mayor Bogaard | *Dan Barrett | Julie Gutierrez |
| Victor Gordo | Michael Beck | Javan Rad |
| Margaret McAustin | *Darryl Dunn | |
| Terry Tornek | Vic Erganian | |

Recording Secretary: Lori Eubanks

- B. PUBLIC COMMENT – None.
C. NEW BUSINESS

1. Adoption of a Resolution Authorizing the Issuance of One or More Series or Subseries of City of Pasadena Pension Obligation Refunding Bonds, Approving the Form Of and Authorizing the Execution of Trust Agreement Supplements Providing for Such Issuance, and Authorizing Certain Other Matters Related Thereto

Vic Erganian, Deputy Director of Finance/City Treasurer, presented this report. Staff recommended adoption of a resolution to authorize the issuance of one or more series or subseries of City of Pasadena Pension Obligation Refunding Bonds and approval of a contract with Urban Futures as financial advisor for the transactions in the amount of \$50,000. Councilmember Gordo requested information regarding the rate of return and the amount of funding required by the agreement. Councilmember McAustin asked how long beneficiaries could potentially be paid. Mr. Erganian responded that actuarials calculated payment through 2050.

The Finance Committee approved forwarding this report to the City Council.

2. JOINT ACTION: Extension of Bank of America Letter of Credit Related to the Variable Rate Demand Refunding Certificates of Participation, Series 2008A (Conference Center Project)

Vic Erganian presented this report. Staff recommended approval by the City Council and Pasadena Public Financing Authority to extend the existing Bank of America Letter of Credit related to the City's Variable Rate Demand Refunding Certificates of Participation, Series 2008A (COPS) at 0.34 percent annual fee for a term of three years.

The Finance Committee approved forwarding this report to the City Council.



Meeting Minutes
SPECIAL MEETING OF THE FINANCE COMMITTEE
February 2, 2015 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

- A. CALL TO ORDER: 4:04 p.m.
Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff</u> | |
|----------------------------|-----------------|--------------------------|
| Mayor Bogaard | Michael Beck | Javan Rad |
| Victor Gordo | Rochelle Branch | Shari Thomas |
| Margaret McAustin (Absent) | Manuel Carmona | Chief Bertral Washington |
| Terry Tornek | Julie Gutierrez | Steve Wright |
| | Phillip Leclair | |

Recording Secretary: Lori Eubanks

- B. PUBLIC COMMENT – None.

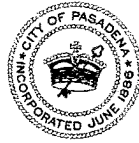
- C. NEW BUSINESS

1. Authorization of Additional, Limited-Term, Full-Time Equivalent (FTE) Positions for the Enterprise Resource Planning Project and Receive the Quarterly Project Status and Financial Summary Reports Through December 31, 2014

Phillip Leclair, Chief Information Officer, Department of Information Technology (DoIT), presented this report. Staff recommended authorizing the addition of six, limited-term, full-time equivalent (FTE) positions to support ERP project implementation, increasing the department total FTE count from 71.50 to 77.50. Councilmember Tornek inquired if additional programming would need to be incorporated into the new ERP system as a result of the weaknesses identified in the KPMG embezzlement audit. City Manager, Michael Beck responded that the new system already had in place preventive measures and no additional programming would be necessary. The Finance Committee approved forwarding this report to the City Council.

2. Recognize and Appropriate Grant Funds Totaling \$689,217 and Authorize the Purchase of Self-Contained Breathing Apparatus (SCBA) From All Star Fire Equipment in an Amount Not to Exceed \$765,797

Chief Bertral Washington, Fire Department, presented this report. Staff recommended accepting the bid submitted by All Star Fire Equipment for the purchase of self-contained breathing apparatus equipment; rejecting all other bids; and authorizing the issuance of a purchase order contract for an amount not to exceed \$765,797. The Finance Committee approved forwarding this report to the City Council.



Meeting Minutes
SPECIAL MEETING OF THE AUDIT/FINANCE COMMITTEE
January 12, 2015 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

A. CALL TO ORDER: 4:00 p.m.

Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff/*Guests</u> | |
|------------------------|----------------------|-----------------|
| Mayor Bogaard | Michael Beck | *Andy Paulden |
| Victor Gordo | Eric Duyshart | Shan Kwan |
| Margaret McAustin | Siobhan Foster | Javan Rad |
| Terry Tornek | Andrew Green | Bob Ridley |
| | Julie Gutierrez | Statice Wilmore |

Recording Secretary: Lori Eubanks

B. PUBLIC COMMENT – None.

C. APPROVAL OF MINUTES

- November 24, 2014
- October 27, 2014

The minutes were approved as submitted.

D. NEW BUSINESS

1. Fiscal Year June 30, 2014 Annual Financial Reports

Staff recommended that the City's six annual financial statements and six compliance-related reports for the fiscal year ended June 30, 2014 be received by the City Council and/or the Successor Agency to Pasadena Community Development Commission. Bob Ridley, Controller, Department of Finance, explained the audit process then introduced Andy Paulden, Senior Partner, Brown Armstrong CPAs. Mr. Paulden, explained public perception of expectations of auditors that are **not** a reality; 1) that the auditors accept prime responsibility of the financial statements; 2) that the auditors check 100 percent in their audit; and 3) that the auditors are responsible for detecting fraud and theft. Mr. Paulden explained that no material weaknesses in internal controls were noted; however, one significant deficiency was identified and three additional findings were reported in the Management Letter.

The Finance Committee approved forwarding this report to the City Council.

2. Recognize and Appropriate Funds in the Amount of \$500,000 to the Public Health Department Fiscal Year 2015 Operating Budget and Approve an Increase of 1.22 FTE Limited-Term, Grand-Funded Positions for the Centers of Disease Control (CDC) Reach Program

Stacie Wilmore, Program Coordinator, Department of Public Health, presented this report. Staff recommended appropriating \$500,000 from the Centers for Disease Control & Prevention (CDC) Racial and Ethnic Approaches to Community Health (REACH) grant to the Pasadena Public Health Department Fiscal Year 2015 Operating Budget; and amend the FY 2015 Operating Budget to add 1.22 full-time equivalents (FTEs) for two, new limited-term, grant-funded positions.

Councilmember Gordo inquired if electronic cigarettes were covered in the Pasadena Municipal Code (PMC); Ms. Wilmore responded that PMC covers electronic cigarettes under tobacco products.

The Finance Committee approved forwarding this report to the City Council.

- 3. Increase Total Estimated Cost of Traffic Signal Improvements at Pasadena Avenue and Walnut Street CIP Project to \$158,900 and Approve Journal Voucher Appropriating \$50,000 from the Traffic Reduction and Transportation Improvement Fee Fund Balance to Traffic Signal Improvements at Pasadena Avenue and Walnut Street CIP**

Steve Wright, City Engineer, Department of Public Works, presented this report. Staff recommended increasing by \$50,000 to \$158,900, the total estimated cost of the Traffic Signal Improvements at Pasadena Avenue and Walnut Street CIP project; and approve the appropriation of \$50,000 to the Traffic Signal Improvements at Pasadena Avenue and Walnut Street CIP project.

Councilmember Gordo stated that the number of incidents at this intersection is troubling and requested staff to open discussion with Metro to discuss the feasibility of intersection alignment, then report back to the Finance Committee on Metro's comments.

The Finance Committee approved forwarding this report to the City Council.

- 4. Amendment to the Schedule of Taxes, Fees, and Charges to Include a Reduced Business License Tax for Qualified First Year**

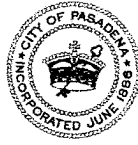
Eric Duyshart, Business Development Administrator, City Manager's Office, presented the report. Staff recommended amending the Schedule of Taxes, Fees, and Charges to include a reduced business license tax for qualified, first-year businesses located in Pasadena.

The Finance Committee approved forwarding this report to the City Council.

E. INFORMATION ONLY

- 1. Capital Improvement Program, FY 2015 Quarterly Monitoring Report, Activity Through September 30, 2014**

Staff responded to questions from the Finance Committee regarding specific projects in the report.



Meeting Minutes
REGULAR MEETING OF THE FINANCE COMMITTEE
December 8, 2014 ▪ 4:00 p.m.
Council Chambers Room S249, Pasadena City Hall

- A. CALL TO ORDER: 4:00 p.m.
Attendees (Absent as indicated):

| <u>Council Members</u> | <u>Staff/*Guests</u> |
|------------------------|-------------------------|
| Mayor Bogaard | *Dan Barrett (by phone) |
| Victor Gordo | *Darryl Dunn |
| Margaret McAustin | Andrew Green |
| Terry Tornek | Julie Gutierrez |
| | Michele Logan |
| | Charles Peretz |
| | Javan Rad |

Recording Secretary: Lori Eubanks

- B. PUBLIC COMMENT – None.

- C. NEW BUSINESS

1. Adjustments to the Fiscal Year 2015 Revised Schedule of Taxes, Fees, and Charges and to the Fiscal Year 2015 Revised General Fee Schedule

Michele Logan, Budget Analyst, presented this report. Staff recommended approving the scheduled rate increases effective February 1, 2015 for the Grandstand Permit Application, the Rose Bowl Admission Tax, and the New Year's Day Related Business Grandstand Seat Surcharge; and to adopt a resolution to approve fee amendments relating to Processing Residential Alternations and Remodels; and Processing Fee – Demolition Only Projects in the General Fee Schedule.

Chair Tornek requested a notation in parenthesis on future reports to help distinguish the Schedule of Taxes, Fees, and Charges from the General Fee Schedule.

The Finance Committee approved forwarding this report to the City Council.

2. Amendment to the Existing Purchase with Pacific Municipal Consultants (PMC), to Increase the Total Not to Exceed Amount by \$90,000 from \$220,500 to \$310,500 for Environmental Review Services

This report was pulled from the agenda.

3. Affordable Care Act (ACA) Compliance Requirements

Kristi Recchia, Director of Human Resources, presented this report. Staff recommended authorizing minimal essential health coverage for employees who work at least 30 hours a week in compliance with the Affordable Care Act; and to authorize a monthly premium contribution to each hourly employee who meets eligibility requirements and who elects enrollment in health benefits.

Chair Tornek inquired why rate of pay was not the preferred method of determining the City's premium contribution and he inquired what the delta was for each of the methods of determining premium costs. Ms. Recchia responded that primarily the determination was made for administrative convenience, though it also helps employees by providing a stable, fixed premium for 12 months, and it is the most common method. Ms. Recchia did not know the delta, but stated next year the City would have a better understanding of the amount. She added that the City was not locked into the method being proposed and could revisit the issue annually.

The Finance Committee approved forwarding this report to the City Council with the reservation that the delta would be revisited next year.

4. Amendment of Resolution No. 9332 Authorizing a Grant Application for the Housing-related Parks Program Grant to Include the Grant Amount of Appropriating \$449,050 to the Robinson Park – Implement Master Plan Phase II CIP Project

Charles Peretz, Parks Administrator, Department of Public Works, presented this report. Staff recommended amending Resolution No. 9332 to include the amount of \$449,050, the amount of the Housing-Related Parks grant, and approving a journal voucher recognizing and appropriating same to the Robinson Park – Implement Master Plan Phase II CIP Project No. 78043.

The Finance Committee approved forwarding this report to the City Council.

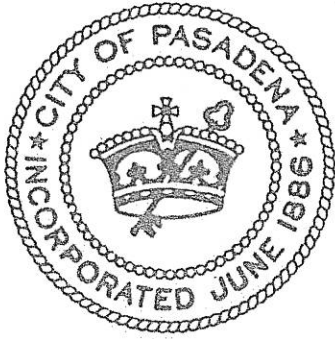
D. INFORMATION ONLY

1. Capital Improvement Program, FY 2015 Quarterly Monitoring Report, Activity Through September 30, 2014

At the request of Chair Tornek, this report will be re-agendized for the next Finance Committee meeting.

2. Rose Bowl Operating Company (RBOC) Update

Darryl Dunn, General Manager, RBOC, presented this report. Chair Tornek opened the report for questions by the Finance Committee. Councilmember McAustin stated that she would wait before asking questions, for the presentation to the RBOC and analysis by Dan Barrett, for the complete report and findings that result.



Agenda Report

April 13, 2015

TO: Honorable Mayor and City Council
FROM: Department of Public Works
SUBJECT: PUBLIC HEARING: FY 2016 - 2020 RECOMMENDED CAPITAL IMPROVEMENT PROGRAM BUDGET

RECOMMENDATION:

It is recommended that the City Council:

1. Open the public hearing on the City Manager's Recommended FY 2016 - 2020 Capital Improvement Program (CIP) Budget; and
2. Continue the public hearing to April 27, 2015 at 7:00 p.m. and thereafter at each subsequent regular meeting of the City Council until the City Council determines that the public hearing may close and then formally adopt the FY 2016 - 2020 CIP Budget.

BACKGROUND:

The City of Pasadena Charter requires that the proposed FY 2016 – 2020 CIP Budget for the upcoming fiscal year be submitted to the City Council. As part of the process of adoption, the City Council is requested to formally open the public hearing on the recommended CIP Budget and continue the public hearing weekly until the recommendation to adopt the FY 2016 - 2020 CIP is presented by the Finance Committee to the City Council.

The CIP identifies funding for major capital improvements throughout the City. In addition, the following priorities are used when identifying and creating projects and recommending funding:

- The project is needed to address a particular safety issue;
- The project is necessary because existing maintenance efforts are no longer satisfactory and repair costs exceed replacement costs; and
- An existing facility or system is no longer adequate to meet the demand.

The FY 2016 CIP Budget contains 233 active projects with a total estimated cost of \$1,056,762,874 and a total recommended appropriation of \$85,176,270 to 90 projects as detailed in Attachments A and B. In addition, a total of 17 new projects have been added. The table below summarizes this information and highlights total appropriations made through and including FY 2015.

| Total Estimated Costs | Appropriated Through FY 2015 | Recommended FY 2016 |
|-----------------------|------------------------------|---------------------|
| \$1,056,762,874 | \$547,740,135 | \$85,176,270 |

In addition, the FY 2016 CIP Budget contains a "Future Projects" section which identifies an additional 79 projects with a total estimated cost of nearly \$364 million. While the City has funded millions of dollars of infrastructure improvements each year, it still is not enough. New and additional funding will need to be identified if the City is to ever address its large back log of unfunded capital needs.

Copies of the Recommended FY 2016 - 2020 CIP have been placed in all the public libraries and in the City Clerk's Office. The CIP hearings with the joint City Council/Finance Committee will be held on April 13, 2015 and April 27, 2015 from 1:30 p.m. to 5:30 p.m. Following the review by the joint City Council/Finance Committee, a final recommended CIP Budget is scheduled to be presented to the City Council for adoption on April 27, 2015 or thereafter.

COUNCIL POLICY CONSIDERATION:

All projects in the Recommended CIP address and further the City Council's six strategic plan goals to maintain fiscal responsibility and stability; improve, maintain and enhance public facilities and infrastructure; increase conservation and sustainability; improve mobility and accessibility throughout the City of Pasadena; support and promote the quality of life and the local economy; and ensure public safety. In addition, all projects have been found to be consistent with the General Plan.

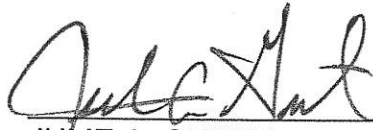
ENVIRONMENTAL ANALYSIS:

As work for each project moves through the City's approval process, the appropriate environmental analysis will be conducted and brought to the City Council.

FISCAL IMPACT:

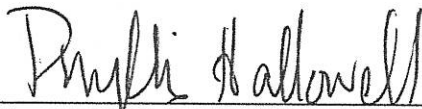
Recommended appropriations in the FY 2016 Capital Improvement Program total \$85,176,270. Details regarding the sources of funding are included in Attachment B.

Respectfully submitted,



JULIE A. GUTIERREZ
Interim Director of Public Works

Prepared by:



Phyllis Hallowell
Management Analyst V

Approved by:



MICHAEL J. BECK
City Manager

Attachment A – FY 2016–2020 Recommended CIP – Totals by Category
Attachment B – FY 2016–2020 Recommended CIP Appropriations

FY 2016 - 2020 Capital Improvement Program

Totals by Category

| Description | Total Estimated Costs | Appropriated Through FY 2015 | Recommended FY 2016 | Proposed FY 2017 | Proposed FY 2018 | Proposed FY 2019 | Proposed FY 2020 and Beyond |
|---|-----------------------|------------------------------|---------------------|-------------------|-------------------|-------------------|-----------------------------|
| Municipal Buildings and Facilities | 6,250,000 | 0 | 900,000 | 900,000 | 900,000 | 900,000 | 2,650,000 |
| Streets and Streetscapes | 51,774,717 | 28,012,717 | 3,065,000 | 11,207,000 | 3,110,000 | 3,110,000 | 3,270,000 |
| Street Lighting | 14,737,660 | 3,180,660 | 535,000 | 35,000 | 35,000 | 35,000 | 10,917,000 |
| Street Lighting and Electric Undergrounding | 49,942,815 | 35,394,600 | 1,100,000 | 1,635,000 | 100,000 | 100,000 | 11,613,215 |
| Transportation | 69,651,298 | 20,562,251 | 6,061,734 | 3,922,520 | 4,329,763 | 380,000 | 34,395,030 |
| Parking | 29,715,000 | 3,143,366 | 1,117,000 | 2,313,000 | 2,764,000 | 2,491,000 | 17,886,634 |
| Sewers and Storm Drains | 17,584,354 | 9,517,256 | 1,200,000 | 1,640,000 | 1,640,000 | 1,640,000 | 1,947,098 |
| Rose Bowl Improvements | 184,936,000 | 175,466,000 | 4,470,000 | 3,000,000 | 2,000,000 | 0 | 0 |
| Parks and Landscaping - Park Projects | 41,980,289 | 22,549,318 | 2,630,000 | 575,000 | 575,000 | 75,000 | 15,575,971 |
| Parks and Landscaping - Landscape Projects | 1,595,000 | 1,295,000 | 0 | 0 | 0 | 0 | 300,000 |
| Arroyo Projects - Hahamongna | 7,495,263 | 5,080,663 | 0 | 0 | 0 | 0 | 2,414,600 |
| Arroyo Projects - Central Arroyo | 6,872,326 | 1,122,326 | 200,000 | 1,200,000 | 0 | 0 | 4,350,000 |
| Arroyo Projects - Lower Arroyo | 1,245,375 | 1,245,375 | 0 | 0 | 0 | 0 | 0 |
| Pasadena Center Improvements | 10,520,000 | 1,950,000 | 600,000 | 600,000 | 750,000 | 0 | 6,620,000 |
| Water System | 123,310,206 | 49,642,630 | 7,699,405 | 18,123,221 | 17,551,150 | 18,145,150 | 12,148,650 |
| Electric System | 409,427,364 | 182,956,703 | 51,200,000 | 48,552,143 | 48,722,315 | 40,894,953 | 37,101,250 |
| Technology Projects | 29,725,207 | 6,621,270 | 4,398,131 | 5,495,006 | 6,313,500 | 3,303,500 | 3,593,800 |
| Grand Total | 1,056,762,874 | 547,740,135 | 85,176,270 | 99,197,890 | 88,790,728 | 71,074,603 | 164,783,248 |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

| | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|--|----------------------|---------------------|----------------|
|--|----------------------|---------------------|----------------|

Municipal Buildings and Facilities

| | | | | |
|---|--|----------------|---------|--|
| 1 | Building Preventative Maintenance FY 2016 - 2020 | 4,500,000 | 900,000 | Building Preventative Maintenance Fund |
| Municipal Buildings and Facilities Total Appropriations: | | 900,000 | | |

Streets and Streetscapes

| | | | | |
|---|--|------------------|-----------|--|
| 2 | Resurfacing and Slurry Seal FY 2016 / 2017 | 1,900,000 | 1,900,000 | 1,525,000 Gas Tax 375,000 Sewer Fund |
| 4 | Preventive Maintenance - Curbs and Gutters FY 2016 / 2017 | 300,000 | 300,000 | 300,000 Sewer Maintenance and Construction Fund |
| 6 | Pedestrian Accessibility FY 2016 / 2017 | 350,000 | 350,000 | 212,500 Gas Tax 137,500 Sewer Maintenance and Construction Fund |
| 10 | Preventive Maintenance - Bridges FY 2011 - 2016 (73902) | 675,553 | 100,000 | 100,000 Gas Tax |
| 13 | Drainage Improvements on Streets with Flat Grades FY 2016 - 2020 | 1,050,000 | 250,000 | 250,000 Sewer Maintenance and Construction Fund |
| 14 | Installation/Replacement of Guard Rails FY 2016 - 2020 | 190,000 | 50,000 | 50,000 Gas Tax |
| 17 | Holly Street Bridge - Seismic Retrofit (73323) | 9,775,000 | 75,000 | 75,000 Gas Tax |
| 19 | Old Pasadena Tree Grates and Frames | 200,000 | 40,000 | 40,000 Parking Meter Revenue - Old Pasadena |
| Streets and Streetscapes Total Appropriations: | | 3,065,000 | | |

Street Lighting

| | | | | |
|--|--|----------------|---------|-------------------------|
| 2 | In-Fill Street Lighting and Repair and/or Replacement of Existing Street Lighting Systems FY 2016 - 2020 | 175,000 | 35,000 | 35,000 Gas Tax |
| 3 | Street Lighting - Various Development Projects | 500,000 | 500,000 | 500,000 Private Capital |
| Street Lighting Total Appropriations: | | 535,000 | | |

Street Lighting and Electric Undergrounding

| | | | | |
|--|--|------------------|-----------|--------------------------------------|
| 1 | Electric System Undergrounding Outside Established Undergrounding District - FY 2016 | 100,000 | 100,000 | 100,000 Underground Utilities Fund |
| 3 | La Loma Road - Electric System Undergrounding, San Rafael Avenue to Arroyo Boulevard | 1,000,000 | 1,000,000 | 1,000,000 Underground Utilities Fund |
| Street Lighting and Electric Undergrounding Total Appropriations: | | 1,100,000 | | |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

| | | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|---|---|----------------------------|------------------------|--|
| Transportation | | | | |
| 6 | Pasadena Bicycle Program FY 2016 - 2020 | 575,000 | 175,000 | 100,000 Bicycle Transportation Account 75,000 Measure R Transportation Fund |
| 8 | Left Turn Signal Phasing at Colorado Blvd. and Orange Grove Blvd. and at Orange Grove Blvd. and Holly St. (75048) | 577,520 | 324,520 | 324,520 Private Capital - Sares Regis |
| 9 | Citywide Complete Street Program FY 2016 - 2020 | 750,000 | 150,000 | 150,000 Gas Tax |
| 10 | Complete Streets Project - Lida Street between Knollwood Dr. and Lancashire Pl. | 400,000 | 100,000 | 100,000 Gas Tax |
| 11 | Complete Street Project - Ave 64 from Colorado Blvd to South City Limits | 552,000 | 200,000 | 200,000 Gas Tax |
| 14 | Arterials Speed Management Program (75605) | 682,000 | 50,000 | 50,000 Gas Tax |
| 15 | Construction of Transit Maintenance Facility (75707) | 15,000,000 | 1,500,000 | 1,500,000 Traffic Reduction Fee |
| 18 | Intelligent Transportation System (ITS) Equipment Upgrades/Replacement - FY 2016 - 2020 | 250,000 | 50,000 | 50,000 Gas Tax |
| 19 | Mobility Corridor Improvements FY 2016 - 2020 | 274,000 | 74,000 | 24,000 Private Capital 50,000 Traffic Reduction Fee |
| 20 | Federal and State Traffic Sign Compliance Program (75915) | 175,000 | 25,000 | 25,000 Gas Tax |
| 21 | Implementation of a Citywide Transportation Performance Monitoring Network (75602) | 3,132,428 | 50,000 | 50,000 Private Capital |
| 22 | Old Pasadena Traffic Improvement - FY 2016 - 2020 | 150,000 | 30,000 | 30,000 Parking Meter Revenue - Old Pasadena |
| 23 | Intelligent Transportation System (ITS) Master Plan Implementation Phase III (75911) | 5,293,565 | 2,815,714 | 2,252,571 MTA Grant - Proposition C 336,243 Traffic Reduction Fee |
| 25 | Pasadena ARTS Bus On-Board Security Surveillance Camera System | 250,000 | 250,000 | 226,900 Private Capital - Sares Regis 250,000 Proposition A (Transit) |
| 31 | Thermoplastic Pavement Marking - Pilot Program | 200,000 | 100,000 | 100,000 Gas Tax |
| 32 | Pedestrian Crossing Enhancements Program | 550,000 | 167,500 | 167,500 Measure R Transportation Fund |
| Transportation Total Appropriations: | | | | 6,061,734 |
| Parking | | | | |
| 1 | Delacey, Schoolhouse, and Marriott Garage Improvements - FY 2015 - FY 2019 (72151) | 1,408,000 | 129,000 | 129,000 Off-Street Parking Facilities Fund |
| 2 | Paseo, Marengo, Los Robles Parking Garage Improvements - FY 2015 - FY 2019 (72152) | 6,737,000 | 514,000 | 514,000 Off-Street Parking Facilities Fund |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

| | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|---|----------------------|---------------------|--|
| 3 Holly Street Parking Garage Improvements FY 2015 - FY 2019 (72153) | 1,549,000 | 371,000 | 371,000 Off-Street Parking Facilities Fund |
| 4 Del Mar Station Garage Improvements - FY 2015 - FY 2019 (72154) | 1,079,000 | 93,000 | 93,000 Off-Street Parking Facilities Fund |
| 5 Plaza Las Fuentes Parking Garage Improvements FY 2015 - FY 2019 (72155) | 942,000 | 10,000 | 10,000 Off-Street Parking Facilities Fund |
| Parking Total Appropriations: | | | 1,117,000 |

Sewers and Storm Drains

| | | | |
|--|-----------|---------|---|
| 4 Preventive Maintenance - Corrugated Metal Pipe Storm Drains FY 2016 - 2020 | 1,100,000 | 300,000 | 300,000 Sewer Maintenance and Construction Fund |
| 5 Storm Drain Structure Repairs and Improvements FY 2016 - 2020 | 660,000 | 300,000 | 300,000 Sewer Maintenance and Construction Fund |
| 8 Sewer Capacity Upgrades - FY 2016 - 2020 | 1,700,000 | 500,000 | 500,000 Sewer Facility Charge |
| 9 Sewer Pump Station Rehabilitation at 1865 N. Rosemont Avenue (76531) | 190,000 | 100,000 | 100,000 Sewer Maintenance and Construction Fund |
| Sewers and Storm Drains Total Appropriations: | | | 1,200,000 |

Rose Bowl Improvements

| | | | |
|--|-------------|-----------|--|
| 1 Rose Bowl Renovation Project (84002) | 181,800,000 | 3,000,000 | 3,000,000 Legacy Connections - Rose Bowl Legacy Campaign |
| 2 Implementation of the Master Plan for the Brookside Golf Course - Fairway Improvements | 300,000 | 300,000 | 300,000 Golf Course Fund |
| 3 Brookside Clubhouse Upgrades - FY 2016 | 450,000 | 450,000 | 450,000 Golf Course Fund |
| 4 Rose Bowl - Preventative Maintenance FY 2016 | 720,000 | 720,000 | 720,000 Rose Bowl Fund |
| Rose Bowl Improvements Total Appropriations: | | | 4,470,000 |

Parks and Landscaping - Park Projects

| | | | |
|--|-----------|---------|---|
| 5 Desiderio Park - Development of New Park (78054) | 3,400,000 | 900,000 | 900,000 Residential Impact Fee |
| 6 Restroom Bldgs (Replace or Construct)-Jefferson, McDonald, Allendale, Victory, Grant, Villa, Singer, Eaton-Blanche, Memorial, Hamilton Parks (78038) | 7,219,623 | 950,000 | 950,000 Residential Impact Fee |
| 9 Citywide Sports Facilities Improvements (78044) | 2,222,166 | 205,000 | 205,000 Residential Impact Fee |
| 10 McDonald Park - Play Equipment Replacement | 400,000 | 400,000 | 400,000 Residential Impact Fee |
| 14 H2O on the Go - Pilot Program | 75,000 | 75,000 | 25,000 Residential Impact Fee 50,000 Residential Impact Fee (Interest) |
| 15 Pocket Park Planning - Citywide FY 2016 - 2020 | 375,000 | 75,000 | 75,000 Residential Impact Fee |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

| | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|--|----------------------|---------------------|--|
| 16 Robinson Park - Green Space Parking Lot Modifications and Pool Assessment | 225,000 | 25,000 | 25,000 Residential Impact Fee |
| Parks and Landscaping - Park Projects Total Appropriations: 2,630,000 | | | |
| Arroyo Projects - Central Arroyo | | | |
| 1 Area H Perimeter Improvements | 1,400,000 | 200,000 | 200,000 Residential Impact Fee (Unspecified) |
| Arroyo Projects - Central Arroyo Total Appropriations: 200,000 | | | |
| Pasadena Center Improvements | | | |
| 2 Restoration, Upgrades, and Repairs of the Civic Auditorium, Convention Center and Ice Rink - FY 2013 - FY 2017 | 990,000 | 200,000 | 200,000 Pasadena Center Operating Company |
| 3 Electrical Service Panel Upgrades to Civic Auditorium - Panel 2 | 900,000 | 400,000 | 400,000 Pasadena Center Operating Co - Facility Restoration Fund |
| Pasadena Center Improvements Total Appropriations: 600,000 | | | |
| Water System | | | |
| 1 Distribution Mains FY 2015 - 2020 (1001) | 18,578,506 | 2,270,000 | 2,270,000 Water Fund |
| 2 Meters and Services FY 2015 - 2020 (1002) | 10,150,344 | 1,070,000 | 1,070,000 Water Fund |
| 3 Customer Driven Meters and Services FY 2015 - 2020 (1003) | 6,995,893 | 930,000 | 930,000 Aid to Construction (Water) |
| 4 Fire Protection System Improvements FY 2015 - 2020 (1019) | 8,267,448 | 210,000 | 210,000 Water Fund |
| 6 Reservoir Improvements FY 2015 - 2020 (1037) | 12,116,365 | 820,000 | 820,000 Water Fund |
| 7 Miscellaneous Water System Improvements FY 2015 - 2020 (1006) | 2,263,072 | 340,000 | 340,000 Water Fund |
| 9 Sunset Perchlorate Treatment Plant FY 2015 - 2020 (1062) | 1,189,959 | 220,000 | 220,000 Water Fund |
| 11 Arroyo Spreading Basins and Intake Structures (1040) | 10,590,370 | 1,620,000 | 550,000 Proposition 84 1,070,000 Water Fund |
| 13 Enterprise Resource Plan (ERP) - Water System (1072) | 563,244 | 199,405 | 199,405 Water Fund |
| 16 Water Telemetry and On-Line Water Quality Detectors FY 2015 - 2020 (1034) | 374,398 | 20,000 | 20,000 Water Fund |
| Water System Total Appropriations: 7,699,405 | | | |
| Electric System | | | |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

| | | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|--|--|----------------------------|------------------------|-----------------------------|
| 1 | Local Generation Repowering Project - Phase II (3194) | 131,886,388 | 32,100,000 | Power Bond |
| 2 | Power Distribution Capacity and Reliability Program FY 2015 - 2020 (3161) | 23,971,662 | 4,500,000 | Power Fund |
| 4 | 4 kV Distribution System Conversion FY 2015 - 2020 (3191) | 19,526,266 | 1,100,000 | Power Fund |
| 6 | Transmission System Enhancements FY 2015 - 2020 (3195) | 6,487,608 | 800,000 | Power Fund |
| 7 | Services from Utility Underground System Private Property Vaults FY 2015 - 2020 (3001) | 14,341,251 | 2,200,000 | Aid to Construction (Power) |
| 8 | Cable Replacement and Testing FY 2015 - 2020 (3137) | 11,423,918 | 400,000 | Power Fund |
| 9 | Distribution System Expansion FY 2015 - 2020 (3002) | 11,428,085 | 500,000 | Power Fund |
| 11 | Services from Public Right-Of-Way FY 2015 - 2020 (3023) | 11,484,522 | 1,900,000 | Aid to Construction (Power) |
| 12 | Switchgear Upgrades for Power System Facilities FY 2015 - 2020 (3090) | 12,162,807 | 1,300,000 | Power Fund |
| 14 | Enterprise Resource Plan (ERP) - Electric System (3207) | 2,098,850 | 700,000 | Power Fund |
| 15 | Seismic Upgrade of Power Facilities FY 2015 - 2020 (3196) | 5,950,454 | 1,100,000 | Power Fund |
| 17 | Power Transmission Program FY 2015 - 2020 (3190) | 3,597,776 | 100,000 | Power Fund |
| 20 | Distribution System Life Cycle Management FY 2015 - 2020 (3034) | 2,981,961 | 600,000 | Power Fund |
| 23 | Wood Utility Pole Replacement/Reinforcement Program FY 2015 - 2020 (3117) | 3,032,606 | 400,000 | Power Fund |
| 24 | Supervisory Control and Data Acquisition System Expansion FY 2015 - 2020 (3073) | 1,879,882 | 300,000 | Power Fund |
| 29 | Power Supply Facility Security (3178) | 819,254 | 100,000 | Power Fund |
| 33 | Economic Rehabilitation of Properties (3133) | 1,372,016 | 300,000 | Power Fund |
| 34 | New Feeders and Communications Circuits FY 2015 - 2020 (3033) | 1,848,605 | 600,000 | Power Fund |
| 35 | Project Work Management System - Water and Power Department (3140) | 4,264,767 | 1,000,000 | Power Fund |
| 37 | Distribution System Fault Indicators/Recorders/Digital Relays FY 2015 - 2020 (3035) | 2,151,297 | 100,000 | Power Fund |
| 45 | Time-of-Use Metering Infrastructure - Advanced Metering Infrastructure (AMI) (3142) | 16,126,413 | 200,000 | Power Fund |
| 47 | Customer Load Research Program (3109) | 1,817,736 | 100,000 | Power Fund |
| 48 | GT-3 and GT-4 Renewals, Replacements, and Improvements (3186) | 5,314,200 | 500,000 | Power Fund |
| 52 | Power Facility Waste Water Treatment and Disposal (3158) | 1,195,536 | 200,000 | Power Fund |
| 53 | Substation Capacitor Banks FY 2015 - 2020 (3015) | 668,550 | 100,000 | Power Fund |
| Electric System Total Appropriations: | | | | 51,200,000 |

Exhibit B

Recommended FY 2016 - 2020 Capital Improvement Program

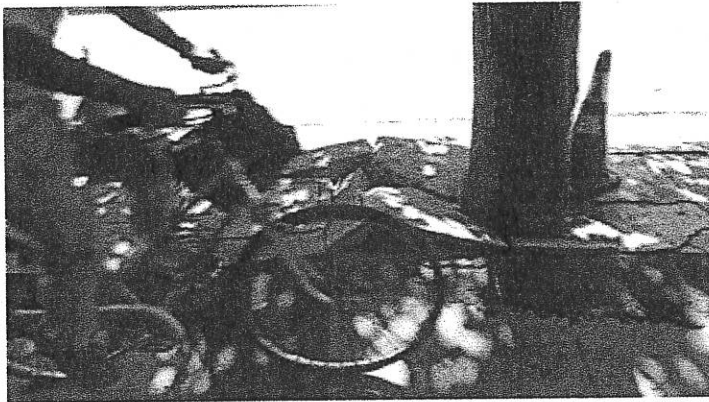
| | Total Estimated Cost | Recommended FY 2016 | Funding Detail |
|--|----------------------|---------------------|--|
| Technology Projects | | | |
| 1 | 6,415,000 | 1,170,631 | 59 Misc Public Safety Grants Fund 822,945 General Fund 1,041 Mail Services Fund 2,478 General Liability Fund 6,667 Worker's Compensation Fund 1,743 Benefits and Insurance Fund 24,606 Fleet Maintenance Fund 30,483 Computing and Communication Fund 1,759 Telecommunication Fund 46,983 Refuse Fund 1,473 Parking Operation Fund 13,166 Other Housing Funds 14,783 Building Services Fund 16,701 Pasadena Housing Authority Fund 7,696 Housing and Community Development Fund 41,829 Off-Street Parking Facilities Fund 8,334 Gas Tax 57,689 Public Health Fund 816 Foothill Air Support Team Fund 215 Air Quality Improvement Fund 557 L.A. Impact Fund 54,306 Library Services Fund 14,073 Sewer Maintenance and Construction Fund 229 Commercial Dev. Fee (Unspecified) 900,000 Technology Fee 1,352,500 Computing and Communication Fund 900,000 Light and Power Fund 75,000 Telecommunication Fund |
| 2 | 3,200,000 | 900,000 | Land Management System (LMS) Replacement (71152) |
| 4 | 8,026,359 | 1,352,500 | DoIT Equipment Life Cycle Replacement FY 2015 - 2019 (71157) |
| 11 | 6,979,284 | 975,000 | City Fiber Network Expansion (71212) |
| Technology Projects Total Appropriations: | | | 4,398,131 |
| Grand Total Appropriations: | | | 85,176,270 |

Jomsky, Mark

From: Kennedy, John
Sent: Thursday, April 02, 2015 10:58 PM
To: Jomsky, Mark
Cc: Bogaard, Bill; West, Jana; Cruz, Christian (Field Rep); Justin Jones; Bob Oltman; Danny Parker; danny donabedian; james4pasadena; Hilda Delgado; Hilda Marbella Delgado; Craig Washington; Joy Rittenhouse; Sharon Calkin; Morey Wolfson; Nichelle Holliday; Stephanie DeWolfe; Bagneris, Michele; Beck, Michael; David Jacobs
Subject: Sidewalk Repairs

Please send to all Councilmembers and then Post. I have been demanding and clamoring for sidewalk repair from my first day on Council!!! Now we have to take action!

L.A. agrees to spend \$1.3 billion to fix sidewalks in ADA case



A buckled sidewalk at 4th and Main streets in downtown L.A.

(Gary Friedman / Los Angeles Times)

By **EMILY ALPERT REYES** *contact the reporter*

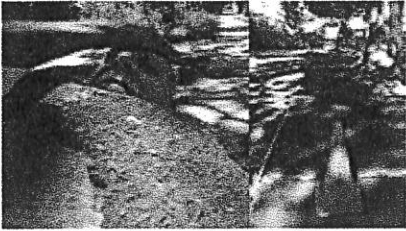
- Finance
- Paul Krekorian
- Eric Garcetti

L.A. lawmakers agree to spend \$1.3 billion to fix broken sidewalks and settle lawsuit by disabled Angelenos

Los Angeles is pledging to spend more than \$1.3 billion over the next three decades to fix its massive backlog of broken sidewalks and make other improvements to help those with disabilities navigate the city as part of a tentative deal being described as a landmark legal settlement.

The proposed agreement would resolve a lawsuit filed by attorneys for the disabled, who argued that crumbling, impassable sidewalks and other barriers prevented people in wheelchairs or others with mobility impairments from accessing public pathways in violation of the Americans With Disabilities Act.

The final terms must still be approved by a federal judge, but attorneys described it as the biggest agreement of its kind in U.S. history.



L.A.'s Broken Sidewalks

City leaders said the proposed deal marks the beginning of a sorely needed effort to eliminate one of Los Angeles' most intractable neighborhood nuisances: the ugly and treacherous obstacle courses created by miles of buckling walkways.

City officials and advocates for the disabled praised the agreement at a news conference. Communities Actively Living Independent and Free Executive Director Lilibeth Navarro, whose group was among those suing the city, called it "a major win" for people with disabilities who had suffered frustration and injuries trying to move around the city. Councilman Paul Krekorian said it was a historic victory not only for people with disabilities, but also for the elderly and "anyone who is ever a pedestrian."

Under the terms of the proposed settlement agreed to by the City Council and announced Wednesday, the city must spend \$31 million annually on sidewalk and other improvements beginning in the next budget year. That amount would gradually increase to \$63 million in future years to adjust for rising costs.

Related

L.A. NOW

L.A. lawmaker 'astonished' at holdup in making city sidewalk repairs

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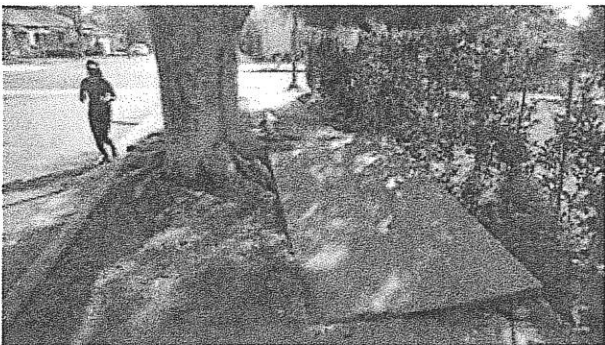
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The settlement doesn't identify any new source of funding. But City Administrative Officer Miguel Santana noted that the deal does not limit the type of funding Los Angeles can use to pay for the repairs, meaning the city could seek various grants for the work.

It's unclear whether the promised money will completely eliminate the backlog. The Bureau of Street Services has estimated that about 40% of city sidewalks need repairs. At one point, the price tag was estimated at \$1.5 billion. But Santana said there is no reliable estimate for the full cost.

UCLA urban planning professor Donald Shoup said: "It's sad to think that the only thing that has caused any movement in 40 years is a lawsuit.... But of course I'm glad they're doing it."

Even with the promised spending, he added, "It would take decades to fix our sidewalks."



Los Angeles Times columnist Steve Lopez looks at some of L.A.'s notorious sidewalks.

Mayor Eric Garcetti said he believed the spending would be enough to stay ahead of any ongoing deterioration of aging city sidewalks. Attorney Guy Wallace, one of several lawyers representing plaintiffs in the case, said the record agreement was larger than a major, \$1.1-billion settlement reached several years ago with Caltrans, the state transportation agency.

The Los Angeles suit alleged that lack of public access for Angelenos in wheelchairs “relegates them to second-class citizen status” and prevents them from being independent. Wallace said at a news conference that more than 200,000 Angelenos with mobility disabilities had struggled to navigate “dysfunctional and inaccessible” sidewalks. Tim Fox, a Denver-based attorney who is on the national board of the American Civil Liberties Union, said the settlement represented an unprecedented move by a city to broadly improve access to its sidewalks for the disabled.

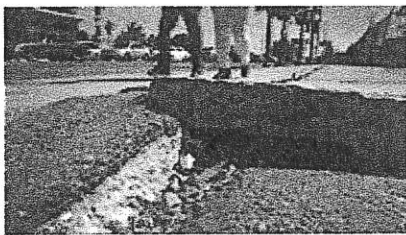
cCommentsADD A COMMENTSEE ALL COMMENTS

84

The city plans to start by repairing sidewalks around parks and other city facilities, but will also fix walkways in other areas that are heavily trafficked, close to hospitals or workplaces, or requested by people with mobility challenges, including those alongside homes, Santana said. The only sidewalks that would be categorically left out are those next to buildings run by other government entities, including the Los Angeles Unified School District or federal or state agencies.

Funding to fix sidewalks has been haphazard over the years, and the city abandoned any systematic sidewalk repair program after the recession hit seven years ago. As the economy has improved, the city has revived its program and budgeted \$27 million for repairs this year.

So far, Los Angeles has focused its efforts on walkways next to parks and other city facilities. Some council members have also devoted money from their discretionary funds to fix sidewalks in their districts. But the problem remains glaringly obvious in many areas and has cost the city more than \$6 million in trip-and-fall payouts in less than four years, according to the city attorney's office.



L.A. councilman seeks systemic plan on sidewalk repairs

Kathleen Law, 73, a Hollywood resident whom the city paid \$50,000 after she tripped on a jagged sidewalk and shattered her right knee cap in 2008, said the plan was overdue.

“It's absolutely a must,” said Law, adding that she still suffers pain from her injury and has had to drastically curtail her preferred form of exercise — walking. “There are some streets I just can't walk on because it's too risky.”

The deterioration of city sidewalks is tied to a historic tug of war over who is responsible for fixing them. Los Angeles once held property owners responsible for fixing the adjacent sidewalks, conforming with California law. But decades ago, with federal funding in hand, the city took on responsibility for fixing sidewalks damaged by city trees.

That federal money quickly dried up and Los Angeles voters proved unwilling to pony up more tax money to continue repairs. In 1998, a move to authorize \$769 million in bonds for sidewalk work was rejected. Last year, lawmakers abandoned a plan to ask voters to hike the sales tax to pay for street and sidewalk repairs.

Shoup argued that the city should pursue additional measures, including requiring owners to fix broken sidewalks next to their property when they sell.

The proposed settlement is silent on who is legally responsible for sidewalks next to private property — leaving the door open for that kind of program, Shoup suggests. Santana said city lawmakers still have to grapple with those types of issues.

Under the terms announced Wednesday, the city can reduce its annual spending slightly — to \$25 million — but it must make up for it within the next three years.

With the City Council's approval of the settlement terms, city lawyers can present a final agreement to the court.

In addition to the \$1.3 billion pledged for repairs, the city will pay \$15 million in attorneys fees and costs. Wallace said the city is also creating a position to monitor the work and will draft reports on its progress twice yearly.

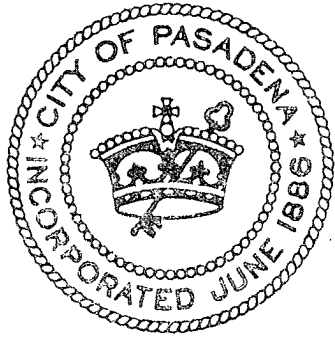
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UPDATES

3:34 p.m.: This article was updated with additional details on the settlement and reaction to the tentative agreement.

Sent from my iPhone



Agenda Report

April 13, 2015

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Director of Finance

SUBJECT: RESOLUTION OF THE CITY COUNCIL APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND/OR A LINE OF CREDIT OR SIMILAR BORROWING AND APROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF ONE OR MORE SERIES OR SUBSERIES OF CITY OF PASADENA PENSION OBLIGATION BONDS IN AN AMOUNT NOT TO EXCEED \$130 MILLION

RECOMMENDATION:

It is recommended that the City Council:

- A) Find that the proposed action is not a project subject to California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and section 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project;

- B) Adopt a resolution approving the form of and authorizing the execution of a bond purchase agreement and/or a line of credit or similar borrowing and approving the form of and authorizing the distribution of a preliminary official statement, an official statement and a continuing disclosure agreement in connection with the issuance of one or more series or subseries of City of Pasadena Pension Obligation Bonds in an amount not to exceed \$130 million.

EXECUTIVE SUMMARY

The City of Pasadena plans to issue approximately \$123 Million of fixed rate Pension Obligation Bonds (POBs) to refinance its outstanding 1999, 2004 and 2012 POBs. All the outstanding POBs mature or are subject to mandatory tender on May 15, 2015.

Staff has reviewed various bond financing structures as discussed in this report and is recommending issuing fixed rate bonds with a make whole call in case the City decides to pay off a portion of the proposed POBs earlier than their stated maturities. The proposed refunding bonds will be wrapped around the existing General Fund debt to generate level debt service payments in an amount that accommodates the City's operating budget and financial plan and provides future bonding capacity to the General Fund.

BACKGROUND:

The City has had an obligation to fund the Fire and Police Retirement System under the terms of a series of Contribution Agreements entered into by the City and the System. In 1999, 2004, and 2012 the City issued \$101.9 million, \$40.7 million, and \$47.44 million of pension obligation bonds, respectively, in order to fund the City's obligations in respect to the Contribution Agreements. Combined annual debt service on these bonds was approximately \$14.65 million. Downtown Project Area Tax allocation revenues as redirected to the City pursuant to SB 481 was the primary source of funds to pay debt service and recently expired December 31, 2014. Approximately \$123 million of the bonds are maturing (in the case of the 2004 bonds) or are subject to mandatory tender on May 15, 2015.

Despite the issuance of the outstanding pension bonds, supplemental contributions from the City to the System are still required from time to time, on an annual basis, in order to fund the System in accordance with the current Contribution Agreement. As of the actuarial report dated June 30, 2014, the system was funded at 81.6% and therefore no supplemental contribution is required in fiscal year 2015. Furthermore, the System's actuary has projected the system's funding ratio at above 80% level until the year 2026, and therefore, projecting zero supplemental contributions from the General Fund until that date. The current Contribution Agreement between the City and the System established investment earnings and inflation rate assumptions, which in part drive asset and liability projections under the System, and future funding ratios depend on future actual earnings rates and future actual inflation rates. The System's actuary has projected that benefit payments will continue beyond the year 2050.

In 1999, the City issued its Series A&B POBs in the amount of \$101 million. SB481 revenues (Downtown tax increment revenues) were pledged to pay the debt service, and accordingly, the bonds were structured to have a mandatory tender on May 15, 2015, intentionally structured six months after the expiration of SB481. In 1999, the City anticipated that the accumulated excess SB481 revenues from the Downtown project area would be sufficient to pay off the \$51 million outstanding Series B bonds on May 15, 2015. The decline of the stock market beginning in 2000 created larger than expected unfunded liabilities in the System. This resulted in the issuance of additional \$40 million POBs in 2004 to increase the actuarial funding level of the System pursuant to an agreement between the City and the FPRS. Tax increment revenues from the Downtown Redevelopment Project Area were also pledged to pay the interest and principal on the 2004 POBs which were structured to mature on May 15, 2015, same date as the 1999 series. The continued underfunding of the System in 2012 necessitated the City to issue the third and final POBs in the amount of \$47.4 million to increase the funding ratio of the System to 85% level. The 2012 bonds were structured as mandatory tender bonds with the mandatory tender date matching May 15, 2015. At that time when staff recommended the 2012 financing, staff had estimated that \$83 million POBs would be refunded in 2015. The \$83 million was the result of the estimated \$123 million outstanding POBs less the estimated \$40 million in the SB481 reserve fund. However, as a result of the legal dispute over the \$40 million which is currently held in a sequestered account at the County of Los Angeles, the City is obligated to refund the entire outstanding \$123 million POBs.

As mentioned above, there are approximately \$123 million outstanding POBs that mature (or are subject to mandatory tender) on May 15, 2015 and the City is obligated to restructure or refund these bonds prior to such date. On February 9th, the City Council adopted a resolution authorizing the issuance of a maximum of \$130,000,000 principal amount of Pension Obligation Bonds, in one or more series or subseries. ("POBs"). All of the bond structure alternatives for the POBs described in this Report were authorized in the prior resolution; however the prior resolution contemplated that Staff would return to the Council with its final recommended bond structure.

The outstanding POBs and their basic terms are summarized in the table below:

| Current Outstanding POBs | Outstanding Balance | Due Date |
|---------------------------------|----------------------------|-------------------------------|
| Series 1999 | \$51.20 million | Mandatory tender May 15, 2015 |
| Series 2004 | \$23.66 million | Matures on May 15, 2015 |
| Series 2012 | \$47.44 million | Mandatory tender May 15, 2015 |
| Total: | \$122.30 million | |

As part of the resolution authorizing the issuance, Urban Futures, Inc. was selected as Financial Advisor and Bank of America Merrill Lynch and Raymond James were selected as underwriters. The financing team presented several potential financing structure alternatives for consideration. The purpose of this report is to detail the findings of the analysis for each of those scenarios and to provide initial recommendations based on those analyses.

Bond Structure Alternatives

The City’s original plan with respect to the above-summarized POBs was to accumulate tax increment revenue available from SB 481 to partially pay off the \$123 million that would come due on May 15, 2015. However, approximately \$40 million of SB 481 tax increment revenues are currently being sequestered by court order. The City believes that a ruling on the \$40 million will be made within the next year or two. Recognizing that \$40 million of the \$123 million could be available to pay down the bonds within the next years, Staff, the City’s Financial Advisor, and Underwriters evaluated the costs and benefits of several bond-structuring options. The following is a general description of the structuring options:

1. Issuance of \$123 million of 30-year fixed rate bonds with a make-whole redemption option: The interest rates on the City’s proposed POBs would be fixed to maturity. On any date, all or a portion of the bonds may be redeemed through a make-whole redemption. Generally, a make-whole redemption price is the greater of: (1) 100% of the principal redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest of the bonds redeemed at a comparable treasury rate plus a spread. As interest rates rise, the make-whole redemption will be less costly for the City.

| In Year 3, if Interest Rates Rise by: | Make-Whole Premium | Par Redeemed | Total Redemption Price | Call Price |
|---------------------------------------|--------------------|--------------|------------------------|------------|
| 0.00% | \$4,832,567 | \$35,165,000 | \$39,997,567 | 114 |
| 0.50% | \$3,378,688 | \$36,620,000 | \$39,998,688 | 109 |
| 1.00% | \$1,834,334 | \$38,165,000 | \$39,999,334 | 105 |
| 1.80% | \$0 | \$40,000,000 | \$40,000,000 | 100 |

2. Issuance of \$123 million of 30-year fixed rate bonds with an Extraordinary Optional Redemption (“EOR”): Similar to option 1, the interest rate on the City’s proposed POBs would be fixed to maturity with the option to call a portion of the bonds upon the occurrence of an extraordinary event. That is, in the event that the courts rule in the City’s favor, an EOR would allow the City to redeem a portion of the bonds under a formula similar to the Make-Whole Call described above (redemption price is the greater of par

redeemed or discounted future principal and interest payments). In the case of an EOR, the discount factor is larger versus a standard Make-Whole Call, which by itself lowers the redemption price. However, in the current market the larger discount factor is offset by the additional yield pricing penalty from the EOR resulting in an overall higher borrowing cost shown in the table below and a less efficient redemption compared to the Make-Whole Call shown below. In addition, Staff would expect an additional 0.14% of borrowing cost with the EOR call option compared to only having a Make-Whole Call.

| In Year 3, if Interest Rates Rise by | EOR Premium | Par Redeemed | Total Redemption Price | Call Price |
|--------------------------------------|-------------|--------------|------------------------|------------|
| 0.00% | \$5,154,570 | \$34,845,000 | \$39,999,570 | 115 |
| 0.50% | \$3,735,231 | \$36,260,000 | \$39,995,231 | 110 |
| 1.00% | \$2,234,699 | \$37,760,000 | \$39,994,699 | 106 |
| 1.85% | \$0 | \$40,000,000 | \$40,000,000 | 100 |

3. Issuance of \$83 million of 30-year fixed rate bonds and \$40 million of 3-year mandatory tender bonds: In 3 years, the City will have to either refinance or payoff the \$40 million of mandatory tender bonds with available funds.

4. Issuance of \$83 million of 30-year fixed rate bonds and \$40 million of direct placement index floaters ("DPIF"): The interest rate on the \$40 million DPIF would be pegged to a variable-rate index (e.g. LIBOR). Although variable interest rates are at an all-time low, market experts believe interest rates will rise in the near future. The City could refinance \$40 million or pay down, in whole or in part, the DPIF, on any monthly payment date.

Adding Call Features to Fixed-Rate Bonds

When issuing fixed-rate bonds, the City can retain varying flexibility to redeem outstanding bonds if defeasance or refinancing opportunities arise. Recognizing the cost tradeoff of higher rates for more flexibility, Staff evaluated the inclusion of a 10-year par call option and an extraordinary optional redemption option along with the base case make-whole call redemption feature discussed above. The result of each option is listed below.

| | Make-Whole Call | Make-Whole Plus 10 Year Par Call | Extraordinary Optional Redemption |
|-----------------------|-----------------|----------------------------------|-----------------------------------|
| All-in Borrowing Cost | 4.57% | 4.86% | 4.71% |

10-Year Par Call

Although this feature does come at a yield cost, it provides additional optionality and reflects the standard call feature seen in the tax-exempt market. In 10 years, the City could potentially refinance its POBs at par for significant savings since the remaining life of the loan will move further down the yield curve from a 30-year rate to a 20-year rate. As shown in the table above, the all-in interest rate cost is 4.86%, assuming that the City doesn't refinance in 10 years.

ANALYSIS & CONSIDERATIONS

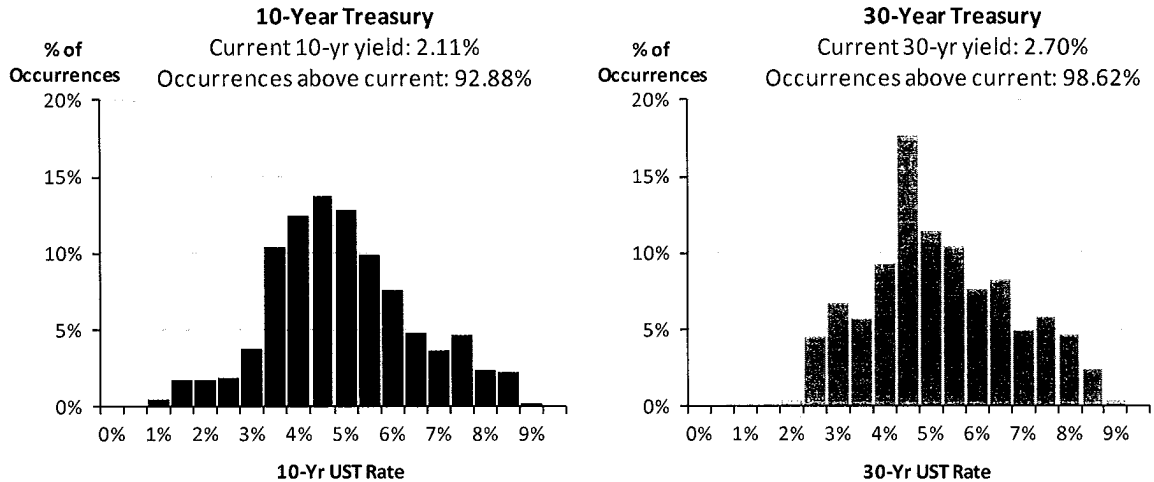
| | Structure Option #1 | Structure Option #2 | Structure Option #3 | Structure Option #4 |
|---|---|--|---|---|
| Considerations | \$123M Fixed Rate w/ Make-Whole Call | \$123M Fixed Rate w/ Extraordinary Optional Redemption | \$83M Fixed Rate; \$40M 3-Year Put | \$83M Fixed; \$40M Variable |
| Favorable Court Ruling | \$40M could be redeemed at a make-whole premium | \$40M could be redeemed at an extraordinary optional redemption premium | \$40M could be redeemed in 3 years at no premium | \$40M could be redeemed at anytime |
| Unfavorable Court Ruling | The City will continue to pay at the locked-in interest rates | The City will continue to pay at the locked-in interest rates | In 2018, the City must refinance \$40M | In 2018, the City must refinance \$40M or extend the term of the index bonds |
| Rise in Interest Rates/Remarketing risks | The City will have debt service certainty for 30 years as the interest rates are locked-in. If the City wins the court ruling, make-whole premium becomes less costly with rise in interest rates. No remarketing risk. | The City will have debt service certainty for 30 years as the interest rates are locked-in. If the City wins the court ruling, EOR premium becomes less costly with rise in interest rates. No remarketing risk. | Debt service certainty through year 3. The City will have to refinance \$40M at expected higher interest rates in year 3 and also face remarketing risk | Debt service on \$40M may increase. The City will have to refinance \$40M at expected higher interest rates in year 3 or extend the term of the index bonds and face interest rate, remarketing and extension risks |
| All-in Cost of Borrowing | 4.57% | 4.71% | 4.65% * | 4.57% * |
| Interest Rate Risk | Low | Low | Moderate | High |
| Average annual debt service ** | \$8.28MM | \$8.41MM | \$8.41MM | \$8.35MM |
| Rating Agency | Positive - Fitch views that the City already has above average variable rate exposure | Positive - Fitch views that the City already has above average variable rate exposure | Negative - Fitch views that the City already has above average variable rate exposure | Negative - Fitch views that the City already has above average variable rate exposure |
| Borrowing Cost (\$) | No additional issuance cost | No additional issuance cost | Additional borrowing cost in year 3 | Additional borrowing cost in year 3 |

*In year 3, \$40M is refinanced at the current interest rate plus 1.0%.

The Case for Fixed-Rate Debt

1. Interest rates are at all-time lows. The chart below shows 30-year and 10-year Treasury rates since 1990. In the past 25 years, the 10-year Treasury rate has been higher than today's rate 92.88% of the time, while the 30-year Treasury rate has been higher than today's rate 98.62% of the time.

Distribution of 10-Year and 30-Year Treasury Rates Since 1990



2. Remove interest/refinancing risk. If there is an unfavorable court ruling related to the \$40 million of sequestered SB 481 funds, the City is faced with the risk of refinancing at much higher interest rates in 2018. In addition, the City would be faced with additional borrowing cost.
3. If there is a favorable court ruling, the City maintains flexibility. The City could pay off \$40 million at a make-whole premium or wait until rates rise and call the bonds at par with no premium, or use the funds for any eligible application of SB 481 revenues. Under the original validation, eligible application of SB 481 revenues are: (A) to make regular employer contributions to FPRS; and (B) to make supplemental contributions to FPRS and to pay debt service on POBs issued for PFRS. Since POB debt service is an allowable use of SB 481 revenues, should the City prevail, it could use the \$40 million to make scheduled POB debt service, which would provide a General Fund payment holiday through 2022.

In considering a recommended structuring alternative, Staff, its Financial Advisor and Underwriters have focused on: (1) taking advantage of low rates today; (2) creating optionality to defease debt related to the SB 481 court ruling; and (3) eliminating refinancing and interest-rate risk. With these goals in mind, Staff recommends the issuance of approximately \$123 million of fixed-rate debt. The decision on whether the fixed-rate debt will have a make-whole call, 10-year par

call or extraordinary optional redemption will be made closer to the issuance date based on market conditions and investor appetite.

Finance staff has been concurrently working with the lead underwriter, Bank of America Merrill Lynch, on an alternative financing, a \$123 million line of credit, as an insurance policy and a back-up plan in the very unlikely event the 2015 bonds cannot be issued in a public offering. The attached resolution authorizes a line of credit or similar borrowing, on a short term basis, whereby the City can draw up to \$123 million on the line of credit, in accordance to the attached Direct Purchase Taxable Pension Obligation Refunding Bonds Term Sheet, prior to May 15, 2015 in order to avoid a default on its maturing or tendered POB debt. The City can then refund the line of credit at later date with a permanent financing as soon as market conditions permit. Any incremental legal or advisory costs of negotiating or documenting the line of credit will be paid from proceeds of the POBs or the line of credit, as the case may be.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The proposed action is the approval to issue refunding bonds to refinance existing outstanding debt. This approval is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

The General Fund is legally obligated for all debt it has issued; some debt such as bonds issued to support the renovation of the Rose Bowl and Conference Center are self-supporting, meaning that non-General Fund revenues are available to pay the debt service. As long as those sources of revenue are available, there is no direct impact on the General Fund. Conversely, non-self-supporting debt has a direct impact on the General Fund. The proposed Pension Bonds will be non-self-supporting and will have a direct impact on the General Fund. The new debt will be wrapped around the existing direct General Fund (largely lease revenue) debt and will be structured in such a manner to generate an annual total General Fund debt service of approximately \$15.7 million per year from Fiscal Year 2016 to 2019 and \$12.1 million per year from Fiscal Year 2020 through 2045 as shown on the next page.

An estimated sources and uses of funds for the proposed 2015 Pension Obligation Bonds is shown below assuming an issuance of \$123,050,000 million of bonds.

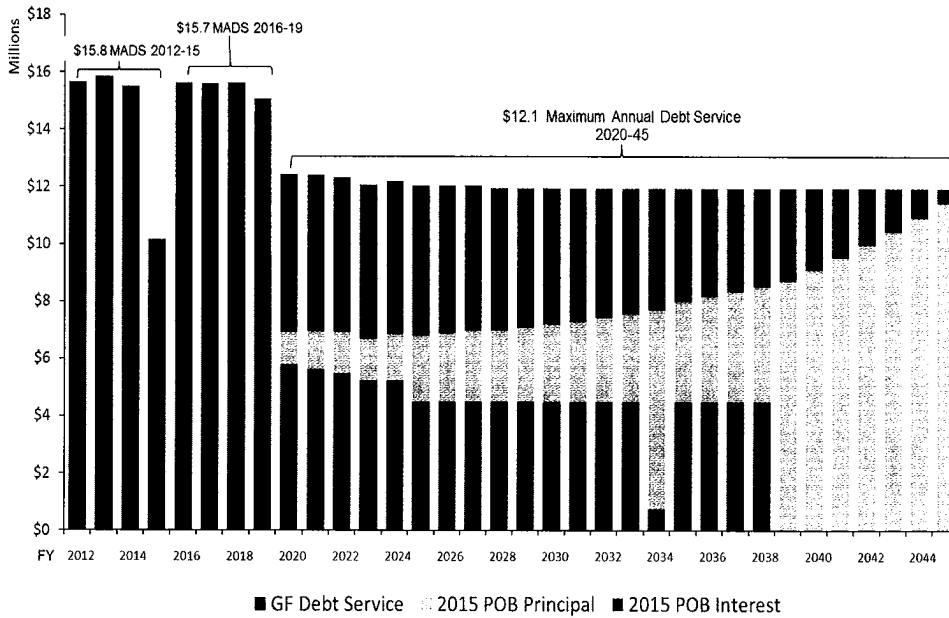
Estimated Sources of Funds

| | |
|----------------------|--------------------|
| Par Amount | \$123,050,000 |
| Total Sources | 123,050,000 |

Estimated Uses of Funds

| | |
|-------------------------------|----------------------|
| Refunding of outstanding POBs | 122,305,000 |
| Cost of Issuance | 375,000 |
| Underwriter's Discount | 369,000 |
| Excess proceeds | 1,000 |
| Total Uses | \$123,050,000 |

Estimated General Fund Non-Self Supporting Debt Service



Respectfully submitted,

Julie A. Gutierrez
 JULIE A. GUTIERREZ
 Interim Director of Finance

Prepared by:

Vic Erganian
 Vic Erganian
 Deputy Director of Finance/City Treasurer

Approved by:

Michael J. Beck
 MICHAEL J. BECK
 City Manager

- Attachments: (4)
 Attachment A – Bond Purchase Agreement
 Attachment B – Preliminary Official Statement and Appendix A
 Attachment C – First and Second Supplemental Trust Agreements
 Attachment D – Term Sheet

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND/OR A LINE OF CREDIT OR SIMILAR BORROWING AND APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT, OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF ONE OR MORE SERIES OR SUBSERIES OF CITY OF PASADENA PENSION OBLIGATION BONDS

WHEREAS, on February 9, 2015, the City Council approved a Resolution No. 9416 entitled: "RESOLUTION OF THE CITY COUNCIL AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OR SUB-SERIES OF CITY OF PASADENA PENSION OBLIGATION REFUNDING BONDS, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF TRUST AGREEMENT SUPPLEMENTS PROVIDING FOR SUCH ISSUANCE, AND AUTHORIZING CERTAIN OTHER MATTERS RELATING THERETO" ("Resolution No. 9416"); and

WHEREAS, Resolution No. 9416 (i) authorized the issuance of one or more series or subseries of taxable pension obligation refunding bonds (collectively, the "2015 Bonds") in an aggregate principal amount not to exceed \$130 million and (ii) approved the forms of a First Supplement to the 2012 Trust Agreement and a Second Supplement to the 1999 Trust Agreement (collectively, the "Previously Approved Documents"); and

WHEREAS, in addition to the Previously Approved Documents, there are on file with the City Clerk, (i) the proposed form of a Preliminary Official Statement, (ii) the proposed form of a Bond Purchase Agreement and (iii) the proposed form of a Continuing Disclosure Agreement, all to be used in connection with the sale of 2015 Bonds; and

WHEREAS, the City further desires to authorize the negotiation and execution of a standby purchase agreement, a line of credit or similar borrowing (the "Borrowing") from Bank of America, N.A., in the unlikely event that the 2015 Bonds cannot be issued by May 15, 2015 or in the event that the Director of Finance determines that it is in the best interests of the City to use the Borrowing to facilitate the "direct placement" of a portion of the 2015 Bonds, and a term sheet (the "Term Sheet") for such a Borrowing has also been filed with the City Clerk;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena (the "City Council") as follows:

Section 1. The City Council hereby finds and declares that the issuance of one or more series or subseries of 2015 Bonds and, alternatively, the Borrowing from Bank of America, N.A. and the other actions contemplated by this Resolution, are in the best interests of the City and are authorized by the laws of the State and prior City proceedings, including the City Charter and Resolution 9416.

Section 2. The form of Preliminary Official Statement is approved substantially in the form on file with the City Clerk. The City Manager and Director of Finance of the City are, and each of them acting individually is, authorized and directed to execute and deliver for and in the name and on behalf of the City a final Official Statement in substantially the form of the Preliminary Official Statement with such changes therein, deletions therefrom and additions thereto as the City Manager or the Director of Finance of the City may require or approve, such approval to be conclusively evidenced by the execution and delivery of the Official Statement with such changes, deletions or additions. The underwriters are authorized to distribute copies of the Preliminary Official Statement and the Official Statement to prospective purchasers of the 2015 Bonds and all actual purchasers of the 2015 Bonds from the underwriter acting in such capacity. The City Manager and the Director of Finance of the City are, and each of them acting individually is, authorized and directed to certify on behalf of the City that the form of the Preliminary Official Statement delivered by the City in advance of the sale of the 2015 Bonds is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") (except for the omission of certain final pricing, rating and related information as permitted by the Rule).

Section 3. The proposed form of Bond Purchase Agreement, by and between the City and Merrill Lynch, Pierce, Fenner & Smith Inc., as representative of the underwriters, on file with the City Clerk, is hereby approved. The Director of Finance is hereby authorized to execute and deliver the Bond Purchase Agreement, on behalf of the City, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as the Director of Finance and City Attorney shall approve, including such changes therein, deletions therefrom and additions thereto necessary to accommodate a private placement of the 2015 Bonds and the use of Merrill Lynch, Pierce, Fenner & Smith Inc. as placement agent, as the Director of Finance and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement, and the City Clerk is authorized and directed to attest on behalf of the City; provided that the underwriter's discount shall not exceed 1% of the principal amount of the 2015 Bonds.

Section 4. The Continuing Disclosure Agreement is hereby approved substantially in the form on file with the City Clerk. The Director of Finance and his specified designees are, and each of them acting individually is, authorized to execute and deliver the Continuing Disclosure Agreement, for and in the name of and on behalf of the City, substantially in the form attached hereto, with such changes therein, deletions therefrom and additions thereto as the Director of Finance and City Attorney shall approve, such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Agreement.

Section 5. In the unlikely event that the 2015 Bonds cannot be issued in a public or private offering, then, in order to avoid an event of default, the Director of Finance is hereby authorized to execute and deliver, and the City Clerk is authorized to attest to, documents required to implement the Borrowing, substantially in accordance with the terms of the Term Sheet provided to the City Clerk. The Borrowing may also be drawn upon in the event that the Director of Finance, upon the advice of Urban Futures Incorporated, the City's financial advisor, determines that it is in the best interests of the City to use the Borrowing to facilitate the "direct placement" of a portion of the 2015 Bonds. Any fees and expenses, including those of bank counsel and bond counsel, incurred by the City in connection with the negotiation and, if

required, execution and implementation of the Borrowing are authorized to be paid from the proceeds of the 2015 Bonds or the Borrowing, as appropriate. The amount of the Borrowing may not exceed the amount of the Bonds authorized under Resolution 9416 (i.e., \$130 million).

Section 6. The City Council hereby recognizes the appointment of Sidley Austin LLP to act as bond counsel and disclosure counsel to the City and approves Merrill Lynch, Pierce, Fenner & Smith Inc. and Raymond James & Associates, Inc., as managing underwriters, and/or Merrill Lynch, Pierce, Fenner & Smith, Inc. as placement agent. The City Council further appoints Digital Assurance Certification, L.L.C. ("DAC") to serve as initial Dissemination Agent in order to assist the City to comply with its continuing disclosure obligations.

Section 7. The City Manager and the Director of Finance are, and each of them acting individually is, authorized, for and in the name of the City, to do any and all things, and to execute and deliver any and all documents which they or any of them deem necessary or advisable in order to consummate the transactions contemplated by this Resolution and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including the execution of all necessary documentation to implement the Borrowing. The Director of Finance or the City Treasurer is hereby authorized to invest legally available funds of the City in the 2015 Bonds with maturities in excess of five years if he or she deems it to be in the best interest of the City.

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Section 8. This Resolution shall take effect immediately upon its adoption.

Adopted at the regular meeting of the City Council on the ____ day of April, 2015
by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

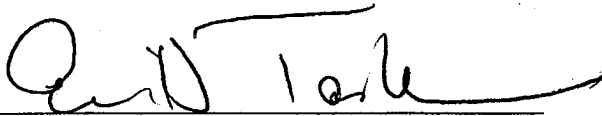
By: _____

Mark Jomsky
City Clerk

APPROVED AS TO FORM:

Michele Beal Bagneris
City Attorney

APPROVED AS TO FORM:



Eric D. Tashman, Esq.
Sidley Austin LLP
Bond Counsel

\$[Aggregate Principal Amount]
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS,
SERIES 2015

BOND PURCHASE AGREEMENT

[Pricing Date]

City of Pasadena
100 North Garfield Avenue, Suite 345
Pasadena, California 91109

Ladies and Gentlemen:

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Representative”) on behalf of itself and Raymond James (collectively, the “Underwriters”), offers to enter into this Bond Purchase Agreement (the “Bond Purchase Agreement”) with the City of Pasadena (the “City”), which upon acceptance will be binding upon the City and the Representative. This offer is made subject to the acceptance by the City on or before 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the City at any time prior to such acceptance.

Capitalized terms used and not defined herein shall have the same meanings as set forth in the Official Statement hereinafter defined.

1. Purchase. Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the City, and the City hereby agrees to sell to the Underwriters, all (but not less than all) of the \$[Aggregate Principal Amount] aggregate principal amount of City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015 (the “Bonds”), consisting of \$[2015A Principal] City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015A (the “2015A Bonds”) and \$[2015B Principal] City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015B (the “2015B Bonds” and, together with the 2015A Bonds, the “Bonds”). The 2015A Bonds and the 2015B Bonds shall be dated their date of delivery and shall mature on the dates and bear interest at the rates as set forth on Exhibit A attached hereto.

The 2015A Bonds shall be purchased at an aggregate purchase price equal to \$[2015A Purchase Price] (representing the aggregate principal amount of the 2015A Bonds of \$[2015A Principal Amount].00, [plus/minus] [net] original issue [premium/discount] of \$[2015A OIP/OID], less an underwriting discount of \$[2015A UW Discount]). The 2015B Bonds shall be purchased at an aggregate purchase price equal to \$[2015B Purchase Price] (representing the aggregate principal amount of the 2015B Bonds of \$[2015B Principal Amount].00, [plus/minus] [net] original issue [premium/discount] of \$[2015B OIP/OID], less an underwriting discount of \$[2015B UW Discount]).

The 2015A Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Trust Agreement, dated as of August 1, 1999, as amended and supplemented (the "1999 Trust Agreement"), including as supplemented by the Second Supplemental Trust Agreement, dated as of May 1, 2015 (the "Second Supplement Trust Agreement to the 1999 Trust Agreement"), each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2015B Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Trust Agreement, dated as of March 1, 2012, as amended and supplemented (the "2012 Trust Agreement" and, together with the 1999 Trust Agreement, the "Trust Agreement"), including as supplemented by the First Supplemental Trust Agreement, dated as of May 1, 2015 ("the First Supplement to the 2012 Trust Agreement"), each by and between the City and the Trustee. The 2015A Bonds and the 2015B Bonds are subject to redemption as provided in the respective Trust Agreement and set forth in Exhibit A attached hereto.

The Bonds are being issued for the purpose of refinancing and refunding all of the City's outstanding pension obligation bonds, which were issued in 1999, 2004 and 2012.

In order to assist the Underwriters in complying with Rule 15c2-12, the City will undertake, pursuant to the Continuing Disclosure Agreement, dated as of May 1, 2015 (the "Continuing Disclosure Agreement"), by and between the City and Digital Assurance Certification, L.L.C., as dissemination agent for the City, to provide annual financial information and notices of the occurrence of specified events. A description of the Disclosure Agreement is set forth in, and a form of such agreement is attached as Appendix F to, the Preliminary Official Statement and the Official Statement.

(b) The Underwriters agree to make a bona fide public offering of all the Bonds at prices not in excess of the initial offering prices or yields not less than the yields set forth on Exhibit A attached hereto and on the inside cover page of the Official Statement. The Underwriters reserve the right to make concessions to dealers and to change such initial public offering price or yield as the Underwriters reasonably deems necessary in connection with the marketing of the Bonds. The Underwriters also reserve the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriters.

(c) The City shall deliver to the Underwriters, as promptly as practical but in no event later than the seventh business day after the City has accepted this Bond Purchase Agreement and in any event not later than two business days prior to Closing (defined below), the final Official Statement dated the date hereof with respect to the Bonds (together with the cover page, all appendices thereto and all information previously permitted to be omitted by the herein referenced Rule 15c2-12, the "Official Statement") in the designated electronic format to comply with the rules of the Municipal Securities Rulemaking Board ("MSRB") and paragraph (b)4 of 17 C.F.R. 240.15c2-12 ("Rule 15c2-12").

(d) The City hereby authorizes the Underwriters to use the Official Statement and the information contained therein in connection with the offering and sale of the Bonds and approves its authorization of the use by the Underwriters prior to the date hereof of the Preliminary Official Statement dated [POS Date] (together with the cover page and all appendices thereto, the "Preliminary Official Statement"), furnished to the Underwriters by the City in connection with such offering and sale.

(e) The Underwriters agrees that from the time the Official Statement becomes available until the earlier of (i) 90 days from the "End of the Underwriting Period," as defined in Section 2(k) herein, or (ii) the time when the Official Statement is available to any person from the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, but in no case less than 25 days following the End of the Underwriting Period, the Underwriters shall send no later than the next business day following a request for a copy thereof, by first class mail or other equally prompt means, to any Potential Customer, as defined in Rule 15c2-12, on request, a single copy of the Official Statement. The Underwriters agrees to deliver the Official Statement in the MSRB's designated electronic format to the MSRB in accordance and to otherwise comply with all applicable MSRB rules.

(f) At 8:00 a.m., California time, on [Closing Date] or at such earlier or later time or date as shall be mutually agreed upon by the City and the Representative (such time and date being herein referred to as the "Closing Date"), the City will deliver or cause to be delivered the Bonds to The Depository Trust Company ("DTC") in New York, New York (or such other location as may be designated by the Representative and approved by the City) in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds (all Bonds to bear CUSIP numbers), and subject to the terms and conditions hereof, the Representative will accept delivery of the Bonds in definitive form, duly executed by the City and authenticated by the Trustee, and the Representative will accept delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section 1 by Federal Funds wire (such delivery and payment being herein referred to as "Closing"). Notwithstanding the foregoing, neither the failure to print CUSIP numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Representative to accept delivery of and pay for the Bonds on the Closing Date in accordance with the terms of this Bond Purchase Agreement. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee for DTC.

2. Representations, Warranties and Agreements of the City.

The City represents, warrants and covenants with the Underwriters that:

(a) The City is a charter city duly organized and existing under the Constitution and laws of the State of California, and has, and at the date of the Closing will have, full legal right, power and authority to (i) issue the Bonds pursuant to the Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California, the resolution of the City Council authorizing the issuance of the Bonds and certain matters relating thereto (the "Resolution") and the Trust Agreements; (ii) execute, deliver and perform its obligations under the Bonds, this Bond Purchase Agreement, the Second Supplement to the 1999 Trust Agreement, the First Supplement to the 2012 Trust Agreement and the

Continuing Disclosure Agreement (the "Continuing Disclosure Agreement," the Second Supplement to the 1999 Trust Agreement, the First Supplement to the 2012 Trust Agreement and this Bond Purchase Agreement being referred to herein as the "City Agreements"); and (iii) to carry out and consummate all transactions contemplated by each of the City Agreements and the Official Statement, and adoption of the Resolution, issuance and sale of the Bonds and compliance with the provisions of the City Agreements will not materially conflict with or constitute a breach of or default under any applicable constitutional provision, law, administrative regulation, court order or consent decree or any applicable judgment or decree or any loan agreement, note, resolution, indenture, agreement or other instrument to which the City is a party or may be otherwise subject in any way that would materially adversely affect the ability of the City to perform its obligations under the City Agreements;

(b) (i) at the time of acceptance hereof by the City and (unless an event occurs of the nature described in subparagraph (i) of this Section 2) at all times during the period from the date of this Bond Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period for the Bonds (as determined in accordance with subparagraph (k) of this Section 2), the statements and information contained in the Preliminary Official Statement (excluding statements and information contained under the caption "OTHER MATTERS—Underwriting" and contained in APPENDIX D—"BOOK-ENTRY SYSTEM", and information as to bond prices on the cover of the Official Statement), as of its date and as of the date hereof are true, correct and complete in all material respects and such statements did not and do not contain any untrue statement of a material fact or omitted or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading; and (ii) at the time of acceptance hereof by the City and (unless an event occurs of the nature described in subparagraph (i) of this Section 2) at all times during the period from the date of this Bond Purchase Agreement to and including the date which is 25 days following the End of the Underwriting Period for the Bonds (as determined in accordance with subparagraph (k) of this Section 2), the statements and information contained in the Official Statement (excluding statements and information contained under the caption "OTHER MATTERS—Underwriting" and contained in APPENDIX D—"BOOK-ENTRY SYSTEM"), as of its date and as of the Closing Date are and will be true, correct and complete in all material respects and such statements do not and will not contain any untrue statement of a material fact or omitted or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading;

(c) the City has duly authorized the issuance of the Bonds and the execution and delivery of the City Agreements and when executed and delivered, the Bonds and the City Agreements, assuming due authorization, execution and delivery by the other respective parties thereto, will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors, rights generally; and has duly authorized and approved the Preliminary Official Statement;

(d) except as disclosed in the Preliminary Official Statement, the City is not in violation or breach of or default under any applicable law or administrative rule or regulation of

the State of California or the United States of America, or any agency or instrumentality of either of them, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both would constitute a violation or a breach of or a default under any such instrument in any way that would materially adversely affect the City's ability to perform its obligations under the Bonds or the City Agreements;

(e) as of the date hereof and at the time of Closing, the City will be in compliance in all respects with the material covenants and agreements contained in the City Agreements and no event of default and no event has occurred and is continuing which, with the passage of time or giving of notice, or both, would constitute an event of default thereunder shall have occurred and be continuing;

(f) to the best knowledge of the City, after due investigation, other than as set forth in the Official Statement or as the City has otherwise disclosed to the Representative, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or by or before any court, governmental agency, public board or body, pending, for which the City has received service of process, or threatened against the City, (i) wherein an unfavorable decision, ruling or finding would adversely affect the existence of the City or the title of any official of the City to such person's office, or (ii) seeking to restrain or enjoin the execution, sale or delivery of the Bonds, or (iii) in any way contesting or affecting the validity or enforceability of the City Agreements or the Bonds, or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (v) contesting the power of the City or its authority with respect to the Bonds or the City Agreements, or (vi) contesting the exclusion of interest on the Bonds from gross income for Federal income tax purposes; nor is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the City Agreements or the ability of the City to perform its obligations under the City Agreements;

(g) the City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Representative which the Representative may reasonably request in order for the Representative to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, however, that in no event shall the City be required to take any action which would subject it to service of process in any jurisdiction in which it is not now subject or qualify to do business in any jurisdiction in which it is not now required to do so;

(h) to the best of its knowledge, all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the due performance by the City of its obligations under the City Agreements have been duly obtained or made, and are, and will be at the time of Closing, in full force and effect;

(i) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds (as defined in Section 2(k) herein), an event occurs, or facts or conditions become known to the City which, in the reasonable opinion of Sidley Austin LLP (“Disclosure Counsel”) or the City Attorney, might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the City will notify the Representative, and if in the opinion of the Representative such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish to the Representative (at the expense of the City) an amendment of or supplement to the Official Statement (in the form and substance satisfactory to the Representative) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. If such notification shall be subsequent to the Closing, the City shall forthwith provide to the Representative such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the City will furnish such information with respect to itself as the Representative may from time to time reasonably request;

(j) if the information contained in the Official Statement is amended or supplemented pursuant to subparagraph (i) of this Section 2, at the time of such supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein), will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was made, not misleading;

(k) as used herein and for the purposes of the foregoing, the term “End of the Underwriting Period” for the Bonds shall mean the earlier of (i) the Closing Date unless the City shall have been notified in writing to the contrary by the Representative on or prior to the Closing Date or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12, provided, however, that the City may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Representative stating the date which is the End of the Underwriting Period;

(l) any certificate signed by any officer of the City and delivered to the Representative pursuant to the Second Supplement to the 1999 Trust Agreement, the First Supplement to the 2012 Trust Agreement or this Bond Purchase Agreement or any document contemplated thereby shall be deemed a representation and warranty by the City to the Representative as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(m) to the best knowledge of the City, there is no public vote or referendum pending or proposed, the results of which could materially adversely affect the transactions contemplated by the Official Statement or the City Agreements or the Bonds, or the validity or enforceability of the Bonds;

(n) the financial statements of the City contained in the Official Statement fairly present the financial positions and results of operations thereof as of the dates and for the periods therein set forth, the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied, except as disclosed in the Official Statement or otherwise disclosed in writing to the Representative, there has not been any materially adverse change in the financial condition of the City or in its operations since June 30, 2014 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change;

(o) at or prior to the Closing, the City shall have duly authorized, executed and delivered the Continuing Disclosure Agreement;

(p) except as disclosed in the Preliminary Official Statement, the City has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of enumerated events specified in such rule; and

(q) [between the date hereof and the time of the Closing, the City shall not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money payable from the General Fund, except in the course of normal business operations of the City or except for such borrowings as may be described in or contemplated by the Official Statement and the Resolution].

3. Right to Terminate.

Between the date hereof and the Closing Date, the Representative has the right to terminate its obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing:

(a) any legislation, resolution, rule or regulation shall be introduced in, considered by or be enacted by any governmental body, department or political subdivision of the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Representative's reasonable opinion, does or will materially adversely affect the market price of the Bonds;

(b) the outbreak or declaration of war or engagement in major military hostilities by the United States or any escalation of any existing conflict or hostilities in which the United States is involved or the occurrences of any other national emergency or calamity or crisis relating to the effective operation of the government of the United States or the financial community which, in the reasonable opinion of the Representative, materially adversely affects the market price of the Bonds;

(c) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange, or the occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market;

(d) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Representative which, in the Representative's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) legislation enacted (or resolution passed) by or introduced or pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that securities of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreements are not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(f) action by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing California personal income taxation upon moneys that would be received by the City that would be received by the Trustee under the Trust Agreements or upon such interest as would be received by the Owners of the Bonds; or action by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or by or on behalf of the State or the California Franchise Tax Board, with the purpose of changing the federal or State income tax rates, respectively;

(g) the withdrawal or downgrading of any rating of the Bonds by a national rating agency which, in the reasonable opinion of the Representative, materially adversely affects the market price of the Bonds; or

(h) any event occurring or information becoming known which, in the judgment of the Representative makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4. Conditions to the Obligations of the Underwriters.

The Underwriters hereby enters into this Bond Purchase Agreement in reliance upon the representations and warranties of the City contained herein and the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City and the Trustee of their respective obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriters under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Representative to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City and the Trustee made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the City and the Trustee of their respective obligations to be performed hereunder and under the City Agreements as herein defined at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Representative shall receive the Official Statement as set forth in Section 1(c) hereof, including any amendments or supplements as have been approved by the Representative);

(b) At the Closing, the City Agreements and the Official Statement shall have been duly authorized, executed and delivered by the City, all in substantially the forms heretofore submitted to the Representative, with only such changes as shall have been agreed to in writing by the Representative, and the City Agreements and the Resolution shall be in full force and effect; and there shall be in full force and effect such resolution or resolutions of the City Council as, in the opinion of Sidley Austin LLP ("Bond Counsel"), shall be necessary or appropriate in connection with the transactions contemplated hereby;

(c) At the time of the Closing, all necessary action of the City relating to the execution and delivery of the Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented;

(d) At or prior to the Closing Date, the Representative shall have received the following documents, in each case satisfactory in form and substance to the Representative:

(i) A certified copy of the Resolution;

(ii) copies of the City Agreements each duly executed and delivered by the respective parties thereto;

(iii) copy of the final judgments entered in favor of the City in connection with the complaints for validation filed in the Superior Court of California, County of Los Angeles;

(iv) the approving opinion of Bond Counsel, dated the Closing Date and addressed to the City in substantially the form attached to the Official Statement as Appendix C, and a letter of such counsel, dated the Closing Date and addressed to the

Representative, to the effect that such opinion may be relied upon by the Representative to the same extent as if such opinion were addressed to it;

(v) the supplemental opinion, dated the Closing Date and addressed to the Representative, of Bond Counsel, substantially to the effect that: (A) this Bond Purchase Agreement has been duly authorized, executed and delivered by the City and is a valid and binding agreement of the City, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights and by the application of equitable principles if equitable remedies are sought; (B) the statements contained in the Official Statement under the captions "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "TAX MATTERS," and in APPENDIX E – "Summary of the Trust Agreements," excluding any material that may be treated as included under such option by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds and the Trust Agreements, and the form and content of Bond Counsel's approving opinion, are accurate in all material respects; and (C) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreements are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(vi) the opinion of the City Attorney dated the Closing Date and addressed to the City and the Representative, to the effect that: (A) the City is a charter city duly organized and validly existing under the Constitution and the laws of the State of California; (B) the Resolution of the City Council approving and authorizing the execution and delivery by the City of the City Agreements was duly adopted at a meetings of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed; (C) to the best knowledge of such counsel, other than as set forth in the Official Statement or as the City has otherwise disclosed to you, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, to restrain or enjoin the execution, delivery or sale of the Bonds or the execution and delivery of the City Documents, or in any way contesting or affecting the validity of the Bonds or the City Agreements, or in any way contesting or affecting the existence of the City or the title of any official of the City to such person's office, or in any way contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power of the City or its authority with respect to the Bonds or the City Agreements; (D) the execution and delivery of the City Agreements, the adoption of the Resolution, and compliance by the City with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or by any existing law, regulation, court order or consent decree to which the City is subject in any way that would materially adversely affect the ability of the City to perform its obligations under the City Agreements; (E) the City Agreements have been duly authorized, executed and

delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with the respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors, rights generally and the application of equitable principles if equitable remedies are sought; and (F) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the City Agreements or for the adoption of the Resolution which has not been obtained;

(vii) the opinion of Counsel to the Trustee, dated the Closing Date and addressed to the City and the Representative, to the effect that: (A) the Trustee is a national banking association duly organized and existing under the laws of the United States, with trust powers, and has the corporate power and authority to carry on its business as presently conducted; and (B) the Trust Agreements have been duly authorized, executed and delivered by the Trustee and constitute the valid and binding obligations of the Trustee enforceable against it in accordance with the respective terms thereof, subject to applicable bankruptcy, insolvency, moratorium, reorganization, arrangement and other similar laws affecting the rights of creditors (including creditors of national and state banks) generally or by the application of general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and the effect of judicial decisions which have held that certain provisions are unenforceable where their enforcement would violate the implied covenant of good faith and fair dealing, or would be commercially unreasonable and the effect of judicial decisions permitting the introduction of extrinsic evidence to modify the terms or the interpretation of the Documents;

(viii) the opinion, dated the Closing Date and addressed to the Representative, of Sidley Austin LLP, as Disclosure Counsel, substantially to the effect that, based on its participation in conferences with Representative of the City, the Representative, its counsel and others, during which conferences the contents of the Official Statement and related matters were discussed (which did not extend beyond the date of the Official Statement), and in reliance thereon and on relevant records, documents, certificates and opinions, and without passing upon nor assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement, during the course of its representation of the City as disclosure counsel on this matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused it to believe that the Official Statement as of its date and as of the Closing Date (except for any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, Appendices A and D, or any information about DTC and its book-entry system, as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ix) an opinion, dated the Closing Date and addressed to the Representative, of Hawkins Delafield & Wood LLP, as Representative's Counsel, substantially to the effect that, (1) on the basis of the information developed in the course of the performance of the services to be described in such opinion, considered in light of such firm's understanding of the applicable law and experience it has gained through its practice, such firm is of the opinion, subject to the limitations to be expressed in the opinion, that as of the Closing Date the attorneys of such firm had no reason to believe that the Official Statement as of its date and as of the Closing Date (except for (i) any CUSIP numbers; (ii) any financial statements contained in the Official Statement (including the basic financial statements, the letter of transmittal, the management's discussion and analysis, the required supplementary information, the statistical section and any other any component of the comprehensive annual financial report of the City); (iii) any financial, demographic, statistical or economic data, estimates, projections, numbers, assumptions, charts, graphs, tables, or expressions of opinion contained in the Official Statement; (iv) information relating to the book-entry-only system, including information in Appendix D - "Book-Entry Only System", as to all of which such firm expresses no opinion) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and (2) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreements pursuant to which the Bonds are issued are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(x) a certificate dated the Closing Date, signed by a duly authorized official of the City, in form and substance satisfactory to the Representative, to the effect that, to the best of such official's knowledge: (A) the representations and warranties of the City contained in the Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (B) the City has complied with the requirements of the City Agreements required to be complied with on and as of the Closing Date; (C) since June 30, 2014, no material adverse change has occurred in the financial condition, assets, properties or results of operation of the City which is not described in the Official Statement; and (D) no event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xi) a certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Representative, to the effect that: (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Trust Agreements, the Continuing Disclosure Agreement and to authenticate and deliver the Bonds to the Representative; (B) the Trustee is duly authorized to enter into the Second Supplement to the 1999 Trust Agreement and the First Supplement to the 2012 Trust Agreement and to authenticate and deliver the Bonds to the Representative pursuant to the Trust Agreements; (C) when delivered to and paid for by the Representative at the Closing, the Bonds will have been

duly authenticated and delivered by the Trustee; (D) the execution and delivery of the Second Supplement to the 1999 Trust Agreement and the First Supplement to the 2012 Trust Agreement and compliance with the provisions on the Trustee's part contained therein, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trust Agreements under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreements; and (E) to the best of the knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoining the execution and delivery of the Bonds or the collection of revenues to be applied to pay the principal, premium, if any, and interest with respect to the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Trust Agreements or the Continuing Disclosure Agreement, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or fording would materially adversely affect the validity or enforceability of the Bonds, the Trust Agreements, or the Continuing Disclosure Agreement or the power and authority of the Trustee to enter into and perform its duties under the Trust Agreements or the Continuing Disclosure Agreement and to authenticate and deliver the Bonds to the Representative;

(xii) a copy of the Official Statement, executed on behalf of the City by an authorized Representative of the City;

(xiii) two certified copies of the general resolution of the Trustee authorizing the execution and delivery of the Second Supplement to the 1999 Trust Agreement, the First Supplement to the 2012 Trust Agreement and the Continuing Disclosure Agreement;

(xiv) evidence of ratings of “___” and “___”, respectively by Standard and Poor's Ratings Service and Fitch Ratings, being in full force and effect as of the Closing Date;

(xv) a copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) and 53583 of the California Government Code; and

(xvi) such additional legal opinions, certificates, instruments or evidences thereof and other documents as Bond Counsel may reasonably request to evidence the

due authorization, execution and delivery of the Bonds and the conformity of the terms of the Bonds and the Trust Agreements, and as summarized in the Official Statement.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement will be deemed to be in compliance with the provisions hereof if and only if they are in form and substance satisfactory to the Representative.

If the City shall be unable to satisfy the conditions to the Underwriters' obligations contained in this Bond Purchase Agreement or if the Underwriters' obligations shall be terminated for any reason permitted herein, all obligations of the Underwriters' hereunder may be terminated by the Representative at, or at any time prior to, the Closing Date by written notice to the City and none of the Underwriters' or the City shall have any further obligations hereunder, except that the respective obligations of the parties set forth in Section 5.

5. Expenses.

All expenses and costs incident to the authorization, execution, delivery and sale of the Bonds to the Underwriters, including the costs of preparation and printing of the Bonds, the fees of municipal/financial advisors, accountants, consultants and rating agencies, counsel to the City and the fee of the Trustee in connection with the execution and delivery shall be paid by the City from proceeds of the Bonds or other moneys of the City.

Except as provided above, all out-of-pocket expenses of the Underwriters, including traveling and other expenses of the Underwriters, the California Debt and Investment Advisory Commission fee, and Blue-Sky filing fees, if any, shall be paid by the Underwriters. Notwithstanding the foregoing, if the Underwriters or the City shall bring an action to enforce any part of this Bond Purchase Agreement against the other, each party shall bear its attorney's fees and costs incurred in connection with such action.

6. Notices.

Any notice or other communication to be given to the City under this Bond Purchase Agreement may be given by delivering the same in writing at the address of the City as set forth above and any such notice or other communication to be given to the Representative may be delivered at the following address: Merrill Lynch, Pierce, Fenner & Smith Incorporated, 555 California Street, Suite 1160, San Francisco, CA 94104, Attention: Chris Rohstedt.

7. Parties in Interest.

This Bond Purchase Agreement is made solely for the benefit of the City and the Representative (including the successors or assigns of the Representative) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations and warranties of the parties hereto contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of (a) any investigations made by or on behalf of the Representative or the City or (b) delivery of and payment for the Bonds. The agreements contained in Section 5 herein shall survive any termination of this Bond Purchase Agreement.

8. Counterparts.

This Bond Purchase Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

9. Effectiveness.

This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by a duly authorize Representative of the City and shall be valid and enforceable as of the time of such acceptance.

10. Choice of Law.

The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State of California.

11. Severability.

In the event any provision of this Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

12. Entire Agreement.

This Bond Purchase Agreement, when accepted by the City in writing as heretofore specified, shall constitute the entire agreement between the City and the Representative.

13. Headings.

The headings of the section of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be part hereof.

14. Arm's Length Commercial Transaction.

The Underwriters and the City acknowledge and agree that (i) the primary role of the Underwriters, as Underwriters, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the City, on the one hand, and the Underwriters, on the other hand, and each Underwriters has financial and other interests that differ from those of the City (ii) in connection with such transaction, each Underwriters is acting solely as a principal and is not acting as an agent, municipal advisor, financial advisor or fiduciary to the City, (iii) each Underwriters has not assumed any advisory or fiduciary responsibility in favor of the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Underwriters, or any affiliate of the Underwriters, provided other services or is currently providing other services to the City on other matters) or any other obligation to the City except the obligations expressly set forth in this Bond Purchase Agreement and those required by law, if any, and (iv) the City and the Underwriters have consulted with their respective legal, financial and/or municipal, accounting, tax and other advisors to the extent they deemed appropriate. The Underwriters is not acting as a Municipal Advisor (as defined in

Section 15B of the Exchange Act of 1934, as amended) in connection with the matters contemplated by this Bond Purchase Agreement.

[Remainder of this Page Intentionally Left Blank]

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED, as Representative of itself and
Raymond James

By: _____
Christopher Rohstedt
Vice President

Accepted:

CITY OF PASADENA

By: _____
Name:
Title:

EXHIBIT A
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES,
YIELDS AND REDEMPTION PROVISIONS

[2015A Principal Amount]
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS,
SERIES 2015A

| <u>Maturity Date</u> <u>(May 15)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|---|-----------------------------------|--------------------------------|--------------|--------------|
|---|-----------------------------------|--------------------------------|--------------|--------------|

[2015B Principal Amount]
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS,
SERIES 2015B

| <u>Maturity Date</u> <u>(May 15)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> |
|---|-----------------------------------|--------------------------------|--------------|--------------|
|---|-----------------------------------|--------------------------------|--------------|--------------|

REDEMPTION PROVISIONS

[To come.]

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2015

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS[†]

Standard & Poor's: ____
Fitch: ____

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel to the City ("Bond Counsel"), interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of California. Interest on the Series 2015 Bonds is includable in the gross income of the owners of the Series 2015 Bonds for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on the Series 2015 Bonds. See "TAX MATTERS" herein.

\$ _____
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2015

\$ _____
Series 2015A
(Fixed Rate Bonds)

\$ _____
Series 2015B
(Fixed Rate Bonds)

Dated: Date of Original Delivery.

Maturities, Interest Rates, Prices and CUSIPs as set forth on inside cover

The above-captioned Series 2015 Bonds will be issued in fully registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2015 Bonds and individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of Series 2015 Bonds will not receive physical certificates representing the Series 2015 Bonds purchased. Payments of principal and interest on the Series 2015 Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and paying agent (the "Paying Agent"), to DTC which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2015 Bonds.

The Series 2015A Bonds are being issued pursuant to a Trust Agreement, dated as of March 1, 2012, as amended and supplemented, including as supplemented by the First Supplemental Trust Agreement, dated as of May 1, 2015, each by and between the City of Pasadena (the "City") and the Trustee. The Series 2015B Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 1999, as amended and supplemented, including as supplemented by the Second Supplemental Trust Agreement, dated as of May 1, 2015, each by and between the City and the Trustee.

The Series 2015 Bonds are being issued for the purpose of refinancing and refunding a portion of the City's outstanding pension obligation bonds, which were issued in 1999, 2004 and 2012, for the purpose of funding a portion of the City's unfunded actuarial accrued liability relating to the Pasadena Fire and Police Retirement System, and to pay the costs of issuance associated therewith.

The Series 2015 Bonds are absolute and unconditional obligations imposed upon the City by law and are payable from all legally available funds of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2015 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2015 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Series 2015 Bonds shall bear interest, payable on November 15, 2015, and semiannually thereafter on May 15 and November 15 of each year through the maturity dates thereof.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Series 2015 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Sidley Austin LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and Sidley Austin LLP, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP. It is anticipated that the Series 2015 Bonds will be available for delivery through the DTC book-entry system in New York, New York, on or about May 15, 2015.

Dated: _____, 2015

BofA Merrill Lynch

Raymond James

[†] For an explanation of ratings, see "OTHER MATTERS – Ratings" herein.
* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities

\$ _____^{*}
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2015

\$ _____^{*}
Series 2015A
(Fixed Rate Bonds)

| Maturity Date (May 15) | Principal Amount | Interest Rate | Yield | CUSIP Number [†] |
|---------------------------|---------------------|------------------|-------|------------------------------|
| | \$ | % | % | |

\$ _____^{*}
Series 2015B
(Fixed Rate Bonds)

| Maturity Date (May 15) | Principal Amount | Interest Rate | Yield | CUSIP Number [†] |
|---------------------------|---------------------|------------------|-------|------------------------------|
| | \$ | % | % | |

^{*} Preliminary, subject to change.

[†] Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the registered owners of the applicable Series 2015 Bonds. Neither the Agency nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2015 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriters to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the City since the date hereof.

The information in this Official Statement has been provided by the City and sources the City considers reliable. The Underwriters make no representation as to the accuracy or sufficiency of the information contained in this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information in APPENDIX E – “BOOK-ENTRY-ONLY SYSTEM” attached hereto has been furnished by The Depository Trust Company and no representation has been made by the City or the Underwriters as to the accuracy or completeness of such information.

The information set forth herein other than that provided by the City, although obtained from sources which are believed by the City to be reliable, is not guaranteed by the City as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date thereof. This Official Statement is submitted with respect to the sale of the Series 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such documents.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement 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.

The City maintains a website at www.ci.pasadena.ca.us. However, references to any internet website in this Official Statement are shown for reference and convenience only; the information contained within such websites is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the bonds.

CITY OF PASADENA, CALIFORNIA

CITY COUNCIL

Bill Bogaard, *Mayor*
Jacque Robinson, *Vice Mayor/Council Member*
Margaret McAustin, *Council Member*
John J. Kennedy, *Council Member*
Gene Masuda, *Council Member*
Victor M. Gordo, *Council Member*
Steve Madison, *Council Member*
Terry Tornek, *Council Member*

CITY STAFF

Michael J. Beck, *City Manager*
Julie A. Gutierrez, *Acting Director of Finance*
Vic Erganian, *City Treasurer and Deputy Director of Finance*
Mark Jomsky, *City Clerk*

CITY ATTORNEY

Michele Beal Bagneris

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Sidley Austin LLP
San Francisco, California

TRUSTEE AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

TABLE OF CONTENTS

| | Page |
|---|------|
| INTRODUCTION..... | 1 |
| General..... | 1 |
| The City..... | 1 |
| Pasadena Fire and Police Retirement System..... | 2 |
| Purpose of the Series 2015 Bonds..... | 2 |
| Security and Sources of Payment for the Series 2015 Bonds..... | 2 |
| Outstanding Pension and Other Obligations Payable from the City General Fund..... | 2 |
| Summaries Not Definitive..... | 2 |
| Future Financial Information; Additional Information..... | 3 |
| BACKGROUND AND PLAN OF REFINANCING..... | 3 |
| Outstanding Pension Obligation Bonds..... | 3 |
| SB 481 and Tax Increment Funding for the Prior Pension Bonds..... | 4 |
| Plan of Refinancing..... | 5 |
| ESTIMATED SOURCES AND USES OF FUNDS..... | 5 |
| THE BONDS..... | 5 |
| General..... | 5 |
| Fixed Rate Bonds..... | 5 |
| Redemption of the Bonds..... | 6 |
| Selection of Bonds for Redemption..... | 7 |
| Notice of Redemption..... | 8 |
| Debt Service Schedule..... | 8 |
| SECURITY AND SOURCES OF PAYMENT FOR THE BONDS..... | 8 |
| General..... | 8 |
| RISK FACTORS..... | 9 |
| Limitation of Remedies..... | 9 |
| Bankruptcy..... | 10 |
| City Pension and OPEB Liabilities..... | 9 |
| SB 481 Litigation..... | 11 |
| Other Risks to Condition of General Fund..... | 9 |
| VALIDATION..... | 11 |
| THE CITY..... | 12 |
| THE FPRS..... | 12 |
| CONTINUING DISCLOSURE..... | 12 |
| TAX MATTERS..... | 13 |
| General..... | 13 |
| U.S. Holders..... | 14 |
| Non-U.S. Holders..... | 17 |

| | |
|--|-----|
| Legal Defeasance..... | 19 |
| State Tax Exemption..... | 20 |
| CERTAIN LEGAL MATTERS..... | 20 |
| LITIGATION..... | 20 |
| RATINGS..... | 20 |
| UNDERWRITING..... | 21 |
| MUNICIPAL ADVISOR..... | 21 |
| MISCELLANEOUS..... | 22 |
| EXECUTION AND DELIVERY | 22 |
| APPENDIX A – THE CITY OF PASADENA..... | A-1 |
| APPENDIX B – CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2014..... | B-1 |
| APPENDIX C – PROPOSED FORM OF BOND COUNSEL OPINION | C-1 |
| APPENDIX D – BOOK-ENTRY SYSTEM | D-1 |
| APPENDIX E – SUMMARY OF TRUST AGREEMENTS..... | E-1 |
| APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT..... | F-1 |

OFFICIAL STATEMENT

\$ _____
*
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2015

\$ _____
Series 2015A
(Fixed Rate Bonds)

\$ _____
Series 2015B
(Fixed Rate Bonds)

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2015 Bonds (as defined herein) to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Official Statement and not otherwise defined herein shall have the respective meanings assigned to them in the applicable Trust Agreement (as defined herein).

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the City of Pasadena, California (the "City") of its Taxable Pension Obligation Refunding Bonds, consisting of (i) \$ _____ principal amount of Taxable Pension Obligation Bonds, Series 2015A (Fixed Rate Bonds) (the "Series 2015A Bonds") and (ii) \$ _____ principal amount of Taxable Pension Obligation Bonds, Series 2015B (Fixed Rate Bonds) (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Series 2015 Bonds"). The Series 2015A Bonds and the Series 2015B Bonds are referred to herein collectively as the "Fixed Rate Bonds."

The Series 2015A Bonds are being issued pursuant to a Trust Agreement, dated as of March 1, 2012, as amended and supplemented (the "2012 Trust Agreement"), including as supplemented by the First Supplemental Trust Agreement, dated as of May 1, 2015, each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series 2015B Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 1999, as amended and supplemented (the "1999 Trust Agreement," and together with the 2012 Trust Agreement, the "Trust Agreements"), including as supplemented by the Second Supplemental Trust Agreement, dated as of May 1, 2015, each by and between the City and the Trustee and pursuant to the City Charter, and Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State"). The Bank of New York Mellon Trust Company, N.A. has also been appointed as paying agent (the "Paying Agent") for the Series 2015 Bonds pursuant to the Trust Agreements.

The City

The City of Pasadena was incorporated in 1886 and became a freeholder charter city in 1901. The City covers nearly 23 square miles and is located in the County of Los Angeles in the northwestern portion of the San Gabriel Valley. The City is bounded on the west by the cities of Los Angeles, La

* Preliminary, subject to change.

Cañada and Glendale, on the south by the cities of South Pasadena and San Marino, on the east by the cities of Arcadia and Sierra Madre and on the north by the unincorporated community of Altadena and the San Gabriel Mountains. See “THE CITY” herein and APPENDIX A – “THE CITY OF PASADENA” and APPENDIX B – “CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR YEAR ENDED JUNE 30, 2014.”

Pasadena Fire and Police Retirement System

The Pasadena Fire and Police Retirement System (“FPRS” or the “System”) was established originally under the Charter of the City in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of June 30, 2014 there were no persons currently employed by the City who were eligible for benefits and 275 persons currently receiving retirement or disability benefits. See APPENDIX A – “THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System.”

Purpose of the Series 2015 Bonds

The Series 2015 Bonds are being issued for the purpose of paying and refinancing all of the City’s \$121,490,000 principal amount of outstanding pension obligation bonds, which were issued in 1999, 2004 and 2012, for the purpose of funding a portion of the unfunded actuarial accrued liability (the “UAAL”) of the FPRS. See “BACKGROUND AND PLAN OF REFINANCING.”

Security and Sources of Payment for the Series 2015 Bonds

The obligation of the City to make payments with respect to the Series 2015 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law and payable from all legally available funds of the City. Payment of principal of or interest on the Series 2015 Bonds is not limited to any special source of funds of the City. The Series 2015 Bonds do not constitute an obligation of the FPRS. **The Series 2015 Bonds are not secured by any reserve fund.**

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2015 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2015 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Outstanding Pension and Other Obligations Payable from the City General Fund

As of June 30, 2014, the City had outstanding approximately \$121,490,000 principal amount of pension obligation bonds, as well as other obligations payable from the general fund of the City (the “General Fund”). All of the City’s outstanding pension obligation bonds will be paid and refinanced with the proceeds of the Series 2015 Bonds on May 15, 2015. See “Plan of Financing”, “BACKGROUND AND PLAN OF REFINANCING” and APPENDIX A – “BONDED AND OTHER INDEBTEDNESS.”

Summaries Not Definitive

Brief descriptions of the Series 2015 Bonds, the City, FPRS, and the Trust Agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive.

All references herein to the Series 2015 Bonds and the Trust Agreements are qualified in their entirety by reference to the actual documents, or with respect to the Series 2015 Bonds, the forms thereof included in the Trust Agreements, copies of all of which are available for inspection at the offices of the City and will be available upon request and payment of duplication costs from the Trustee.

Future Financial Information; Additional Information

The City has covenanted in each Trust Agreement and in the Continuing Disclosure Agreement, the form of which is attached hereto as APPENDIX F, to provide the Trustee and Digital Assurance Certification, L.L.C. ("DAC"), as dissemination agent, a copy of its audited financial statements and certain other information substantially similar to the operating and financial data contained in APPENDIX A hereto relating to the City. DAC will file such information with the Municipal Securities Rulemaking Board ("MSRB") through the MSRB's Electronic Municipal Market Access ("EMMA") system. The City reserves the right to modify the information contained in APPENDIX A in any manner the City deems appropriate. Such audited financial statements are required to be prepared in accordance with generally accepted accounting principles and to be provided, with the other information, to the Trustee on or before February 25 in the year following each Fiscal Year of the City. See "CONTINUING DISCLOSURE" herein.

Additional information regarding the Official Statement may be obtained by contacting the Trustee or:

Director of Finance
City of Pasadena
100 N. Garfield Avenue, Suite 345
Pasadena, California 91109
Telephone: (626) 744-4355

BACKGROUND AND PLAN OF REFINANCING

Outstanding Pension Obligation Bonds

The City has previously issued three series of bonds to fund the UAAL of the FPRS.

In August 1999, the City issued \$101,940,000 principal amount of its Taxable Pension Funding Bonds, Series 1999 consisting of \$50,735,000 principal amount of Series 1999A Fixed Rate Bonds (the "Series 1999A Bonds") and \$51,205,000 principal amount of its Series 1999B Mandatory Tender Bonds (the "Series 1999B Bonds" and, collectively with the Series 1999A Bonds, the "Series 1999 Bonds"). The Series 1999 Bonds are currently outstanding in the aggregate principal amount of \$52,790,000. The Series 1999B Bonds, in the aggregate principal amount of \$51,205,000, are subject to mandatory tender on May 15, 2015.

In 2004, the City issued an additional \$40,750,000 principal amount of pension bonds, consisting of \$15,750,000 principal amount of the City's Taxable Pension Funding Bonds, Series 2004A-1 (Index Bonds), \$15,000,000 principal amount of its Taxable Pension Funding Bonds, Series 2004-2 (Index Bonds), and \$10,000,000 principal amount of its Taxable Pension Funding Bonds Series 2004A-3 (Index Bonds) (collectively, the "Series 2004 Bonds"). The Series 2004 Bonds are currently outstanding in the aggregate principal amount of \$21,260,000. The Series 2004 Bonds will mature on May 15, 2015.

In 2012, the City issued an additional \$47,440,000 principal amount of Taxable Pension Obligation Bonds (Mandatory Tender Bonds) (the "Series 2012 Bonds," and together with the

Series 1999 Bonds and the Series 2004 Bonds, the "Prior Pension Bonds"). The Series 2012 Bonds are currently outstanding in the aggregate principal amount of \$47,440,000. The Series 2012 Bonds are subject to mandatory tender on May 15, 2015.

In addition to the Prior Pension Bonds, the City has outstanding other obligations payable from the general fund of the City. See APPENDIX A – "BONDED AND OTHER INDEBTEDNESS."

SB 481 and Tax Increment Funding for the Prior Pension Bonds

The Prior Pension Bonds are payable from any legally available funds of the City.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 ("SB 481"), which provided a supplemental source of payment to fund the City's liabilities to FPRS. SB 481 authorized the City to utilize tax increment revenues, received by the Pasadena Community Development Commission (the "Commission") from the City's Downtown Project Area and payable by the Commission to the City under a reimbursement agreement (the "Reimbursement Agreement"), for the purpose of funding the City's liabilities to FPRS. The Commission's payments of tax increment under the Reimbursement Agreement are referred to in this Official Statement as "SB 481 Receipts".

The Reimbursement Agreement and the application of SB 481 Receipts to pension costs was judicially validated in 1999 in connection with the Series 1999 Bonds. Under SB 481, the right to receive SB 481 Receipts terminated on December 31, 2014.

Since 1987, SB 481 Receipts have been sufficient to pay all debt service on the Prior Pension Bonds and to accumulate a reserve for the payment of the such bonds.

In 2011, however, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies (including the Commission) and the disposition and winding-up of the operations of those agencies. Following the enactment of AB1x 26, the State Department of Finance challenged the enforceability of the obligation of the Commission to pay tax increment to the City under SB 481 and the Reimbursement Agreement. As a result of the litigation which subsequently ensued (the "SB 481 Litigation"), all SB 481 Receipts are now held in escrow by the County of Los Angeles, pending the resolution of such litigation. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation."

The City structured a substantial portion of the Prior Pension Bonds to mature, or be subject to mandatory tender, on May 15, 2015, to coincide with the scheduled termination date of SB 481 Receipts payments to the City under the Reimbursement Agreement (*i.e.*, December 31, 2014). It was the City's intention to use all available SB 481 Receipts to pay a portion of the Prior Pension Bonds on May 15, 2015 and to refinance the remainder of the Prior Pension Bonds with the proceeds of the Series 2015 Bonds.

As the SB 481 Litigation is not anticipated to be resolved until after the issuance of the Series 2015 Bonds, the City will use the proceeds of the Series 2015 Bonds to refund and/or refinance all of the Prior Pension Bonds payable on May 15, 2015. In the event that the City ultimately prevails in the SB 481 Litigation, any SB 481 Receipts received by the City may be applied to the redemption of the Series 2015 Bonds.

Plan of Refinancing

The Series 2015 Bonds are being issued, in two series, for the purpose of paying and refinancing, on May 15, 2015, all of the Prior Pension Bonds. The proceeds of the Series 2015A Bonds, net of costs of issuance, will be applied to pay and refinance the Series 1999 Bonds and to pay and refinance the Series 2004 Bonds, and the proceeds of the Series 2015B Bonds, net of costs of issuance, will be applied to pay and refinance the Series 2012 Bonds. To accomplish this purpose the proceeds of the Series 2015 Bonds will be deposited with The Bank of New York Mellon Trust Company, N.A., the trustee for the Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds, for payment on May 15, 2015 of the redemption price or, in the case of the Series 2004 Bonds, the amount due at maturity.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2015 Bonds are set forth below:

| | Series 2015A Bonds | Series 2015B Bonds | Total |
|---|--------------------|-----------------------|-------|
| <u>Estimated Sources of Funds</u> | | | |
| Proceeds of Series 2015 Bonds | _____ | _____ | _____ |
| Moneys held in under the Trust Agreements | _____ | _____ | _____ |
| Total Sources | _____ | _____ | _____ |
| <u>Estimated Uses of Funds</u> | | | |
| Refunding of Series 1999 Bonds | _____ | _____ | _____ |
| Refinancing of Series 2004 Bonds | _____ | _____ | _____ |
| Refunding of Series 2012 Bonds | _____ | _____ | _____ |
| Cost of Issuance ⁽¹⁾ | _____ | _____ | _____ |
| Total Uses | _____ | _____ | _____ |

⁽¹⁾ Includes Underwriters' discount, legal fees, financial advisory fees, fees of the Trustee and the Paying Agent, rating agencies fees, printing costs and certain miscellaneous expenses.

THE BONDS

General

The Series 2015 Bonds are being issued in the aggregate principal amount of \$_____* . The Series 2015 Bonds will be dated the date of their original delivery and issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2015 Bonds. Ownership interests in the Series 2015 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Series 2015 Bonds purchased. Payments of principal of, premium, if any, and interest on the Series 2015 Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal and interest to its DTC

* Preliminary, subject to change.

Participants for subsequent disbursement to the beneficial owners of the Series 2015 Bonds. See APPENDIX D – “BOOK-ENTRY SYSTEM” herein.

The Series 2015 Bonds will be dated the date of their original delivery. The Series 2015 Bonds are subject to optional redemption prior to maturity, as well as being subject to mandatory sinking fund redemption as set forth herein.

Ownership interests in the Series 2015 Bonds will be issued in \$5,000 denominations or any integral multiple thereof. Interest on the Series 2015 Bonds is payable on May 15 and November 15 of each year, commencing November 15, 2015. Interest on the Series 2015 Bonds will be calculated on the basis of a 360-day year composed of twelve thirty-day months. The Series 2015 Bonds will mature in the years and in the respective principal amounts, and will bear interest at the rates shown on the inside cover page of this Official Statement.

Redemption of the Bonds

Mandatory Sinking Fund Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on May 15, 20__ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 15, of each year on or after May 15, 20__ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

| | |
|--|-----------------------------------|
| Mandatory Sinking Fund Payment Date (May 15) | Mandatory Sinking Fund Payment |
| _____ | _____ |

* Maturity

Mandatory Sinking Fund Redemption of Series 2015B Bonds. The Series 2015B Bonds maturing on May 15, 20__ are subject to mandatory sinking fund redemption prior to maturity, in part, on May 15, of each year on or after May 15, 20__ from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium:

| | |
|--|-----------------------------------|
| Mandatory Sinking Fund Payment Date (May 15) | Mandatory Sinking Fund Payment |
| _____ | _____ |

* Maturity

[Optional Redemption. The Series 2015 Bonds maturing on or after [May 15, 2026] are subject to redemption prior to their stated maturity date, at the option of the City, from any available funds, in whole or in part on any date on and after [May 15, 2025], at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.]

Make-Whole Optional Redemption. The Series 2015 Bonds are subject to redemption prior to their stated maturity date at the option of the City, in whole or in part, on any date prior to [May 15, 2025], at a redemption price equal to the greater of:

- (1) the principal amount of the Series 2015 Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015 Bonds are to be redeemed, discounted to the date on which such Series 2015 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus ____ basis points;

plus, in each case, accrued interest on such Series 2015 Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2015 Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2015 Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

[On and after May 15, 2025, Series 2015 Bonds will be subject to redemption as described under “Optional Redemption” above and will no longer be subject to Make-Whole Optional Redemption.]

Purchase In Lieu of Redemption. In lieu of optional, make-whole or mandatory sinking fund redemption of the Series 2015 Bonds of either series as described above, the City may purchase such Series 2015 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Series 2015 Bonds purchased by the City in any twelve-month period ending on [September 15] in any year will be credited towards and will reduce the par amount of such Series 2015 Bonds, required to be redeemed as described above on the next succeeding [November 15].

Selection of Bonds for Redemption

Whenever less than all Outstanding Bonds of a series of Series 2015 Bonds are to be redeemed, the Bonds to be redeemed must be redeemed on a pro rata basis among all maturities of the same series. The Trustee will select Series 2015 Bonds of the same series and maturity for redemption by lot in such manner as the Trustee may determine, except that mandatory sinking fund redemption must be pro rata from the owners thereof.

Notice of Redemption

Whenever redemption is authorized under a Trust Agreement, the Trustee is required to mail to affected owners a notice of redemption, containing the information required by such Trust Agreement, by first-class mail, postage prepaid, at least 10 days but no more than 45 days before the date of any such redemption date. While the Series 2015 Bonds are held by DTC or its nominee, all such mailed notices shall be sent to DTC, or its nominee, as the registered owner of the Series 2015 Bonds.

Neither the failure of an owner to receive any such notice, nor the failure to give such notice to certain depositories or information services as required by the applicable Trust Agreement, nor any defect in any such notice, shall invalidate any of the proceedings for the redemption of any Series 2015 Bonds.

If notice of redemption has been duly given and money for the payment of the redemption price of the Series 2015 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2015 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Series 2015 Bonds shall cease to accrue, and the owners of such Series 2015 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Debt Service Schedule

Set forth below is a debt service schedule for the Series 2015 Bonds. The City has incurred other obligations payable from the general fund of the City (the "General Fund"). See "Plan of Financing" "BACKGROUND AND PLAN OF REFINANCING" and APPENDIX A – "BONDED AND OTHER INDEBTEDNESS."

\$ _____
CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS
SERIES 2015
DEBT SERVICE SCHEDULE

| For the Fiscal Year ending June 30 | Series 2015A Bonds | | Series 2015B Bonds | | Total |
|--|--------------------|----------|--------------------|----------|-------|
| | Principal | Interest | Principal | Interest | |

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The obligation of the City to make payments with respect to the Series 2015 Bonds is an absolute and unconditional obligation of the City imposed upon the City by law, and is payable from all legally available funds of the City. Payment of principal of and interest on the Series 2015 Bonds is not limited

to any special source of funds of the City. No taxing power is pledged, the assets of the FPRS are not available for payment of the Series 2015 Bonds, and the Series 2015 Bonds do not constitute an obligation of the FPRS. **The Series 2015 Bonds are not secured by any reserve fund.**

Each Trust Agreement provides that the City is obligated to deposit with the Trustee, for deposit in the applicable Bond Fund, not later than the 5th business day preceding each date on which interest on and principal of the Series 2015 Bonds is due and payable, an amount of money equal to the interest on or principal of the Series 2015 Bonds due on such date.

See APPENDIX A – "CITY FINANCIAL INFORMATION" for detailed information of the City's financial condition.

THE SERIES 2015 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE SERIES 2015 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS WITH RESPECT TO THE SERIES 2015 BONDS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Series 2015 Bonds. However, it does not purport to be an exhaustive list of risks or other considerations which may be relevant to an investment in the Series 2015 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Condition of General Fund

The City is obligated to pay the Series 2015 Bonds from any legally available revenues. The principal source of such revenues will be the City's General Fund. The condition of the City's General Fund is subject to a variety of additional risks as described in Appendix A.

City Pension and OPEB Liabilities

The City has significant pension and post-retirement health care benefit ("OPEB") liabilities to its employees and retirees. These liabilities are owed to FPRS and to CalPERS. Many factors influence the amount of the City's pension and OPEB liabilities, including, without limitation, inflationary factors, investment performance, changes in actuarial assumptions or methods, differences between actual and anticipated investment experience, longevity of retirees, and the cost and availability of health care coverage. Any of these factors could give rise to additional liability of the City to the FPRS or to CalPERS, which could have a material adverse affect on the City's financial position and its ability to pay the Series 2015 Bonds. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System," "—Retirement Systems—California Public Employees' Retirement System," "—Retirement Systems—Post-Retirement Medical Benefits" and "—CITY FINANCIAL INFORMATION—Investment Practices."

Limitation of Remedies

The rights of the owners of the Series 2015 Bonds are subject to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law.

Bankruptcy

The enforceability of the rights and remedies of the owners of the Series 2015 Bonds and obligations of the City may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principal which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose.

In addition to the limitation on remedies contained in the Trust Agreements, the rights and remedies provided in each Trust Agreement may be limited and are subject to the provisions of federal bankruptcy laws. The City is a governmental unit and therefore cannot be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However the City is a municipality and therefore may seek voluntary protection from its creditors pursuant to Chapter 9 of the Bankruptcy Code for purposes of adjusting its debts.

If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 case. Such a bankruptcy could adversely affect the payments under either Trust Agreement. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City of the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from the funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the owners of the Series 2015 Bonds; and (iv) the possibility of the adoption of a plan (the "Plan") for the adjustment of the City's debt without the consent of the Trustee or all of the Series 2015 Bond owners, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Series 2015 Bond owners if the Bankruptcy Court finds that the Plan is fair and equitable and in the best interests of creditors.

In bankruptcy proceedings relating to the City of Stockton, the City of Stockton's pension obligation bonds were treated as unsecured debt of the City. The treatment of the pension obligations in Stockton resulted in less favorable recoveries for pension bondholders than the recoveries of certain other unsecured creditors (*e.g.*, pensioners). In fact, CalPERS, which administered the City of Stockton pension plan (and which also administers the City of Pasadena's pension plan for its active employees), intervened and argued that the liabilities of the City of Stockton to CalPERS could not be compromised at all. Although the Stockton bankruptcy court rejected CalPERS position, the Stockton plan did not compromise the City's obligations to CalPERS and accordingly, the court's statements may not be precedent for future courts.

In a bankruptcy of the City, if a material liability is owed to CalPERS or to FPRS by the City or any other pension system on the filing date or accrues thereafter (the "Pension Systems"), the City or the Pension Systems may take the position (as CalPERS has previously done) that the claims of the Pension Systems enjoy a higher priority than other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a City bankruptcy case, and that Pension Systems claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional or municipal law under which such Pension Systems were created. Despite the dicta of the Stockton bankruptcy court on these matters as they relate to CalPERS, this area is unsettled, and it is uncertain how a bankruptcy judge in a City bankruptcy would rule on these or related claims or arguments by Pension Systems or the City.

It should also be noted that the treatment of pension obligation bondholders in the Stockton bankruptcy plan was less favorable than the treatment of certain lease revenue bondholders (who were treated as "secured" creditors to the extent of the value of the underlying lease estate). For instance, lease revenue bondholders secured by an "essential" asset (e.g., a police station) were treated more favorably than pension bondholders (and were treated much more favorably than bondholders secured by an "unessential" asset (e.g., a park)). Accordingly, bondholders should bear in mind that in the event of a Chapter 9 bankruptcy proceeding involving the City, it is highly unlikely that the bondholders would recover their investment in full.

Bankruptcy proceedings, or the exercising of powers by the federal or state government, if initiated, could subject the Series 2015 Bondholder to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. The opinions of counsel, including Bond Counsel, delivered in connection with the execution and delivery of the Series 2015 Bonds, will be so qualified. See APPENDIX C – "FORM OF BOND COUNSEL OPINION."

SB 481 Litigation

The State has contested the right of the City to receive SB 481 Receipts. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation." SB 481 Receipts would otherwise be required to be applied by the City to the payment of the outstanding Prior Pension Bonds or of other liabilities of the City to FPRS. There can be no assurance that the City will prevail in the SB 481 Litigation. If the City does not prevail, the City is nonetheless obligated to pay the Series 2015 Bonds from any legally available revenues.

Seismic Risk

The City is subject to unpredictable and significant seismic activity. A number of known faults run through or near the City, including the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles County fault system interacts with the alluvial soils and other geographic conditions in the area's hills and basins. This interaction appears to pose a potential seismic threat. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake near the City, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault.

No Reserve Fund

The Series 2015 Bonds are not secured by any reserve fund.

VALIDATION

On April 27, 1999, the City, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure (the "Validation Act"), filed a complaint (case number GC023144) in the Superior Court of the State of California for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the debenture, in favor of the FPRS to evidence a portion of the UAAL obligation of the City to FPRS (the "1999 Debenture") and the Series 1999 Bonds and certain other matters. On June 7, 1999, the court entered a default judgment to the effect, among other things, that the 1999 Debenture and the Series 1999 Bonds, as well as additional bonds issued to refund debentures (such as the Series 2004 Bonds) are valid, legal and binding obligations of the City, and that such bonds, including any bonds issued to refund such bonds, are in conformity with applicable provisions of law. The June 7, 1999 default judgment also validated the use of SB 481 Receipts to pay debt service on the Series 1999 Bonds or any bonds issued to refund such bonds. The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable.

On November 15, 2011, again acting pursuant to the Validation Act, the City filed a complaint (case number GC048438) in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of the debenture, in favor of the FPRS to evidence a portion of the UAAL obligation of the City to the FPRS (the "2012 Debenture") and the Series 2012 Bonds and certain other matters. On January 26, 2012, the court entered a default judgment to the effect, among other things, that the 2012 Debenture and the Series 2012 Bonds are valid, legal and binding obligations of the City and that such bonds, including any bonds issued to refund such bonds, are in conformity with applicable provisions of law. The time period for the filing of appeals with respect to the judgment has expired and no appeals have been filed; the judgment is therefore final and unappealable.

In issuing its opinion as to the validity of the Series 2015 Bonds, Bond Counsel has relied upon the entry of the foregoing default judgments.

THE CITY

Information with respect to the City, including financial information and certain economic and demographic information relating to the City, is provided in APPENDIX A – "THE CITY OF PASADENA" attached hereto. Appendix A should be read in its entirety.

THE FPRS

The FPRS was established under the Charter of the City originally in 1919 for fire and police personnel of the City. The FPRS was closed to new members effective July 1, 1977 and as of [June 30, 2014] there were no persons currently employed by the City who were eligible for benefits and [275] persons currently receiving retirement or disability benefits. See APPENDIX A – "THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System."

FINANCIAL STATEMENTS

A copy of the financial statements of the City for the fiscal year ended June 30, 2014 is attached hereto as Appendix B. Appendix B should be read in its entirety.

The City has not requested nor did the City obtain permission from Brown Armstrong Accountancy Corporation (the "Auditor") to include the audited financial statements as an Appendix to

this Official Statement. Accordingly, the Auditor has made no representation in connection with the inclusion of the audits herein that there has been no material change in the financial condition of the City since the most recent audit was concluded. The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The City has agreed to enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), for the benefit of the Holders and Beneficial Owners of the Series 2015 Bonds to provide annual financial statements of the City (the "Annual Report"), by not later than 240 days after the end of the City's fiscal year (presently June 30), commencing with the report for the 2014-15 fiscal year. The City has also agreed in the Continuing Disclosure Agreement to provide notices within 10 business days of the occurrence of certain listed events. See "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The City is not required to make any voluntary disclosures under the terms of the Continuing Disclosure Agreement.

The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. Notwithstanding any provision of either Trust Agreement, failure of the City to comply with the requirements of the Rule or the Continuing Disclosure Agreement will not be considered an Event of Default under either Trust Agreement and will not result in the acceleration of the maturity of any Series 2015 Bond; provided however that the Trustee, may, and in some cases, must, and a Holder or a Beneficial Owner may take such actions as may be necessary and appropriate to cause the City to comply with the disclosure obligations described above. For purposes of the Continuing Disclosure Agreement only, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or give consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through any nominees, depositories or other intermediaries). See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In the previous five years the City has not failed to comply in all material respects with any previous undertaking to provide information under the Rule. The City did not file a notice relating to an upgrade in an underlying rating in 2010 with respect to the City's certificates of participation. Filings of such ratings were made in September 2014. The City does not believe that its actions with respect to the rating upgrade represented a failure by the City to comply with its disclosure undertaking in any material respect.

TAX MATTERS

General

The following is a summary of the principal U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2015 Bonds. This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is based upon the Code, Treasury regulations (whether final, temporary or proposed), rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors

subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding Series 2015 Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold Series 2015 Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state, local or foreign tax laws. This discussion applies only to U.S. Holders and non-U.S. Holders (each defined below) of Series 2015 Bonds who purchase their Series 2015 Bonds in the original offering at the original offering price, and who hold their Series 2015 Bonds as capital assets. This discussion does not address any tax consequences applicable to a holder of an equity interest in a holder of Series 2015 Bonds. In particular, this discussion does not address any tax consequences applicable to a partner in a partnership holding Series 2015 Bonds. If a partnership holds Series 2015 Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Thus, a person who is a partner in a partnership holding Series 2015 Bonds should consult his or her own tax advisor.

This summary only addresses Series 2015 Bonds with the features described herein.

Prospective purchasers are urged to consult their own tax advisors with respect to the U.S. federal and other tax consequences of the purchase, ownership and disposition of the Series 2015 Bonds before determining whether to purchase Series 2015 Bonds.

In this discussion, the term "U.S. Holder" means a beneficial owner of Series 2015 Bonds that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996 and properly elected to continue to be treated as a United States person. As used herein, the term "non-U.S. holder" means a beneficial owner of Series 2015 Bonds that is not a U.S. Holder.

U.S. Holders

Interest on Series 2015 Bonds

Payments of interest on the Series 2015 Bonds will be included in gross income for U.S. federal income tax purposes by a U.S. Holder as ordinary income at the time the interest is paid or accrued in accordance with the U.S. Holder's regular method of accounting for tax purposes, provided such interest is "qualified stated interest" as defined below.

Original Issue Discount

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2015 Bonds issued with original issue discount ("Discount Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the IRS under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2015 Bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the Series 2015 Bond's stated payment price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a Bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such Series 2015 Bond). The issue price of each maturity of substantially identical Series 2015 Bonds equals the first price at which a "substantial amount" of such maturity has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Series 2015 Bond is the sum of all payments provided by such Series 2015 Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

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

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

U.S. Holders may generally, upon election, include in income all interest (including stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount,

subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Market Discount

If a U.S. Holder purchases a Series 2015 Bond other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2015 Bond at a "market discount," unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the "revised issue price" of a Series 2015 Bond generally equals its issue price, increased by the amount of any original issue discount that has been accrued on such Series 2015 Bond and decreased by the amount of any payments previously made on such Series 2015 Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder is required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2015 Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain, or (ii) the amount of market discount that has not previously been included in gross income and is treated as having accrued on such Series 2015 Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of such Series 2015 Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2015 Bond with market discount until the maturity of such Series 2015 Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of such Series 2015 Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies, and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a Series 2015 Bond for an amount that is greater than the sum of all amounts payable on such Series 2015 Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased such Series 2015 Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of such Series 2015 Bond and may offset interest otherwise required to be included in respect of such Series 2015 Bond during any taxable year by the amortized amount of such premium for the taxable year. Bond premium on a Series 2015 Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2015 Bond. However, if a Series 2015 Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules will apply that could result in a deferral of the amortization of a portion of the bond premium until later in the term of such Series 2015 Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable

debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Series 2015 Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Series 2015 Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder's tax basis in the Series 2015 Bond and (B) the sum of all amounts payable on such Series 2015 Bond after the purchase date, other than payments of qualified stated interest or (2) the difference between (X) such U.S. Holder's tax basis in such Series 2015 Bond and (Y) the sum of all amounts payable on such Series 2015 Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a Series 2015 Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder's tax basis in the Series 2015 Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Series 2015 Bond will be treated as "reissued" on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section "Premium." The rules relating to a Series 2015 Bond that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

Disposition of Series 2015 Bonds

Except as discussed above, upon the sale, exchange, redemption or retirement of a Series 2015 Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) of such Series 2015 Bond and such U.S. Holder's adjusted tax basis in such Series 2015 Bond. A U.S. Holder's adjusted tax basis in a Series 2015 Bond generally will equal such U.S. Holder's initial investment in the Series 2015 Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2015 Bond. Such gain or loss generally will be long term capital gain or loss if the Series 2015 Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. holder is an individual, long term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Medicare Tax

An additional 3.8% tax will be imposed on the net investment income (which includes interest, original issue discount and gains from the disposition of a Series 2015 Bond) of certain individuals, trusts and estates. Prospective investors in the Series 2015 Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Series 2015 Bonds.

Non-U.S. Holders

A non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2015 Bonds on its own behalf will not be subject to U.S.

federal income tax on payments of principal of, or premium (if any), or interest (including original issue discount, if any) on Series 2015 Bonds, unless the non-U.S. Holder is a bank receiving interest described in Section 881(c)(3)(A) of the Code. To qualify for the exemption from taxation, the Withholding Agent (defined below) must have received a statement from the individual or corporation that:

- is signed under penalties of perjury by the beneficial owner of the Series 2015 Bonds,
- certifies that the owner is not a U.S. holder, and
- provides the beneficial owner's name and permanent residence address.

A "Withholding Agent" is the last U.S. payor (or non-U.S. payor who is a qualified intermediary, U.S. branch of a foreign person or withholding foreign partnership) in the chain of payment prior to payment to a non-U.S. Holder (that itself is not a Withholding Agent). Generally, this statement is made on an IRS Form W-8BEN ("W-8BEN") or an IRS Form W-8BEN-E ("W-8BEN-E"), which are generally effective for the remainder of the year of signature and three full calendar years thereafter, unless a change in circumstances makes any information on the form incorrect. Notwithstanding the preceding sentence, a W-8BEN or W-8BEN-E may in certain circumstances remain effective until a change in circumstances makes any information on the form incorrect. The beneficial owner must inform the Withholding Agent within 30 days of any change and furnish a new W-8BEN or W-8BEN-E. A non-U.S. Holder of Series 2015 Bonds that is not an individual or corporation (or an entity treated as a corporation for U.S. federal income tax purposes) holding Series 2015 Bonds on its own behalf may have substantially increased reporting requirements. In particular, in the case of Series 2015 Bonds held by a foreign partnership or foreign trust, the partners or beneficiaries rather than the partnership or trust will be required to provide the certification discussed above, and the partnership or trust will be required to provide certain additional information.

A non-U.S. Holder of Series 2015 Bonds whose income from such Series 2015 Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. holder (and, if the non-U.S. Holder of Series 2015 Bonds is a corporation, possibly subject to a branch profits tax at a 30% rate or lower rate as may be prescribed by an applicable tax treaty), provided the holder furnishes to the Withholding Agent an IRS Form W-8ECL.

Certain securities clearing organizations, and other entities that are not beneficial owners may be able to provide a signed statement to the Withholding Agent. In that case, however, the signed statement may require a copy of the beneficial owner's W-8BEN or W-8BEN-E.

Generally, a non-U.S. Holder will not be subject to U.S. federal income tax on any capital gain recognized on retirement or disposition of Series 2015 Bonds, unless the non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the retirement or disposition of such Series 2015 Bonds, and that gain is derived from sources within the United States. Certain other exceptions may apply, and a non-U.S. holder in these circumstances should consult his tax advisor.

Series 2015 Bonds will not be includible in the estate of a non-U.S. Holder unless, at the time of the decedent's death, income from such Series 2015 Bonds was effectively connected with the conduct by the decedent of a trade or business in the United States.

FATCA

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act (“FATCA”) will generally impose a withholding tax of 30% on interest income from, and the gross proceeds from a disposition of, debt obligations paid to a foreign financial institution, unless such foreign financial institution enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which would include certain account holders that are foreign entities with U.S. owners). The U.S. government has entered into intergovernmental agreements with the governments of certain countries that may in certain circumstances modify the foregoing requirements, including, in the case of a “Model 1” intergovernmental agreement, by requiring substantially similar information to be reported to the tax authorities in such country rather than to the U.S. tax authorities. In addition, FATCA will generally impose a withholding tax of 30% on interest income from, and the gross proceeds from a disposition of, debt obligations paid to a non-financial foreign entity unless such non-financial foreign entity provides the withholding agent with certain certifications or information relating to U.S. ownership of the entity. Under certain circumstances, such foreign persons might be eligible for refunds or credits of such taxes. U.S. Treasury regulations issued under FATCA provide that that no withholding tax under FATCA will be imposed with respect to payments of gross proceeds from the disposition of debt obligations prior to January 1, 2017. Prospective investors should consult their tax advisors regarding the applicability of FATCA to their ownership of the Series 2015 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements, on IRS Form 1099, generally apply to (i) payments of principal of and interest on Series 2015 Bonds to a noncorporate U.S. Holder within the United States or by a U.S. paying agent or other U.S. intermediary, including payments made by wire transfer from outside the United States to an account maintained in the United States, and (ii) payments to a noncorporate U.S. holder of the proceeds from the sale of Series 2015 Bonds effected by a U.S. broker or agent or at a U.S. office of a broker.

Backup withholding may apply to these payments if the U.S. holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with the backup withholding rules. Compliance with the identification procedures described in the preceding section will establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

Legal Defeasance

Under the terms of the Trust Agreements, the Series 2015 Bonds may be legally defeased. Prospective purchasers of Series 2015 Bonds should be aware that, for U.S. federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such Series 2015 Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of Series 2015 Bonds could differ from the timing and character of the amounts that would have been includable in gross income in respect of such Series 2015 Bonds had the legal defeasance not occurred. Prospective purchasers of such Series 2015 Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed forms of opinion of Bond Counsel is attached hereto as Appendix C.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the City of the Series 2015 Bonds are subject to the approving opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney, and by Sidley Austin LLP, San Francisco, California, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP.

LITIGATION

Except as disclosed in this Official Statement, there is no controversy of any nature now pending against the City or, to the knowledge of the City's responsible officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2015 Bonds or the related documents, or in any way contesting or affecting the validity of the Trust Agreements, the corporate existence of the City, or the title of the executive officers to their respective offices, the Series 2015 Bonds 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 Series 2015 Bonds or the use of the Series 2015 Bond proceeds. For a description of the SB 481 Litigation, see "BACKGROUND AND PLAN OF REFINANCING—SB 481 and Tax Increment Funding for the Prior Pension Bonds" and APPENDIX A – "THE CITY OF PASADENA—THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation."

Except as disclosed in this Official Statement, there are no pending, or to the best knowledge of the City, threatened lawsuits which could have a material adverse impact upon the ability of the City to pay principal of, premium, if any, and interest on the Series 2015 Bonds. See APPENDIX A – "THE CITY OF PASADENA—LITIGATION."

RATINGS

Fitch Ratings ("Fitch") and Standard & Poor's Ratings Services ("S&P"), a Standard and Poor's Financial Services LLC business, have assigned the ratings of "___" with stable outlook and "___" with stable outlook, respectively, to the Series 2015 Bonds. Such credit ratings and outlooks reflect only the views of such organizations and any desired explanation of the significance of such credit ratings and outlooks should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004, and Standard & Poor's, 55 Water Street, New York, New York 10041.

The City furnished to the rating agencies certain information, including information that may not be included herein. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will

continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The City undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained, or other actions by a rating agency relating to its rating, may have an adverse effect on the market price and marketability of the Series 2015 Bonds.

UNDERWRITING

The Series 2015 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, on its own behalf and as representative of Raymond James & Associates (collectively, the "Underwriters") at a purchase price of \$_____ (which represents the aggregate principal amount of the Series 2015 Bonds, less an underwriters' discount of \$_____).

The Underwriters may offer and sell the Series 2015 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriters. The Purchase Contract for the Series 2015 Bonds provides that the Underwriters thereunder will purchase all of the Series 2015 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

MUNICIPAL ADVISOR

Urban Futures Incorporated (the "Municipal Advisor") has acted as Municipal Advisor to the City in conjunction with the issuance of the Series 2015 Bonds. The Municipal Advisor has assisted the City in preparation of this Official Statement and in other matters related to the planning, structuring, execution and delivery of the Series 2015 Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Series 2015 Bonds.

The Municipal Advisor has not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other information related to the City with respect to the accuracy or completeness of disclosure of such information. The Municipal Advisor makes no guaranty, warranty or other representation respecting the accuracy or completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement, among other things, a summary of certain provisions of the principal legal documents, the proposed form of opinion of Bond Counsel, a general description of the City and a description of DTC's Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Series 2015 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition, results of operations or any other affairs of the City since the date hereof.

EXECUTION AND DELIVERY

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF PASADENA

By: _____
Director of Finance

APPENDIX A
THE CITY OF PASADENA

APPENDIX B
CITY OF PASADENA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINIONS

_____, 2015

City of Pasadena
Pasadena, California

City of Pasadena
Taxable Pension Obligation Refunding Bonds,
Series 2015A (Fixed Rate Bonds) and Series 2015B (Fixed Rate Bonds)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pasadena (the "City") in connection with the issuance of its \$_____ aggregate principal amount of City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds) and Series 2015B (Fixed Rate Bonds) (collectively, the "Series 2015 Bonds"). The Series 2015A are being issued pursuant to the Charter of the City, Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Law"), Resolution No. 7749, adopted by the City Council on April 26, 1999, Resolution No. 7778, adopted by the City Council on July 19, 1999, Resolution No. 9152, adopted by the City Council on October 24, 2011, Resolution No. 9183, adopted by the City Council on February 27, 2012, and Resolution No. 9516, adopted by the City Council on February 9, 2015 (collectively, the "Resolutions"), a Trust Agreement, dated as of March 1, 2012, as supplemented by the First Supplemental Trust Agreement, dated as of May 1, 2015, and the Series 2015B Bonds are being issued pursuant to a Trust Agreement, dated as of August 1, 1999, as supplemented by the Second Supplemental Trust Agreement, dated as of May 1, 2015 (collectively, the "Trust Agreements"), each by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and pursuant to. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the applicable Trust Agreement.

In our capacity as bond counsel, we have reviewed the Charter of the City, the Law, the Resolutions, the Trust Agreements, certifications of the City and others, opinions of the City Attorney and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the applicable Trust Agreement.

We have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. In our examination, we have assumed, but have not independently verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. As to facts and certain other matters and the consequences thereof relevant to the opinions expressed herein and the other statements made herein, we have relied without independent investigation or verification upon, and assumed the accuracy and completeness of certificates, letters (including opinion letters), and oral and written statements and representations of public officials, officers and other representatives of the City, the City Attorney and others.

With respect to the opinions expressed herein, we call attention to the fact that the enforceability of the rights and obligations of the City under the Series 2015 Bonds and the Trust Agreements are

subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal entities in the State of California.

Based upon the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, we are of the opinion, under existing law, that:

1. The Series 2015 Bonds have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of the City.
2. The 1999 Trust Agreement, as supplemented by the Second Supplemental Trust Agreement, and the 2012 Trust Agreement, as supplemented by the First Supplemental Trust Agreement, have been duly adopted by the Council and each constitutes a valid and binding obligation of the City.
3. Interest on the Series 2015 Bonds is exempt from personal income tax imposed by the State of California.
4. The Series 2015 Bonds do not constitute a debt of the City or the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and do not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

Other than as described herein, we have not addressed, and are not opining on, the tax consequences to any person of the investment in, or of the receipt of interest on, the Series 2015 Bonds.

The opinions expressed and the statements made herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on June 7, 1999 by the Superior Court of Los Angeles in the action entitled *City of Pasadena v. All Persons Interested, etc.*, No. GC023144, filed April 27, 2011 and the default judgment rendered on January 26, 2012 by the Superior Court of the County of Los Angeles in the action entitled *City of Pasadena v. All Persons Interested, etc.*, No. GC048438, filed November 15, 2011, and cover certain matters not directly addressed by such authorities. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason.

This opinion letter is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

Respectfully submitted,

SIDLEY AUSTIN LLP

APPENDIX D

BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Series 2015 Bonds"). The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2015 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of the Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co. a consenting or voting right to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium and redemption proceeds, distributions, and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC or of its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium and redemption proceeds, distributions, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2015 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Series 2015 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2015 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series 2015 Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2015 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2015 Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest and premium, if any, on the Series 2015 Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2015 Bonds or any error or delay relating thereto.

Neither the City nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Series 2015 Bonds; (iii) any notice that is permitted or required to be given to Holders under the Bond Indenture; (iv) the selection by DTC, any Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Series 2015 Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.

APPENDIX E

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions in the Trust Agreements, with differences between the Trust Agreements noted below, as appropriate. This summary does not purport to be comprehensive and reference should be made to the applicable Trust Agreement for a full and complete statement of its provisions. All capitalized terms not defined in this Official Statement have the meaning set forth in the applicable Trust Agreement.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated ____, 2015, is executed and delivered by the City of Pasadena (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings.

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Director of Finance or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied

by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 240 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2015. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"¹
14. "The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of an obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of an obligated person.

termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;" and

15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"

5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement as follows:

(i) To the extent not provided in the Comprehensive Annual Financial Report of the City for the related fiscal year and filed with the MSRB, an update of the following information in APPENDIX A – "THE CITY OF PASADENA" in the Official Statement relating to the Bonds:

1. the table entitled "HOUSING UNITS" for the Reported Year;
2. the table entitled "BUILDING PERMIT VALUATION AND PERMIT ACTIVITY" for the Reported Year;
3. the table entitled "TAXABLE TRANSACTIONS BY TYPE OF BUSINESS" for the twelve months ended on September 30 within the Reported Year;
4. the table entitled "EMPLOYEE UNION REPRESENTATION" for the Reported Year;

5. the table entitled "CITY OF PASADENA FIRE AND POLICE RETIREMENT SYSTEM—PORTFOLIO INFORMATION" as of the end of the Reported Year;
6. the table entitled "ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY" as of the end of the Reported Year;
7. the table entitled "ANNUAL CONTRIBUTION RATES TO CALPERS RETIREMENT PLANS BY CITY" as of the end of the Reported Year;
8. the table entitled "CalPERS – MISCELLANEOUS EMPLOYERS" as of the end of the Reported Year;
9. the table entitled "CalPERS –SAFETY EMPLOYEES" as of the end of the Reported Year;
10. the table entitled "FPRS" as of the end of the Reported Year;
11. the table entitled "GENERAL FUND 5 YEAR FINANCIAL PLAN" as of the end of the Reported Year;
12. the table entitled "CITY OF PASADENA LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES" as of the end of the Reported Year;
13. the summary of the condition of the City's General Fund reserves for the past five years in the table following the caption entitled "CITY FINANCIAL INFORMATION—Budgetary Principles and Developments—General Fund Cash Reserve Policy" as of the end of the Reported Year;
14. the balance of the General Fund operating reserve for the Reported Year and the amount of the General Fund appropriation budget for the fiscal year following the Reported Year as provided under the caption "CITY FINANCIAL INFORMATION—General Fund Cash Reserve Policy;"
15. the adopted General Fund operating budget for the fiscal year following the Reported Year as provided in the table entitled "GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR FISCAL YEAR 2013-14," and the amount of any carry-forward fund balances in such General Fund operating budget and any one-time sources of revenue (excluding any one-time revenue sources that are to be used to pay one-time expenditures and one-time revenues which in the aggregate amount to less than 5% of the Total Requirements as shown in such General Fund operating budget) as provided under the caption "CITY FINANCIAL INFORMATION—Adopted General Fund Budgets for Fiscal Years 2013-14 and 2014-15;"
16. the adoped General Fund operating budgets for fiscal years ended June 30, 2014 and June 30, 2015 as provided in the table entitled "GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGETED FOR FISCAL YEARS 2013-14 AND 2014-15";

17. the table entitled "CITY OF PASADENA ADOPTED GENERAL FUND COMPARATIVE OPERATING BUDGET FISCAL YEARS 2012-13 THROUGH 2014-15" through the end of the Reported;

18. the table entitled "TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND TO GENERAL FUND FISCAL YEARS 2010-11 THROUGH 2014-15" for the Reported Year;

19. the table entitled "GENERAL TAX REVENUES" for the Reported Year;

20. the table entitled "ASSESSED VALUATION OF TAXABLE PROPERTY" for the Reported Year;

21. the table entitled "PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS" for the Reported Year;

22. the table entitled "TOP TEN PROPERTY TAXPAYERS" for the Reported Year;

23. the table entitled "GENERAL FUND COMPARATIVE BALANCE SHEETS" for the Reported Year;

24. the table entitled "GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES" for the Reported Year;

25. the table entitled "LONG TERM OBLIGATIONS PAYABLE FROM THE CITY GENERAL FUND" for the Reported Year;

26. the table entitled "CITY OF PASADENA COMPUTATION OF DIRECT AND OVERLAPPING DEBT" as of the end of the Reported Year; and

27. the City's appropriations limit ("Gann limit") for the fiscal year following the Reported Year and the amount within the General Fund appropriation budget for such following fiscal year which is subject to the Gann limit as provided under the caption "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUE AND APPROPRIATIONS—Article XIII B of the State Constitution— Gann Limit."

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official

statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

In certain circumstances, information required hereunder may no longer be generated because the operations to which it related have been materially changed or discontinued, in which case the City will provide a statement to that effect. The undertaking hereunder may only be amended when the following conditions are met: (i) the amendment is made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted; (ii) the undertaking, as amended would have complied with the requirements of the rule at the time of the primary offering, after taking into account any amendments or interpretations of that rule; and (iii) the amendment does not materially impair the interests of holders of the Series 2015 Bonds, as determined either by parties unaffiliated with the City (such as the Trustee or Bond Counsel), or by approving vote of the holders of the Series 2015 Bonds pursuant to the terms of the applicable Trust Agreement at the time of the Amendment. Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer is not required to file any Voluntary Event Disclosure with the MSRB. The Issuer may nonetheless instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements,

Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Subject to Section 3(b), the City and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF PASADENA
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer City of Pasadena
Obligated Person(s) City of Pasadena
Name of Bond Issue: Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds)
Date of Issuance: _____, 2015
Date of Official Statement _____, 2015

| | | | |
|---------------|-------|---------------|-------|
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
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| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |

Name of Issuer City of Pasadena
Obligated Person(s) City of Pasadena
Name of Bond Issue: Taxable Pension Obligation Refunding Bonds, Series 2015B (Fixed Rate Bonds)
Date of Issuance: _____, 2015
Date of Official Statement _____, 2015

| | | | |
|---------------|-------|---------------|-------|
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
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| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |
| CUSIP Number: | _____ | CUSIP Number: | _____ |

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: City of Pasadena
Obligated Person: City of Pasadena
Name(s) of Bond Issue(s): Taxable Pension Obligation Refunding Bonds, Series 2015A and Series 2015B
Date(s) of Issuance: _____, 2015
Date(s) of Disclosure Agreement: _____, 2015
CUSIP Number: []

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc: Director of Finance
City of Pasadena, California

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:
City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

[]

Number of pages attached: _____

_____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

_____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____, 2015 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

[_____]

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of _____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

City of Pasadena

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

[_____]

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _____

APPENDIX A

THE CITY OF PASADENA

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| THE CITY OF PASADENA | 1 |
| General | 1 |
| City Council | 1 |
| City Staff | 2 |
| Population | 3 |
| Education..... | 4 |
| Employment | 4 |
| Major Employers..... | 5 |
| Housing | 6 |
| Building Permit Activity | 6 |
| Taxable Sales | 8 |
| Community Facilities | 8 |
| Transportation | 8 |
| Employee Relations..... | 9 |
| Retirement Systems..... | 10 |
| Post-Retirement Medical Benefits (OPEB)..... | 19 |
| Insurance | 20 |
| CITY FINANCIAL INFORMATION | 21 |
| Budget Preparation and Approval Process..... | 21 |
| Budgetary Principles and Developments | 22 |
| Adopted General Fund Budget for Fiscal Years 2013-14 and 2014-15 | 24 |
| Accounting Policies, Reports, and Audits..... | 26 |
| General Fund Comparative Operating Budget..... | 28 |
| Tax Revenue Sources | 29 |
| General Fund Comparative Financial Statements | 33 |
| Investment Practices..... | 35 |
| STATE OF CALIFORNIA BUDGET | 38 |
| CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS | 40 |
| Article XIII A of the State Constitution – Proposition 13..... | 40 |
| Article XIII B of the State Constitution – Gann Limit..... | 41 |
| Articles XIII C and XIII D of the State Constitution – Proposition 218 and Proposition 26..... | 41 |
| Proposition 1A | 44 |
| Statutory Limitations..... | 44 |
| Future Initiatives | 45 |
| BONDED AND OTHER INDEBTEDNESS..... | 45 |
| Introduction | 45 |
| Debt Management Policy | 46 |
| General Obligation Debt | 46 |
| Long-Term Debt Obligations Payable from the General Fund..... | 46 |
| Revenue Bonds..... | 48 |
| Cash-flow Borrowings | 48 |
| Estimated Direct and Overlapping Bonded Debt..... | 48 |
| LITIGATION | 50 |

APPENDIX A

THE CITY OF PASADENA

General

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

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

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

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

City Council

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

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

City Staff

Michael J. Beck, City Manager, has been the Pasadena City Manager since October 2008. His responsibilities include the overall operation of the City's government, including development of the annual operating and capital budget of \$678 million in fiscal year 2013-14. Mr. Beck also manages 14 departments within the City, including Pasadena Water and Power, full service police and fire departments, and a Department of Health and Management of almost 2,000 employees. He is also a member of the Rose Bowl Operating Company. Mr. Beck's initiatives have included the development of a five-year fiscal program to resolve a General Fund deficit brought on by the recent economic downturn with cumulative savings of more than \$150 million; streamlining the City's governmental functions and processes; increasing the use of technology to better serve residents; developing a financial solution to an unfunded liability in the closed Fire and Police Retirement System; creating a strategic investment plan to fund at least \$100 million in renovations to public facilities; and implementing a strategic planning process for the City. In addition, he has provided leadership to Pasadena's General Plan update and the Rose Bowl Stadium renovation project. Prior to his service in Pasadena, Mr. Beck was Assistant City Manager for the City of Riverside, the largest city in Southern California's Inland Empire with a population of more than 300,000 and a nearly \$1 billion operating budget. His responsibilities included oversight of Riverside Municipal Airport and the city departments of Community Development, Public Works, Public Utilities, and Parks, Recreation and Community Services. He developed the financial plan and implementation of the \$1.8 billion Riverside Renaissance program – 30 years of public infrastructure investment in just five years. Before working for the City of Riverside, he was Director of Economic Development and Real Estate Services for the University of California, Riverside, where he developed public/private partnerships to foster expansion of academic and research opportunities; and was instrumental in developing a regional economic development agenda that advanced managerial and technical job creation. He holds a Bachelor's Degree in Business Economics and a Master's Degree in Business Administration, both from the University of California, Riverside.

Julie A. Gutierrez, Interim Director of Finance, has been with the City for almost 25 years. Her responsibilities include management of the financial affairs of the City which include: preparation of the annual operating and capital budgets; preparation of the Comprehensive Annual Financial Report; purchasing; collections; general liability; payroll; internal audits; investments; debt management and financing of major City and Commission Successor Agency Capital needs. In addition to this Interim Director position, Ms. Gutierrez is also the Assistant City Manager for Pasadena. Ms. Gutierrez has also held the following positions with the City: Deputy Director of Finance; Director of Public Works; Interim Director of Human Resources and Interim Executive Director of the Pasadena Center Operating Company. Ms. Gutierrez has also served as the City Manager for the City of Azusa, California. At the City of Pasadena, Ms. Gutierrez serves as liaison between the City Manager's Office and the departments of public works, transportation, finance, human resources, information technology, and water and power. In addition, she is responsible for tracking legislative issues and is the staff liaison to the City Council's Legislative Policy Committee. Ms. Gutierrez earned her Bachelor's Degree at Pomona College, Claremont, California and her Master's Degree in business administration at the University of LaVerne. Prior to her public sector work, Ms. Gutierrez has worked in the private sector as the Director of Municipal Programs for Advanced Applied Engineering Inc. in Brea, California.

Michele Beal Bagneris, City Attorney, was named the Pasadena City Attorney in May 1997. At that time, she was a shareholder in the law firm of Richards, Watson & Gershon, where she specialized in public law since joining the firm in 1983. Initially, while serving as City Attorney, she continued to practice law as a member of the law firm, advising public clients in a wide range of areas, including land use, general advisory matters, litigation, labor and employment, code enforcement and nuisance abatement matters. She also served as the City Attorney for the City of Monrovia from 1992 through September 1999, when she became the in-house City Attorney for the City of Pasadena. She currently

serves in that position and is also the City Prosecutor. As the City Attorney/City Prosecutor, she is responsible for managing all legal matters for the City, including supervision of in-house lawyers and any outside counsel engaged to advise the City. Ms. Bagneris received her bachelor's degree in International Relations from Stanford University in 1980 and her Juris Doctorate Degree in 1983 from Boalt Hall School of Law, University of California, Berkeley. She is active in professional and community organizations including serving as President of the Los Angeles County Prosecutor's Association; past President of the League of California Cities City Attorney's Department; past President of the City Attorney's Association of Los Angeles County; and member of other legal and community organizations. She is admitted to practice law in the State of California, United States District Court and the U.S. Court of Appeals, Ninth Circuit.

Population

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

**TABLE A-1
POPULATION
For Years 2005 through 2014**

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

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

Education

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

TABLE A-2
PASADENA UNIFIED SCHOOL DISTRICT
TOTAL ENROLLMENT⁽¹⁾
Fiscal Years 2004-05 through 2013-14

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

Source: Pasadena Unified School District.

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

Employment

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

TABLE A-3
LOS ANGELES COUNTY
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
AVERAGES FOR CALENDAR YEARS 2009 THROUGH 2014⁽¹⁾
(in thousands)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------|-------|-------|-------|-------|-------|-------|
| County Employment | 4,276 | 4,335 | 4,355 | 4,397 | 4,471 | 4,659 |
| County Unemployment | 579 | 612 | 569 | 500 | 490 | 376 |
| County Civilian Labor Force | 4,855 | 4,947 | 4,924 | 4,897 | 4,960 | 5,035 |
| County Unemployment Rate | 11.9% | 12.4% | 11.6% | 10.2% | 9.9% | 7.5% |
| State Unemployment Rate | 12.0% | 12.1% | 11.0% | 9.8% | 8.9% | 7.0% |

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

⁽¹⁾ As of December 31, 2014.

Major Employers

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

**TABLE A-4
MAJOR EMPLOYERS
2014**

| Company | Approximate Number of Employees | Business Line |
|---|------------------------------------|--------------------------|
| California Institute of Technology-Jet Propulsion Laboratory | 5,200 | Aerospace Research |
| Kaiser Permanente | 4,813 | Health Care |
| California Institute of Technology-Campus | 3,900 | Education |
| Huntington Memorial Hospital | 3,238 | Hospital |
| The City of Pasadena | 2,389 | Government |
| Pasadena Unified School District | 2,043 | Education |
| Bank of America | 1,908 | Financial |
| Pasadena City College | 1,866 | Education |
| Art Center College of Design | 833 | Education |
| Hathaway-Sycamores | 692 | Social Services |
| ATT | 634 | Communications |
| Parsons Corporation | 570 | Engineering/Construction |
| The Langham Huntington Hotel (Ritz-Carlton) | 567 | Hotel |
| Western Asset | 546 | Financial |
| East West Bank | 449 | Financial |
| Rusnak Pasadena | 285 | Automotive Retail |
| Pacific Clinics Administration | 274 | Healthcare |
| Avon Products | 209 | Consumer Products |

Source: City of Pasadena, Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2014.

Housing

The following table presents a ten-year history of total housing units within the City, for fiscal years 2004-05 through 2013-14.

TABLE A-5
HOUSING UNITS⁽¹⁾
For Fiscal Years 2004-05 through 2013-14

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

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

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

Building Permit Activity

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

The following table shows the value of building permits issued in the City for fiscal years 2009-10 through 2013-14 and for the six months ended December 31, 2014.

TABLE A-6
CITY OF PASADENA
BUILDING PERMIT VALUATION AND PERMIT ACTIVITY
for Fiscal Years 2009-10 through 2013-14
and for the Six Months ended December 31, 2014
(Valuation in Millions)

| | Fiscal Year Ended June 30, | | | | | Six Months ended |
|------------------------------|----------------------------|---------------|----------------|----------------|----------------|----------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | December 31, 2014 |
| Building Permit Valuations | | | | | | |
| Nonresidential | \$ 50.8 | \$56.3 | \$ 92.5 | \$ 62.8 | \$ 97.5 | \$ 50.8 |
| Residential | 23.4 | 24.4 | 24.3 | 34.5 | 37.4 | 22.8 |
| Residential New Construction | 11.5 | 9.8 | 61.2 | 23.3 | 81.1 | 42.3 |
| Total | <u>\$ 85.7</u> | <u>\$90.5</u> | <u>\$178.1</u> | <u>\$120.6</u> | <u>\$216.1</u> | <u>\$115.9</u> |
| Number of Permits Issued | | | | | | |
| Non Residential | 592 | 619 | 717 | 663 | 606 | 345 |
| Residential | 1,780 | 2,077 | 3,022 | 2,106 | 2,234 | 1,055 |
| Residential New Construction | 32 | 39 | 25 | 20 | 27 | 18 |
| Total | <u>2,404</u> | <u>2,735</u> | <u>3,764</u> | <u>2,789</u> | <u>2,867</u> | <u>1,418</u> |

Source: City of Pasadena, Planning and Permitting Department.

Taxable Sales

The following table indicates taxable transactions in the City by type of business for the twelve-month periods ending September 30, 2010 through September 30, 2014.

TABLE A-7
CITY OF PASADENA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(\$ in Millions)

| Type of Business | Twelve Month Periods Ended September 30, | | | | |
|----------------------------------|--|-----------|-----------|-----------|-----------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Apparel Stores | \$ 199.1 | \$ 195.0 | \$ 203.8 | \$ 216.7 | \$217.8 |
| General Merchandise Stores | 210.6 | 213.7 | 216.3 | 207.8 | 196.0 |
| Food Stores | 116.1 | 116.3 | 137.2 | 139.8 | 137.9 |
| Eating & Drinking Places | 381.2 | 397.1 | 427.3 | 450.5 | 482.3 |
| Home Furnishings & Appliances | 177.7 | 176.8 | 189.8 | 185.7 | 181.0 |
| Bldg. Material & Farm Implements | 79.2 | 80.7 | 93.0 | 111.0 | 122.7 |
| Auto Dealers & Auto Supplies | 320.2 | 327.9 | 353.5 | 374.8 | 399.4 |
| Service Stations | 135.1 | 167.2 | 167.8 | 159.0 | 153.4 |
| Other Retail Stores | 350.1 | 358.3 | 361.2 | 373.0 | 372.1 |
| Retail Stores Total | 1,969.3 | 2,033.0 | 2,150.0 | 2,218.4 | 2,262.6 |
| All Other Outlets | 682.8 | 660.9 | 658.8 | 627.5 | 592.0 |
| Total All Outlets | \$2,652.1 | \$2,693.9 | \$2,808.8 | \$2,845.9 | \$2,854.9 |

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

Community Facilities

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

Transportation

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

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

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

Employee Relations

City employees are represented by various unions and labor relations have been generally amicable. The City has experienced no major strikes, work stoppages or other incidents. Currently, most City employees are represented by unions. Set forth below is a table indicating the various unions representing employees within the City. The number of employees represented by these unions as of January 31, 2015, and the dates on which the current labor agreements expire (there are no provisions for the reopening of wage or benefit levels prior to expiration) are set forth in the following table.

**TABLE A-8
CITY OF PASADENA
EMPLOYEE UNION REPRESENTATION**

| Name of Union | Number of Employees Represented As of January 31, 2015 | Expiration of Contract |
|--|--|-------------------------------|
| American Federation of State, County and Municipal Employees | 270 | June 30, 2015 |
| International Brotherhood of Electrical Workers | 97 | June 30, 2016 |
| International Union of Operating Engineers | 22 | June 30, 2017 |
| Service Employee International Union | 26 | June 30, 2015 |
| Pasadena Association of Clerical and Technical Employees/Laborers International Union of North America | 324 | September 30, 2015 |
| Pasadena Fire Fighters Association | 138 | June 30, 2017 |
| Pasadena Police Officers Association | 172 | June 30, 2016 |
| Pasadena Police Sergeant Association | 32 | June 30, 2016 |
| Pasadena Fire Fighters Management Association | 5 | June 30, 2016 |
| Pasadena Management Association | 438 | March 17, 2014 ⁽¹⁾ |

⁽¹⁾ Currently being renegotiated.

Source: City of Pasadena, Human Resources Department.

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

Association (PPFA) agreed to pay 6% of the 9% employee contribution of CalPERS, which was previously borne by the City. During the terms of the PPFA contract, employees will ultimately contribute the full 9% employee contribution [plus 3% PERS].

Retirement Systems

Pasadena Fire and Police Retirement System.

General.

Police and Fire personnel hired prior to July 1, 1977 were covered by the City's Fire & Police Retirement System ("FPRS"). FPRS was originally established by the City Charter in 1919. FPRS was closed on June 30, 1977 but continues to pay out benefits to retirees and their beneficiaries. FPRS covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") either when FPRS closed to new members or in June 2004. FPRS is managed by a five-member retirement board. As of June 30, 2014, FPRS had an unfunded actuarial accrued liability of \$29.33 million and had a funded ratio of 81.6%. For fiscal year 2013-14, the City's annual pension cost was \$6,605,000 for FPRS. The actuarial value of FPRS' assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period (smoothed market value). Copies of FPRS' annual financial report may be obtained from the City's Department of Finance, 100 North Garfield Avenue, 3rd Floor, Pasadena, California 91109. This annual financial report includes the required three-year trend information.

Funding History.

In 1960, the City Charter was amended to provide an unlimited cost of living adjustment ("COLA") for the FPRS members that was fully adjustable based on changes in the consumer price index. With inflation in the broader economy during the subsequent years, the FPRS saw dramatic increases in the COLA and, therefore, in its expenses. In 1977, the FPRS was modified to increase contribution rates for the City and for active FPRS members. Additionally, active FPRS members were given the option of transferring to the California Public Employees' Retirement System ("CalPERS") plan. However, few existing participants elected to join CalPERS and the modifications proved inadequate to address the continuing rise in the COLA benefit.

The City attempted to roll back the COLA benefit and successfully obtained voter approval in 1981 for a City Charter amendment that limited the COLA to 2%. However, the Pasadena Police Officers Association sued successfully, claiming that the amendments impaired the vested rights of its members. An appellate court upheld the ruling and the uncapped COLA was reinstated.

In 1987, the City sponsored and secured the passage of Senate Bill No. 481 ("SB 481"), which established a funding mechanism for the FPRS. SB 481 authorized the City to utilize payments made by the Pasadena Community Development Commission (the "Commission") under a reimbursement agreement entered into in 1987 (the "Reimbursement Agreement"), after required deductions, for the purpose of funding the City's liabilities to FPRS. The Commission's payments consist of property tax increments from the City's Downtown Project Area (hereinafter defined as the "SB 481 Receipts"). The Reimbursement Agreement was validated by SB 481, which became law in 1987. Under SB 481, the right to receive SB 481 Receipts terminated on December 31, 2014. As described below, the enforceability of the Reimbursement Agreement is being challenged by the State.

In 1999, after the FPRS-funded status dropped to approximately 30%, the City and the FPRS negotiated a Contribution Agreement (the "Prior Contribution Agreement") whereby the City agreed to issue approximately \$100 million of pension obligation bonds (*i.e.*, the Series 1999 Bonds) and transfer the proceeds to the FPRS in order to increase the actuarial funding level to 70%. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Outstanding Pension Obligation Bonds." Further, the City agreed to make supplemental contributions to the FPRS to ensure that the funding level increased by ½% each year for 20 years, in order to reach a funding level of 80% by 2020. FPRS, in turn, assigned to the City its rights to receive the SB 481 Receipts under a prior agreement, but required such revenues to be applied to the payment of the City's funding obligations to FPRS, including payments on the City's pension obligation bonds.

In 2004 the City issued approximately \$40 million of additional pension obligation bonds (*i.e.*, the Series 2004 Bonds) in order to maintain the contribution levels agreed upon in the Prior Contribution Agreement. This occurred after a dispute between the City and the FPRS regarding the accounting methodology for treating the investment losses of the early 2000s. The FPRS agreed to allow the actuarial valuation to be conducted without the requirement that the actuarial value of assets remain within a 20% "corridor" around the actual market value of assets, in exchange for the City providing additional funds through the issuance of the 2004 Bonds.

In November 2011, the City and FPRS agreed to amend the Prior Contribution Agreement (such amendment herein referred to as the "Amended Contribution Agreement") for the purpose of revising the methodology used to calculate the unfunded liability of the City and the City's required payments to the FPRS. To fulfill its commitment under the Amended Contribution Agreement, the City issued a third series of pension bonds (*i.e.*, the Series 2012 Bonds) in the principal amount of \$47,440,000 and deposited the proceeds with FPRS. Prior to the Amended Contribution Agreement, FPRS was required to use, in its actuarial calculations, the average assumed investment return and cost of living adjustment used by counties with pension systems established under 1937 Act ("1937 Act Counties").

Under the Amended Contribution Agreement, the City must pay to FPRS, in addition to the net proceeds of the Series 2012 Bonds, supplemental payments ("Supplemental Payments") if FPRS falls below the required minimum funding percentage in any fiscal year, to fund the unfunded accrued actuarial liability (the "UAAL") of FPRS. The Amended Contribution Agreement requires FPRS to be at least 75.5% funded for the fiscal year in which the City paid the net proceeds of such bonds to FPRS (the "Minimum Funding Percentage"). For each succeeding year, the Minimum Funding Percentage increases by 0.5% per year over a nine-year period, up to 80%. To protect the City against large swings in asset values from one year to the next, the annual amount of any Supplemental Payments is subject to a cap, which is the lesser of certain benefit payments paid by FPRS in the prior fiscal year, or \$3 million, plus a varying percentage of any funding deficit in the Minimum Funding Percentage over \$3 million, beginning with 20% of the remaining deficit in the base year up to 100% of any deficit remaining for the fifth and any subsequent consecutive fiscal year following the base year.

The principal change implemented by the Amended Contribution Agreement was to alter the assumed rate of investment and cost of living adjustments used to calculate the Minimum Funding Percentage and UAAL. The Amended Contribution Agreement allows FPRS to use rates of investment and cost of living increases recommended by FPRS's actuary and approved by FPRS after consultation with the City and the City's consultants. When the Amended Contribution Agreement was executed in November 2012, the average investment rate used by 1937 Act Counties was approximately 8%; following execution, the actuarial rate as recommended by the system's actuary was reduced to 6%.

As of June 30, 2014, the FPRS was funded at 81.6%, satisfying the 80% requirement as calculated in accordance with the procedures of the Amended Contribution Agreement. The funding history for the FPRS is shown on page [A-18].

Consistent with prior reimbursement agreements, the Amended Contribution Agreement requires that the City use SB 481 Receipts to make debt service payments due on the City's pension obligation bonds and supplemental payments due to the FPRS, and to hold excess SB 481 Receipts in the City Treasurer's Pool, pending use for permitted purposes at a later date. The use of SB 481 Receipts in accordance with the contribution agreements was validated in the judicial validation action undertaken in connection with the issuance of the Series 1999 Bonds.

Until recently, SB 481 Receipts received by the City under the Reimbursement Agreement have been sufficient to cover the debt service on the City's pension obligation bonds, to provide funds for the City to make required supplemental payments to the FPRS under the contribution agreement, as amended and superseded, and to generate a reserve fund to be used for future obligations of the FPRS.

In 2011, the State of California enacted legislation (commonly referred to as "AB1x 26"), which required the dissolution of California redevelopment agencies ("CRAs") and the disposition and winding-up of the operations of those agencies. Following the enactment of AB1x 26, the State Department of Finance of the State of California (the "DOF") challenged the enforceability of the Reimbursement Agreement, claiming that the agreement was not an "enforceable obligation" under AB1x26 and, accordingly, claiming that all future payments under the Reimbursement Agreement, together with the SB 481 Receipts held by the City, should revert to the County (for redistribution to all taxing entities within the County). This issue is the subject of litigation in State court, herein referred to as the "SB 481 Litigation" and all SB 481 Receipts are required to be held in escrow by the County pending the resolution of the litigation. See "SB 481 Litigation" below.

As of March 31, 2015, the County holds all SB 481 Receipts in escrow, of which the City claims approximately \$40 million. The right to receive SB 481 Receipts terminated on December 31, 2014.

The City structured \$121,490,000 principal amount of the Series 1999 Bonds, the Series 2004 Bonds and the Series 2012 Bonds to mature, or to be subject to mandatory tender, on May 15, 2015, with the expectation that the SB 481 Receipts would be sufficient to pay the maturing principal amount or purchase price of such bonds, as applicable. As the SB 481 Litigation is not anticipated to be resolved by such date, the City will use the proceeds of the Series 2015 Bonds being offered by this Official Statement to refund and/or refinance all of such bonds instead. In the event the City ultimately prevails in the SB 481 Litigation, any SB 481 Receipts held by the County and subsequently received by the City may be applied to the redemption of the Series 2015 Bonds. See "THE SERIES 2015 BONDS—Redemption of Series 2015 Bonds" in the front part of this Official Statement.

SB 481 Litigation.

In 2011, the State of California enacted ABx1 26, which required the dissolution of CRAs, including the Commission, and the disposition and winding-up of the operations of CRAs. The CRAs, including the Commission, were dissolved on February 1, 2012, pursuant to ABx1 26. However, ABx1 26 required that the Commission's enforceable obligations "be honored." The City elected to serve as the Commission Successor Agency. The Commission Successor Agency is a separate legal entity from the City, and is required to administer the dissolution of the Commission and the winding down of the Commission's activities, including making enforceable obligation payments and disposing of the Commission's property.

By letter dated December 18, 2012, the DOF notified the City of Pasadena and its Commission Successor Agency that the Reimbursement Agreement (and certain other housing-related payment obligations of the Commission) had been determined by DOF not to be enforceable obligations under ABx1 26 and not to be eligible for payment from former tax increment generated by the related redevelopment projects (known as Redevelopment Property Tax Trust Fund, or RPTTF, funding). Previously the DOF, by letter dated June 29, 2012 had found such obligations of the Commission to be enforceable obligations and had found both such items to be eligible for payment from RPTTF funding.

On December 28, 2012, the City filed litigation in the Superior Court of the State of California and applied for a temporary restraining order so that the RPTTF funds would be made available (for payment under the Reimbursement Agreement and the housing obligations), as required by applicable statutory validation, judicial validation and application of law, and to restrain the distribution of these funds on January 2, 2013 to other property tax agencies. City of Pasadena Successor vs. Ana Matosantos Director of the State of California Department of Finance, Case No. 34-2012-000134585-CU-MC-GDS. The City first obtained a Temporary Restraining Order and a Preliminary Injunction, which declare the Reimbursement Agreement (and housing obligation) as valid, enforceable obligations payable by the Commission Successor Agency.

The DOF, through the State Attorney General's Office, filed its Notice of Appeal of the Preliminary Injunction on March 11, 2013. Following briefing, on August 19, 2014, the Court of Appeal issued a published decision remanding the case back to the trial court. (Pasadena v. Cohen; 2014 WL 4076040, Cal.App. 3 Dist., August 19, 2014 (NO. C073654)). The Court of Appeal did not rule on the merits of the case but rather directed the case to be heard in the writ department of Sacramento Superior Court.

On January 30, 2015, the City filed its Application for Temporary Restraining Order and Motion for a Preliminary Injunction in the writ department of Sacramento Superior Court. After briefing and argument, on February 25, 2015, the Superior Court ruled on the City's Motion for a Preliminary Injunction to enjoin the County from disbursing sequestered funds the City believes should be remitted to the City. The Court's Order denied the Motion for Preliminary Injunction but ordered the preservation of the prior stipulations that had been entered between the parties thereby sequestering \$48.6 million until after the hearing on the merits. This ruling by the court preserves adequate funds through sequestration to cover the amounts required in the Reimbursement Agreement (which the City claims to be approximately \$40 million). With those funds preserved, the ruling provides assurance that the sequestered funds will not be dispersed prior to the hearing on the merits. The trial on the merits of this case is scheduled for May 1, 2015. A final decree has not yet been obtained and further legal proceedings will follow in the coming months.

Investment Status.

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

**TABLE A-9
CITY OF PASADENA
FIRE AND POLICE RETIREMENT SYSTEM
PORTFOLIO INFORMATION
as of June 30, 2014**

| <u>Description of Assets</u> | <u>Market Value</u> | <u>Percentage of Portfolio</u> |
|--------------------------------------|----------------------|--------------------------------|
| Cash and cash equivalents | \$7,918,592 | 1.62% |
| Pending trade sales | 790,981 | 0.18 |
| Interest | 267,661 | 22.05 |
| Government and agencies | 32,697,093 | |
| Domestic corporate obligations | 24,057,998 | 16.22 |
| International corporate obligations | 1,868,772 | 1.26 |
| Real estate | 16,261,014 | 10.97 |
| Real estate investment trust (REITS) | 256,320 | 0.17 |
| Domestic corporate stocks | 55,172,827 | 37.21 |
| International corporate stocks | 15,304,857 | 10.32 |
| TOTAL | \$154,596,115 | 100.00% |

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

Under its investment guidelines, FPRS must maintain sufficient liquidity to meet FPRS' cash needs. It may invest in equity securities, U.S. government bonds, corporate bonds and dollar denominated foreign bonds, certain kinds of mortgage backed securities, money market funds, and American Depository Receipts of foreign securities. Fixed income securities must be rated Baa/BBB or better by nationally recognized rating agencies. The assets of FPRS may not be invested in options, commodities or futures, nor may securities be sold short or purchased on margin.

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

California Public Employees' Retirement System.

General.

Almost all permanent City employees, except police and fire personnel employed prior to July 1, 1977, are members of CalPERS for purposes of pension benefits. CalPERS is an agent multiple-

employer public employee retirement system which acts as a common investment and administrative agent for participating public employers within the State of California. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. CalPERS issues a separate publicly available financial report that includes financial statements and required supplemental information of participating public entities within the State of California. The most recent annual report issued by CalPERS to the City was dated October 2014 (the "2013 Actuarial Valuation"). The 2013 Actuarial Valuation includes information based on the June 30, 2013 actuarial valuation of assets. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, Lincoln Plaza Complex, 400 Q Street, Sacramento, CA 95811 or at www.calpers.ca.gov. The CalPERS report to the City can also be found on the City's website at <http://cityofpasadena.net/Finance/PERS-Actuarial-Reports>.

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

Recent Actuarial Changes and Related Developments.

On March 14, 2012, CalPERS gave approval to a one-quarter point reduction in its annual investment return forecast (from 7.75% to 7.5%). CalPERS has phased-in the impact of the adjustment over two years, to lessen the strain on local governments. As shown under "Funding Status of Plans" below, this reduction increased the City's reported unfunded pension liability. There can be no assurances that CalPERS will not make additional changes in actuarial assumptions in the future.

On January 1, 2013, the Public Employees' Pension Reform Act of 2013 ("PEPRA") took effect. The impact of the PEPRA changes is included in the rates and the benefit provision listings of the June 30, 2013 valuation, and is reflected in the projected 2015-16 CalPERS contribution rates shown below.

In April 2013, CalPERS approved new actuarial policies that are aimed at returning the CalPERS system to fully-funded status within 30 years. These new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses (rather than the current 30-year rolling amortization method). CalPERS delayed the implementation of the new policy until fiscal year 2015-16. These new policies will increase the City's required contribution rates, as shown under "Annual Payments and Contribution Rates" below.

In 2014, CalPERS completed a 2-year asset liability management study incorporating actuarial assumptions and strategic asset allocation. On February 19, 2014 the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended return that continues to support a discount rate assumption of 7.5 percent. The CalPERS Board of Administration also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these is mortality improvement to acknowledge the greater life expectancies seen in its membership and expected continued improvements. The new actuarial assumptions will be used to set fiscal year 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20

year period with a 5-year ramp-up/ramp-down in accordance with CalPERS Board of Administration policy.

Annual Payments and Contribution Rates

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

Effective for financial statements beginning after June 15, 2014, GASB 68 replaces GASB 27. Hence, the annual report issued by CalPERS in 2015 will reflect GASB 68. GASB 68 will require additional reporting that CalPERS is intending to provide upon request by its members.

Set forth below is a history of the City's contributions to the CalPERS, including projected payments from fiscal year 2006-07 through fiscal year 2016-17. The City contributed 100% of its APC in each completed year shown. The City estimates that approximately 60% of the payments to these plans is made from the City's General Fund.

Also set forth below are the historic and projected contribution rates to the CalPERS plans. The projected contribution rates for fiscal year 2014-15 through 2020-21 are provided by CalPERS in its October 2014 report. The CalPERS projections assume, among other things, that CalPERS earns 18% for fiscal year 2013-14 and 7.50% every fiscal year thereafter, that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of fiscal year 2016-17. A complete explanation of the CalPERS assumptions can be found in the 2013 Actuarial Valuation.

TABLE A-10
ANNUAL PAYMENTS TO RETIREMENT PLANS BY CITY
(\$ in Thousands)

| Fiscal Year Ended June 30 | CalPERS— Misc Employees Total Contribution | CalPERS- General Fund Contribution Misc Employees | CalPERS— Safety Employees Total Contribution | CalPERS- General Fund Contribution Safety Employees |
|------------------------------|--|--|---|---|
| 2006 | \$ 7,402 | \$2,887 | \$7,402 | \$6,728 |
| 2007 | 10,056 | 3,295 | 10,056 | 8,498 |
| 2008 | 12,228 | 3,435 | 9,283 | 9,097 |
| 2009 | 12,580 | 3,768 | 9,916 | 9,718 |
| 2010 | 12,566 | 3,765 | 10,459 | 10,250 |
| 2011 | 12,518 | 4,381 | 10,346 | 10,139 |
| 2012 | 16,744 | 5,860 | 11,370 | 11,143 |
| 2013 | 17,439 | 5,929 | 10,993 | 10,773 |
| 2014 | 17,909 | 6,089 | 11,176 | 10,952 |
| 2015 ⁽¹⁾ | 19,807 | 6,735 | 12,036 | 11,795 |
| 2016 ⁽¹⁾ | 21,721 | 7,385 | 13,042 | 12,781 |
| 2017 ⁽¹⁾ | 23,292 | 7,919 | 14,244 | 13,959 |
| 2018 ⁽¹⁾ | 24,529 | 8,340 | 14,860 | 14,563 |
| 2019 ⁽¹⁾ | 25,868 | 8,795 | 15,517 | 15,206 |
| 2020 ⁽¹⁾ | 27,105 | 9,216 | 16,173 | 15,850 |
| 2021 ⁽¹⁾ | 27,105 | 9,216 | 16,173 | 15,850 |

⁽¹⁾ Projected annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated October 2014.

TABLE A-11
ANNUAL CONTRIBUTION RATES
TO CALPERS RETIREMENT PLANS BY CITY

| Fiscal Year Ended June 30 | CalPERS Misc. Employees | CalPERS Safety Employees |
|------------------------------|-------------------------|--------------------------|
| 2011 | 11.4% | 23.6% |
| 2012 | 15.5 | 26.6 |
| 2013 | 16.2 | 25.6 |
| 2014 | 17.4 | 27.2 |
| 2015 | 19.2 | 29.3 |
| 2016 | 21.1 | 31.8 |
| 2017 | 22.6 | 34.7 |
| 2018 ⁽¹⁾ | 23.8 | 36.2 |
| 2019 ⁽¹⁾ | 25.1 | 37.8 |
| 2020 ⁽¹⁾ | 26.3 | 39.4 |
| 2021 ⁽¹⁾ | 26.3 | 39.4 |

⁽¹⁾ Projected annual payment to retirement plan based on projected contribution rates on CalPERS actuarial report dated October 2014. Does not include City "Pick Up".

Funding Status of Plans. Based on the 2013 Actuarial Valuation, CalPERS reported an unfunded liability, as of June 30, 2013, of \$241.2 million for the City's miscellaneous employees as

compared to an underfunding of \$157.1 million the previous year and an unfunded liability of \$119.2 million for safety employees as compared to \$74.7 million the previous year. Based upon this report, the City reported that its CalPERS obligation had a funded ratio of 72.7% based upon the market value of plan assets with respect to the City's miscellaneous employees and a funded ratio of 73.9% based upon the market value of plan assets for safety employees. As noted above, CalPERS changed its amortization and smoothing policies in 2013. Beginning with the June 30, 2013 actuarial valuations (that set fiscal year 2015-16 CalPERS contribution rates), CalPERS no longer uses an actuarial value of assets and instead employs an amortization and rate smoothing policy that will account for all gains and losses over a fixed 30-year period with the increases and decreases in the rate phased over a 5-year period.

The City provides pension benefits for employees not covered by CalPERS or FPRS through the Public Agency Retirement System ("PARS"), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As of December 31, 2012, the covered employees are required to contribute the full 7.5% of their earnings. Prior to such date, the City contributed an amount equal to 4.0% of the employee's earnings and the covered employee contributed 3.5%. The City's payroll for employees covered by PARS for fiscal year 2013-14 was \$4,270,271. The covered employees made the total required 7.5% contributions of \$320,290.

The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. Additional information regarding the City's employee retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 18 to the City's comprehensive annual financial report, attached hereto as APPENDIX B – "CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014", and in the CalPERS reports to the City, which can be accessed at www.cityofpasadena.net/Finance/Comprehensive_Annual_Financial_Report.

TABLE A-12
CITY OF PASADENA
RETIREMENT PLAN TREND INFORMATION
(\$ in thousands)

CALPERS - MISCELLANEOUS EMPLOYEES

| Valuation Date (June 30) | Actuarial Accrued Liability (AAL) – Entry Age | Actuarial Asset Value* | (Overfunded) Unfunded AAL | Funded Ratio* | | Annual Covered Payroll | (Overfunded) Unfunded AAL as a % of Covered Payroll |
|--------------------------|---|------------------------|---------------------------|---------------|--------------|------------------------|---|
| | | | | AVA | Market Value | | |
| 2007 | \$585,908 | \$539,717 | \$46,191 | 92.1% | 106.8% | \$102,135 | 45.2% |
| 2008 | 638,095 | 579,068 | 59,027 | 90.7 | 92.6 | 111,186 | 53.1 |
| 2009 | 732,713 | 607,710 | 125,003 | 82.9 | 60.6 | 116,952 | 106.9 |
| 2010 | 773,303 | 635,455 | 137,847 | 82.2 | 64.4 | 115,289 | 119.6 |
| 2011 | 819,327 | 666,290 | 153,037 | 81.3 | 72.3 | 110,571 | 138.4 |
| 2012 | 852,217 | 695,108 | 157,109 | 81.6 | 68.0 | 105,201 | 149.3 |
| 2013* | 882,572 | 641,333 | 241,239 | 72.7 | 72.7 | 104,378 | 231.1 |

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

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

TABLE A-13
CALPERS - SAFETY EMPLOYEES

| Valuation Date (June 30) | Actuarial Accrued Liability (AAL) – Entry Age | Actuarial Asset Value | (Overfunded) Unfunded AAL | Funded Ratio | | Annual Covered Payroll | (Overfunded) Unfunded AAL as a % of Covered Payroll |
|-----------------------------|---|--------------------------|---------------------------------|--------------|-----------------|------------------------------|---|
| | | | | AVA | Market Value | | |
| 2007 | \$285,822 | \$238,041 | \$47,781 | 83.3% | 95.4% | 40,138 | 119.0% |
| 2008 | 317,140 | 262,817 | 54,323 | 82.9 | 83.5 | 42,996 | 126.3 |
| 2009 | 352,610 | 283,880 | 68,730 | 80.5 | 58.7 | 45,516 | 151.0 |
| 2010 | 373,670 | 307,056 | 66,614 | 82.2 | 64.7 | 45,643 | 145.9 |
| 2011 | 403,626 | 331,603 | 72,023 | 82.2 | 73.6 | 44,058 | 163.5 |
| 2012 | 429,718 | 355,015 | 74,703 | 82.6 | 69.5 | 42,612 | 175.3 |
| 2013* | 457,271 | 338,082 | 119,189 | 73.9 | 73.9 | 41,383 | 288.0 |

(*) Beginning with the June 30, 2013 actuarial valuation, the actuarial value of assets equals the market value of assets pursuant to CalPERS' Direct Rate Smoothing Policy.

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

TABLE A-14
FPRS

| Valuation Date (June 30) | Actuarial Accrued Liability (AAL) – Entry Age | Actuarial Asset Value | (Overfunded) Unfunded AAL | Funded Ratio | Annual Covered Payroll | (Overfunded) Unfunded AAL as a % of Covered Payroll |
|-----------------------------|---|--------------------------|---------------------------------|-----------------|------------------------------|---|
| | | | | | | |
| 2008 | 178,748 | 131,321 | 47,427 | 73.5 | 179 | 26.5 |
| 2009 | 177,803 | 119,551 | 58,252 | 67.2 | - | N/A |
| 2010 | 166,096 | 109,740 | 56,356 | 66.1 | - | N/A |
| 2011 | 179,284 | 105,811 | 73,473 | 59.0 | - | N/A |
| 2012 | 174,249 | 136,272 | 39,977 | 78.2 | - | N/A |
| 2013 | 168,781 | 127,985 | 40,796 | 75.8 | - | N/A |
| 2014 | 159,516 | 130,183 | 29,333 | 81.6 | - | N/A |

Source: FPRS actuarial valuations through June 30, 2014.

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 \$119.00 or \$47.60 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 \$115.00 or \$40.25 per month depending on the bargaining unit or the unrepresented group of which the employee was a member. The City has

historically funded these post-retirement health care benefits on a “pay-as-you-go” basis. For fiscal year 2013-14, the City’s contributions totaled \$551,018 (representing 21.12% 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, 2014, the City’s unfunded actuarial accrued OPEB liability was \$26,916,000. See Note 21 to the City’s comprehensive annual financial report, attached hereto as APPENDIX B – “CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014.”

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 fiscal years 2004-05 through 2013-14 are reflected in the following table:

**TABLE A-15
CITY OF PASADENA
LIABILITY CLAIM EXPENDITURES AND REMAINING RESERVES
Fiscal Years 2004-05 through 2013-14**

| <u>Fiscal Year⁽¹⁾ Ended June 30,</u> | <u>Loss Paid</u> | <u>Expense Paid</u> | <u>Total Paid</u> | <u>Remaining Reserves for Unpaid Claims⁽¹⁾</u> |
|---|------------------|---------------------|-------------------|---|
| 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. The recommended budget can also be found on the City's website at <http://www.cityofpasadena.net/Finance/Budget/>. Such website is not incorporated herein by reference.

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 fiscal year 2018-19. 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% of the prior year's gross income for fiscal year 2014-15 and then reduced to 9% through fiscal year 2018-19;
4. Minimal amounts above the pay-as-you-go cost for OPEB in fiscal years 2015-16, 2016-17, and 2018-19; 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 March 10, 2015.

TABLE A-16
GENERAL FUND 5-YEAR FINANCIAL PLAN
(\$ in thousands)

| | Year Ending June 30, | | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2014 Actual | 2015 Adopted | 2015 Projected | 2016 Projected | 2017 Projected | 2018 Projected | 2019 Projected |
| Beginning Amount Available for Appropriations | \$7,668,939 | \$9,154,404 | \$9,154,404 | \$14,001,903 | \$16,001,943 | \$19,219,368 | \$20,893,266 |
| REVENUES | | | | | | | |
| Property Taxes | \$43,048,906 | \$44,120,000 | \$45,273,638 | \$49,573,839 | \$51,606,446 | \$53,723,220 | \$56,836,779 |
| Sales Tax | 32,391,442 | 33,140,000 | 32,741,005 | 34,049,896 | 35,820,490 | 36,485,066 | 37,184,200 |
| Utility User Tax | 28,893,275 | 30,601,500 | 30,281,686 | 31,688,545 | 32,795,708 | 33,943,208 | 35,132,559 |
| Transient Occupancy Tax | 12,043,439 | 12,800,500 | 12,906,980 | 12,894,047 | 13,311,112 | 13,741,748 | 14,186,398 |
| Franchise Taxes | 2,361,294 | 3,237,100 | 2,707,989 | 2,235,288 | 2,293,929 | 2,354,329 | 2,416,540 |
| Other Taxes | 16,064,824 | 15,250,000 | 16,770,871 | 17,363,673 | 17,998,797 | 18,658,138 | 19,342,641 |
| Total Taxes | <u>\$134,803,180</u> | <u>\$139,149,100</u> | <u>\$140,682,169</u> | <u>\$147,805,288</u> | <u>\$153,826,482</u> | <u>\$158,905,708</u> | <u>\$165,099,117</u> |
| Licenses & Permits | \$4,003,257 | \$3,444,575 | \$3,591,723 | \$4,374,346 | \$4,508,970 | \$4,645,780 | \$4,784,836 |
| Intergovernmental Revenues | 15,097,847 | 15,438,737 | 15,438,737 | 15,423,330 | 15,787,265 | 16,160,299 | 16,542,658 |
| Charges for Services | 21,915,871 | 22,662,020 | 22,372,372 | 22,321,593 | 23,270,262 | 23,644,459 | 24,633,428 |
| Fines & Forfeitures | 6,768,360 | 6,763,091 | 7,105,201 | 7,433,401 | 7,650,466 | 7,874,044 | 8,104,329 |
| Investment/Interest Earnings | 3,293,430 | 1,424,894 | 1,494,219 | 1,955,251 | 1,971,438 | 1,988,111 | 2,005,284 |
| Rental Income | 1,356,455 | 1,205,589 | 1,210,808 | 1,105,095 | 1,107,578 | 1,110,137 | 1,112,772 |
| Miscellaneous | 1,604,286 | 1,515,154 | 1,748,677 | 1,918,245 | 1,949,706 | 1,982,111 | 2,015,487 |
| TOTAL REVENUES | <u>\$188,842,686</u> | <u>\$191,603,160</u> | <u>\$193,643,906</u> | <u>\$202,336,549</u> | <u>\$210,072,168</u> | <u>\$216,310,648</u> | <u>\$224,297,910</u> |
| EXPENDITURES | | | | | | | |
| Personnel | \$125,871,268 | \$130,374,329 | \$128,756,271 | \$133,691,585 | \$139,584,614 | \$145,797,656 | \$152,215,330 |
| Services & Supplies | 30,626,208 | 34,287,825 | 32,109,387 | 32,751,575 | 33,406,607 | 34,074,739 | 34,756,233 |
| Equipment | 286,344 | 271,476 | 287,803 | 290,681 | 296,495 | 302,425 | 308,473 |
| Internal Services | 17,024,845 | 18,307,993 | 18,307,993 | 18,582,613 | 18,954,265 | 19,333,350 | 19,720,017 |
| Added reductions | | | | | | | |
| TOTAL EXPENDITURES | <u>\$173,808,666</u> | <u>\$183,241,623</u> | <u>\$179,461,455</u> | <u>\$185,316,454</u> | <u>\$192,241,981</u> | <u>\$199,508,171</u> | <u>\$207,000,054</u> |
| Excess Revenues over (Expenses) | <u>\$15,034,020</u> | <u>\$8,361,537</u> | <u>\$14,182,450</u> | <u>\$17,020,095</u> | <u>\$17,830,187</u> | <u>\$16,802,477</u> | <u>\$17,297,856</u> |
| OPERATING TRANSFER (IN / (OUT)) | | | | | | | |
| Debt Service | \$(13,651,220) | \$(13,828,122) | (13,828,122) | \$(15,690,641) | \$(15,690,641) | \$(15,690,641) | \$(15,690,641) |
| Contributions to Other Funds/Misc | (16,686,327) | (13,599,056) | (13,599,056) | (14,139,576) | (14,313,006) | (15,354,332) | (15,976,778) |
| Abatements for Svcs to Other Funds | 1,377,560 | 386,548 | 386,548 | 389,659 | 392,864 | 396,165 | 399,565 |
| Enterprise Contributions | 18,685,052 | 18,705,678 | 18,705,678 | 17,472,131 | 17,980,023 | 18,503,153 | 19,041,976 |
| NET OPERATING TRANSFER (IN / (OUT)) | <u>\$(10,274,935)</u> | <u>\$(8,334,952)</u> | <u>\$(8,334,952)</u> | <u>\$(11,968,427)</u> | <u>\$(11,630,760)</u> | <u>\$(12,145,656)</u> | <u>\$(12,225,878)</u> |
| Net Income/(Loss) | | | | | | | |
| Allocation to Policy Reserve | | | | | | | |
| Operating Income/(Loss) | \$4,759,085 | \$26,585 | \$5,847,498 | \$5,051,668 | \$6,199,428 | \$4,656,822 | \$5,071,978 |
| Transfer to Benefits Fund to Repay PACTE | | | | | | | |
| Loan | (1,273,620) | 0 | 0 | 0 | 0 | 0 | 0 |
| Personnel Reserves for Leave Costs | (1,000,000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution toward OPEB Unfunded Liability | (1,000,000) | 0 | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) | (1,000,000) |
| NET OFF BUDGET RESERVE ACTIVITY | <u>\$(3,273,620)</u> | <u>\$0</u> | <u>\$(1,000,000)</u> | <u>\$(1,000,000)</u> | <u>\$(1,000,000)</u> | <u>\$(1,000,000)</u> | <u>\$(1,000,000)</u> |
| Net Income/(Loss) | \$1,485,465 | \$26,585 | 4,847,498 | \$4,051,668 | \$5,199,428 | \$3,656,822 | \$4,071,978 |
| Allocation to Policy Reserve | 0 | | | (2,051,627) | (1,982,003) | (1,982,924) | (2,014,650) |
| Ending Amount Available for Appropriations | \$9,154,404 | 9,180,989 | 14,001,903 | 16,001,943 | 19,219,368 | 20,893,266 | 22,950,594 |
| Committed Fund Balance | <u>53,435,034</u> | <u>53,435,034</u> | <u>53,435,034</u> | <u>55,486,661</u> | <u>57,468,664</u> | <u>59,451,588</u> | <u>61,466,238</u> |
| Total Fund Balance | <u><u>\$62,589,438</u></u> | <u><u>\$62,616,023</u></u> | <u><u>\$67,436,937</u></u> | <u><u>\$71,488,605</u></u> | <u><u>\$76,688,032</u></u> | <u><u>\$80,344,854</u></u> | <u><u>\$84,416,831</u></u> |

Source: City of Pasadena, Department of Finance.

General Fund Cash Reserve Policy. Beginning in fiscal year 2010-11, 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 2014-15, to reach this goal by increasing the commitment by up to 2% per year over the course of five years, based on each year's budget resolution, and also permits the City to commit to an increase of less than 2% by formal action. The current operating reserve is approximately \$20.3 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 2009-10, the City's 10% operating reserve was identified as "Designated for- General Fund Reserve;" however, in fiscal year 2010-11, accounting changes resulted in the operating reserve being divided between that line item and the line item "Reserve Balance."

**TABLE A-17
GENERAL FUND RESERVES
FOR FISCAL YEARS 2009-10 THROUGH 2013-14**

| | As of June 30, | | | | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Reserved Balance | \$ 7,996,500 | \$ 39,373,296 | \$88,395,664 | \$45,731,726 | \$43,219,933 |
| Designated for: | | | | | |
| General Fund Reserve | 22,594,334 | 8,582,519 | - | 4,249,148 | 5,042,986 |
| Budget Stabilization Reserve | - | - | - | - | - |
| Utility Users Tax Reserve | - | - | - | - | - |
| City Hall Seismic Retrofit | 5,618,447 | - | - | - | - |
| Retirement System | - | - | - | - | - |
| Future Projects -- Rose Bowl | - | - | - | - | - |
| Designated balance | 28,212,781 | 8,582,519 | - | 4,249,148 | 5,042,986 |
| Unreserved Fund Balance | 16,967,906 | (1,390,808) | (34,619,797) | 11,965,386 | 15,014,593 |
| Total Fund Balance ⁽¹⁾ | <u>\$53,177,187</u> | <u>\$46,565,007</u> | <u>\$53,775,868</u> | <u>\$61,946,260</u> | <u>\$63,277,512</u> |

⁽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 2013-14, \$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 fiscal year 2014-15 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 fiscal year 2014-15 on June 9, 2014. The General Fund portion of the appropriation budget for fiscal year 2014-15 is \$209.5 million.

Set forth below is the City's adopted General Fund budgets for fiscal year 2013-14 and shows the budget as adopted, the actual budget results and the variance for such fiscal year.

**TABLE A-18
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL FOR FISCAL YEAR 2013-14**

| | Fiscal Year 2013-14 | | |
|--|---------------------|-----------------|----------------|
| | Budget | Actual | Variance |
| Revenues | | | |
| Taxes | \$126,461,600 | \$128,501,059 | \$ 2,039,459 |
| Licenses and permits | 2,844,570 | 4,107,361 | 1,262,791 |
| Intergovernmental revenues | 14,847,340 | 15,248,230 | 400,890 |
| Charges for services | 30,204,037 | 32,642,104 | 2,438,067 |
| Fines and forfeits | 7,085,950 | 6,768,360 | (317,590) |
| Investment earnings | 3,117,150 | 3,301,390 | 184,240 |
| Rental income | 1,069,787 | 1,384,077 | 314,290 |
| Miscellaneous revenues | 2,851,127 | 2,721,496 | (129,631) |
| Total Revenues | \$188,481,561 | \$194,674,077 | \$ 6,192,516 |
| Expenditures | | | |
| General Government | \$ 29,911,761 | \$ 34,581,118 | \$ (4,669,357) |
| Public safety | 100,820,437 | 97,690,524 | 3,129,913 |
| Transportation | 26,320,259 | 24,783,817 | 1,536,442 |
| Culture and leisure | 16,747,625 | 16,675,755 | 71,870 |
| Community development: Planning and Permitting | 7,826,967 | 6,686,614 | 1,140,353 |
| Total Expenditures | \$181,627,049 | \$ 180,417,828 | \$ 1,209,221 |
| Excess of revenues over expenditures | \$ 6,854,512 | \$ 14,256,249 | \$ 7,401,737 |
| Other financing sources (uses) | | | |
| Transfer in | \$ 20,613,850 | \$ 20,195,112 | \$ (418,738) |
| Transfer out | (32,395,849) | (33,120,109) | (724,260) |
| Total other financing sources (uses) | \$ (11,781,999) | \$ (12,924,997) | \$ (1,142,998) |
| Change in fund balances | \$ (4,927,487) | \$ 1,331,252 | \$ 6,258,739 |
| Fund balance at beginning of year | \$ 61,946,260 | \$ 61,946,260 | - |
| Fund balance at end of year | \$ 57,018,773 | \$ 63,277,512 | \$ 6,258,739 |

Source: City of Pasadena Comprehensive Annual Financial Report for Year Ended June 30, 2014.

Set forth below are the City's adopted General Fund budgets for fiscal years 2013-14 and 2014-15, respectively.

TABLE A-19
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETED FOR FISCAL YEARS 2013-14 AND 2014-15

| | Fiscal Year 2013-14 Adopted | Fiscal Year 2014-15 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 2013-14 and 2014-15.

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.

Recent audit and newly adopted policies. The City has recently completed an investigation, following an internal audit in November of 2014, which revealed the misappropriation of public funds in excess of \$6.4 million dollars over the course of eleven years. The audit is available on the City's website at www.cityofpasadena.net/invoiceinvestigation.

Accounting irregularities with the underground utilities fund were discovered by City employees in late May 2014. An initial internal investigation was completed and the results were provided to City Manager Beck and City Attorney Michele Beal Bagneris. The District Attorney was notified within days of the completion of the preliminary internal investigation.

The City audit makes 43 recommendations, of which nearly all are expected to be implemented. City Manager Beck has directed several initial steps be taken, including establishing an internal audit manager position within the City Manager's Office to direct, manage and coordinate an internal citywide audit program.

General Fund Comparative Operating Budget

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

**TABLE A-20
CITY OF PASADENA
ADOPTED GENERAL FUND
COMPARATIVE OPERATING BUDGET
FOR FISCAL YEARS 2012-13 THROUGH 2014-15**

| REQUIREMENTS | 2012-13 | 2013-14 | 2014-15 |
|------------------------------|----------------------|----------------------|----------------------|
| 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 |

Water and Power Enterprise Fund Transfers to General Fund

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.

**TABLE A-21
CITY OF PASADENA
TRANSFERS FROM THE LIGHT AND POWER FUND AND WATER FUND
TO GENERAL FUND
FISCAL YEARS 2010-11 THROUGH 2014-15
(DOLLAR AMOUNTS IN THOUSANDS)**

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|----------|----------|---------------------|------------------------|
| | 2011 ⁽²⁾ | 2012 | 2013 | 2014 ⁽³⁾ | 2015 ⁽³⁾ |
| <u>Light and Power Fund</u> | | | | | |
| Amount Transferred | \$12,742 | \$15,861 | \$14,093 | \$15,047 | \$16,613 |
| Amount as Percentage of Prior Year's Gross Income ⁽¹⁾ | 9.2% | 8.0% | 9.0% | 9.0% | 10.0% |
| <u>Water Fund</u> | | | | | |
| Amount Transferred | \$2,564 | \$2,773 | \$3,116 | \$3,273 | \$1,544 ⁽²⁾ |
| 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) Budget.
(4) Decrease in fiscal year 2014-15 is due to new methodology outlined under the terms of the *Rooney* case discussed below.

In *Rooney v. City of Pasadena*, Los Angeles Superior Court case no. BS145352, the City was sued in a Proposition 218 lawsuit challenging its annual, Charter-authorized transfer its Water Fund to the General Fund, which lawsuit claimed the transfer violated Proposition 218 by exceeding the cost-of-service. In fiscal year 2013-14, the transfer amounted to approximately \$3.3 million (see Table A-21 above). During 2014, the City obtained a cost-of-service study that found that approximately \$1.5 million of General Fund costs were incurred for the benefit of the Water Fund. Later in 2014, the City settled the *Rooney* lawsuit on three general terms. First, the City agreed to transfer from the General Fund to the Water Fund a total of \$7.2 million (inclusive of attorney's fees) as follows: \$1 million for each of the first five years, commencing in fiscal year 2014-15, and \$1.1 million for each of the last two years, commencing in fiscal year 2019-20, to account for transfers allegedly exceeding the cost-of-service made during fiscal years 2010-11 through 2013-14. Second, the City agreed to limit its annual transfer from the Water Fund to the General Fund to only that amount justified by the cost-of-service. Finally, the plaintiffs agreed not to file suit to challenge future transfers the City makes from the Water Fund to the General Fund, so long as the transfers are consistent with the methodology outlined in the 2014 cost-of-service study.

Proposition 26, adopted by voters in November 2010, added additional State constitutional restrictions to the City's ability to charge fees. For a discussion of Proposition 26's potential impact on the transfers from the Light and Power Fund and the Water Fund to the City's General Fund, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Articles XIII C and XIII D of the State Constitution -- Proposition 218 and Proposition 26."

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. Early prepayment of the economic recovery bonds, as is proposed in the Governor's proposed 2015-16 budget, would have no effect on City revenues. 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.

TABLE A-22
CITY OF PASADENA
GENERAL TAX REVENUES
Fiscal Years 2009-10 through 2013-14
(in Thousands)

| <u>Tax</u> | Fiscal Year Ended June 30, | | | | |
|-------------------------------|----------------------------|------------------|------------------|-------------------------|------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Property ⁽¹⁾ | \$ 68,353 | \$70,803 | \$54,051 | \$42,957 ⁽²⁾ | \$43,146 |
| Sales | 28,949 | 30,301 | 32,239 | 30,871 ⁽³⁾ | 33,198 |
| Utility Users | 29,520 | 29,355 | 29,318 | 29,531 | 28,893 |
| Street Light & Traffic Signal | 6,565 | 6,675 | 6,331 | 6,503 | 6,610 |
| Transient Occupancy | 8,406 | 9,088 | 10,094 | 11,109 | 12,043 |
| Total | \$141,793 | \$146,222 | \$132,033 | \$120,971 | \$123,890 |

⁽¹⁾ Includes assessments.

⁽²⁾ \$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.

⁽³⁾ Sales tax was \$1.3 million less than in fiscal year 2011-12, 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.

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 fiscal year 2013-14 reflected a total assessed valuation of approximately \$22.9 billion for the City. Assessed net valuation for revenue purposes increased by approximately 5% for fiscal year 2013-14 over the assessed net valuation for fiscal year 2012-13, and the compounded average annual increase between assessed valuation for fiscal year 2004-05 and fiscal year 2013-14 was approximately 7.4%.

In 2011, the State of California enacted legislation commonly referred to as “ABx1 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 ABx1 26 was stayed pending a challenge to its constitutionality brought before the California Supreme Court. In upholding ABx1 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 ABx1 26. ABx1 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 ABx1 26, tax increment will continue to flow to the payment of “enforceable obligations” (such as tax allocation bonds) of the dissolved redevelopment agencies. See “THE CITY OF PASADENA—Retirement Systems—Pasadena Fire and Police Retirement System—SB 481 Litigation.”

TABLE A-23
CITY OF PASADENA
ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2005-06 through 2014-15
(\$ 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.

**TABLE A-24
CITY OF PASADENA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
For Fiscal Years 2004-05 through 2013-14**

| Fiscal Year ended June 30 | General City | City Debt Service* | Los Angeles County General | Pasadena School District | Pasadena Comfm. 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.

**TABLE A-25
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.

TABLE A-26
CITY OF PASADENA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
Fiscal Years 2011-12 through 2013-14

| Assets | As of June 30, | | |
|---|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 |
| Cash and investments | \$29,046,772 | \$35,468,139 | \$38,804,030 |
| Accounts receivable | 18,450,077 | 16,036,315 | 14,500,506 |
| Less allowance for uncollectible amounts | - | - | - |
| Notes receivable | 52,397 | 51,508 | 51,508 |
| Due from other funds | 5,509,340 | 4,214,228 | 5,042,986 |
| Prepays and other assets | 27,560 | 25,000 | 184,923 |
| Restricted cash and investment | | | 25,000 |
| Advances to other funds | 48,636,872 | 45,919,450 | 45,919,450 |
| Advances to component units | 2,056,631 | 1,841,417 | 1,618,824 |
| Allowance uncollectible for long term receivables | - | - | - |
| Property held for resale | 8,300,000 | 8,300,000 | 8,300,000 |
| Total assets | \$112,079,649 | \$111,856,057 | \$114,447,227 |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$7,364,133 | \$6,811,667 | \$8,754,174 |
| Deposits | 2,260,891 | 2,279,530 | 1,756,560 |
| Due to other governments | 18,763 | - | 709,314 |
| Advances from other funds | - | 1,100,000 | 990,000 |
| Total liabilities | \$9,643,787 | \$10,191,197 | \$12,210,048 |
| Deferred inflow of resources | 48,659,994 | 39,718,600 | 38,959,667 |
| Fund Balances: | | | |
| Nonspendable | 8,352,397 | 8,351,508 | 8,351,508 |
| Committed | 80,043,268 | 37,380,218 | 34,868,425 |
| Assigned | 5,509,340 | 4,249,148 | 5,042,986 |
| Unassigned | (40,129,137) | 11,965,386 | 15,014,593 |
| Total Fund balances | 53,775,868 | 61,946,260 | 63,277,512 |
| Total liabilities and fund balances | \$112,079,649 | \$111,856,057 | \$114,447,227 |

Source: City of Pasadena, Department of Finance.

TABLE A-27
CITY OF PASADENA
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Fiscal Years 2011-12 through 2013-14

| | Fiscal Year Ended June 30, | | |
|---|----------------------------|-----------------------|-----------------------|
| | 2012 | 2013 | 2014 |
| Revenues: | | | |
| Taxes | \$120,658,622 | \$122,014,755 | \$128,501,059 |
| Licenses and permits | 2,738,785 | 3,046,516 | 4,107,361 |
| Intergovernmental revenues | 14,388,263 | 14,709,095 | 15,248,230 |
| Charges for services | 29,613,903 | 32,475,987 | 32,642,104 |
| Fines and forfeits | 6,796,482 | 7,452,899 | 6,768,360 |
| Investment earnings | 9,665,891 | 9,874,106 | 3,301,390 |
| Rental income | 1,336,611 | 1,602,381 | 1,384,077 |
| Miscellaneous revenue | 10,390,704 | 2,644,508 | 2,721,496 |
| Total revenues | <u>\$195,589,261</u> | <u>\$193,820,247</u> | <u>\$194,674,077</u> |
| Expenditures: | | | |
| Current: | | | |
| General government | \$ 31,009,397 | \$ 30,945,835 | \$ 34,581,118 |
| Public Safety | 97,057,997 | 96,012,393 | 97,690,524 |
| Transportation | 23,883,432 | 22,804,610 | 24,783,817 |
| Culture and leisure | 14,724,109 | 14,470,287 | 16,675,755 |
| Community development | 7,063,911 | 6,808,301 | 6,686,614 |
| Total expenditures | <u>\$173,738,846</u> | <u>\$171,041,426</u> | <u>\$180,417,828</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 21,850,415</u> | <u>\$ 22,778,821</u> | <u>\$ 14,256,249</u> |
| Other financing sources (uses): | | | |
| Issuance of long-term debt | | | |
| Transfers in | \$ 20,225,884 | \$ 21,783,098 | \$ 20,195,112 |
| Transfers out | (37,847,163) | (42,141,527) | (33,120,109) |
| Total other financing sources (uses) | <u>\$(17,621,279)</u> | <u>\$(20,358,429)</u> | <u>\$(12,924,997)</u> |
| Extraordinary gain (loss) | (364,808) | - | - |
| Change in fund balances | 3,864,328 | 2,420,392 | 1,331,252 |
| Fund balances at beginning of year, as restated | <u>49,911,540</u> | <u>59,525,868</u> | <u>61,946,260</u> |
| Fund balances at end of year | <u>\$53,775,868</u> | <u>\$61,946,260</u> | <u>\$63,277,512</u> |

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 December 31, 2014, the funds invested pursuant to the pooled investment program had a market value of \$346,154,927. 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 December 31, 2014 was 2.20 years. Of the investments on that date, approximately 19.63% had maturities of thirty days or less.

The assets of the portfolio as of December 31, 2014 are shown in the following table:

**TABLE A-28
CITY OF PASADENA
POOLED INVESTMENT PORTFOLIO
as of December 31, 2014**

| | Market Value | Percentage of Total⁽¹⁾ |
|-------------------------------|----------------------|--|
| Money Market – Collateralized | \$ 24,378,938 | 7.06% |
| Municipal Bonds | 15,347,493 | 4.45 |
| Corporate Bonds | 73,057,452 | 21.16 |
| Federal Agencies | 179,277,403 | 51.93 |
| US Treasury Securities | 9,926,923 | 2.88 |
| LAIF | 34,739,350 | 10.06 |
| Cash in Bank | 8,520,138 | 2.47 |
| Total | 345,247,698 | 100.00 |
| Accrued Interest Receivable | 907,229 | |
| Grand Total | <u>\$346,154,927</u> | |

⁽¹⁾ At market value. The Weighted Average Maturity of the above portfolio is 2.32 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 fiscal year 2014-15 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 subvented 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. 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, after which the Governor has 12 calendar days to either sign or veto the enrolled budget. The Legislature has adopted timely the past four State budgets, although the Legislature has failed to meet the June 15 deadline in prior years. 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 by the Legislature on June 15, 2014 and signed by the Governor 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 future State budget challenges might 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 2013-14 was \$244.5 million. The City estimates that its appropriations limit for fiscal year 2014-15 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 XIII D. 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 XIII D.

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.

In *Howard Jarvis Taxpayers Assn. v. City of Pasadena*, Los Angeles Superior Court case no. BC550394, plaintiffs have filed a putative class action lawsuit against the City challenging its 25 percent extra-territorial water surcharge. The plaintiffs claim the surcharge violates Proposition 218 and should be ceased. For fiscal year 2013-14, the surcharge provided approximately \$1.7 in revenue to the Water Fund. No trial date is set, but there is a hearing on the plaintiffs' Motion for Class Certification set for

May 26, 2015. The City's view is that the surcharge is justified by the City's costs of providing service to its extra-territorial water customers.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIII D.

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" above. Since Proposition 26 has been recently enacted, there is little caselaw interpreting this Constitutional provision. However, a California appellate court recently ruled that transfers (described as "payments in lieu of taxes" or a PILOT) from the City of Redding's electric utility to that city's general fund, approved with each biennial budget, were not exempt from Proposition 26, as the PILOT predated the adoption of Proposition 26. *Citizens for Fair REU Rates v. City of Redding*, 233 Cal.App.4th 402 (2015). The *Redding* court remanded the case to the lower court to determine the factual question of whether the PILOT reflects the reasonable costs borne by the general fund to provide electric service. The City of Redding recently filed a Petition for Review of the Court of Appeal's decision with the California Supreme Court. Additionally, the League of California Cities recently filed a Request for Depublication. The California Supreme Court has not ruled on either of these requests.

Another published appellate opinion holds that Proposition 26 is not retroactive as to local governments and, for that reason, it is the City's further belief that transfers from its electric enterprise fund should be unaffected by Proposition 26. Further it is the City's view that as its transfers are being made pursuant to a voter-approved Charter provision (rather than by budget appropriations alone), the transfers should also be unaffected by the *Redding* case, should the Court of Appeal's decision become final in its current form. 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 December 31, 2014, the City had total long-term debt obligations payable from the City's General Fund of approximately \$624.6 million. Of this total, obligations for general government purposes represented approximately 14.2%, pension obligation bonds approximately 19.8% and "self-supporting" obligations related to particular activities (such as parking, conference center and the Rose Bowl) approximately 65.9%. 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.

| Fiscal Year ended June 30 | <u>Total Debt Service</u> | <u>Total General Fund Obligations Debt Service (including Self Supporting Obligations)</u> | <u>General Fund Obligations Debt Service (excluding Self Supporting Obligations)</u> |
|------------------------------------|---------------------------|--|--|
| 2012 | | | |
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |

Set forth below is a summary of the City's long-term debt obligations payable from the City's General Fund.

TABLE A-29
LONG TERM OBLIGATIONS PAYABLE FROM CITY GENERAL FUND
AS OF DECEMBER 31, 2014
(\$ in Thousands)

| City Issues | Original Par | Outstanding | Final Maturity | Variable/Fixed Synthetic Fixed (SWAP) | Letter of Credit Expiration Date | Letter of Credit Bank |
|---|------------------|------------------|----------------|---------------------------------------|----------------------------------|-----------------------|
| <u>Pension Obligation Bonds</u> | | | | | | |
| 1999 A&B Taxable POBs ⁽¹⁾ | \$101,940 | \$52,790 | 2022 | Fixed | - | - |
| 2004 Taxable POBs ⁽¹⁾ | 40,750 | 23,660 | 2015 | Variable | - | - |
| 2012 Taxable POBs ⁽¹⁾ | 47,440 | 47,440 | 2041 | Variable | - | - |
| Sub-Total Pension Obligation Bonds | \$190,130 | \$123,890 | | | | |
| <u>City Leases</u> | | | | | | |
| 2000 Lease Financing | 4,000 | 1,276 | 2020 | Fixed | - | - |
| 2006 VRDBs (City Hall Portion) | 10,355 | 5,640 | 2023 | Variable/SWAP(Synthetic 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 | 1,624 | Fixed | Fixed | - | - |
| 2012 Equip Lease Financing - Helicopter | 1,584 | 996 | Fixed | Fixed | - | - |
| 2012 Equip Lease Financing - 911 System | 3,947 | 2,480 | Fixed | Fixed | - | - |
| 2013 Equip Lease Financing - Dental Clinic | 265 | 188 | Fixed | Fixed | - | - |
| 2013 Equip Lease Financing - Meter Equip | 351 | 283 | Fixed | Fixed | - | - |
| Sub-Total City Leases | \$120,964 | \$89,077 | | | | |
| <u>Self-Supporting Obligations</u> | | | | | | |
| 1993 Refunding COPs (Old Pasadena Parking) | \$28,050 | \$7,640 | 2018 | Fixed | - | - |
| 1999 Marriott Garage Lease Financing | 2,600 | 908 | 2019 | Fixed | - | - |
| 2006 A CAB COPs (Conference Center) | 27,140 | 31,147 | 2034 | Fixed | - | - |
| 2008 A COPs (Conference Center) | 134,720 | 134,720 | 2035 | Variable/SWAP(Synthetic Fixed) | 4/16/2018 | Bank of America |
| 2008 B COPs (Conference Center) | 891 | 485 | 2019 | Fixed | - | - |
| 2008 Paseo Colorado Taxable Revenue Bonds | 28,800 | 25,900 | 2038 | Variable | 9/1/2019 | Bank of the West |
| 2010 A PPA Lease Revenue Bonds (Rose Bowl Renovation Project) Tax-Exempt | 36,808 | 39,911 | 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 | 2042 | Fixed | - | - |
| 2013 A Rose Bowl VRD Lease Revenue Bonds (Tax-Exempt) - Refunding Portion | 23,965 | 23,865 | 2042 | Variable/SWAP(Synthetic Fixed) | - | - |
| 2013 A Rose Bowl VRD Lease Revenue Bonds (Taxable) | 19,065 | 16,985 | 2027 | Fixed | - | - |
| Sub-Total Self-Supporting | \$432,264 | \$411,661 | | | | |
| Total General Fund Obligations | \$743,358 | \$624,628 | | | | |

⁽¹⁾ To be refunded or refinanced with the proceeds of the Series 2015 Bonds 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 – "CITY OF PASADENA COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2014."

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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**TABLE A-30
CITY OF PASADENA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of June 30, 2014**

[Information on Order from MuniServices]

2013-14 Assessed Valuation: \$23,109,209,230

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | % Applicable ⁽¹⁾ | Debt 06/30/14 |
|---|-----------------------------|------------------------------|
| 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 | 0.987 | 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 |
| <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u> | | |
| 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 |
| City of Pasadena General Fund Obligations supported by other revenue sources | | 351,723,351 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | \$304,075,112 |
| <u>OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY):</u> | 100.000% | \$2,130,000 |
| TOTAL GROSS DIRECT DEBT | | \$608,871,382 |
| TOTAL NET DIRECT DEBT | | \$57,148,031 |
| TOTAL NET OVERLAPPING DEBT | | \$351,549,398 |
| TOTAL GROSS OVERLAPPING DEBT | | \$351,447,233 |
| GROSS COMBINED TOTAL DEBT | | \$960,420,780 ⁽²⁾ |
| NET COMBINED TOTAL DEBT | | \$608,595,264 |
| <u>RATIOS TO 2013-14 ASSESSED VALUATION:</u> | | |
| Total Direct and Overlapping Tax and Assessment Debt | 1.13% | |
| <u>RATIOS TO ADJUSTED ASSESSED VALUATION</u> | | |
| Combined Direct Debt (\$608,871,382) | 2.63% | |
| Combined Total Debt | 2.63 | |
| <u>RATIOS TO REDEVELOPMENT INCREMENTAL VALUATION(\$3,370,606,728)</u> | | |
| Total Overlapping Tax Increment Debt | 0.06% | |

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

The City 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.

FIRST SUPPLEMENTAL TRUST AGREEMENT

between the

CITY OF PASADENA, CALIFORNIA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 1, 2015

CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS

SERIES 2015A
(FIXED RATE BONDS)

(Supplemental to the Trust Agreement, dated as of March 1, 2012)

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| ARTICLE XI DEFINITIONS AND ADDITIONAL DEFINITIONS | 3 |
| SECTION 11.01. Definitions..... | 3 |
| SECTION 11.02. Additional Definitions..... | 3 |
| ARTICLE XII THE SERIES 2015A BONDS..... | 4 |
| SECTION 12.01. Authorization and Designation | 4 |
| SECTION 12.02. Terms of the Series 2015A Bonds | 5 |
| SECTION 12.03. Optional Redemption | 5 |
| SECTION 12.04. Mandatory Redemption..... | 6 |
| SECTION 12.05. Make-Whole Optional Redemption..... | 6 |
| SECTION 12.06. Purchase in Lieu of Redemption..... | 6 |
| SECTION 12.07. Notice of Redemption | 7 |
| SECTION 12.08. Forms of the Series 2015A Bonds | 7 |
| SECTION 12.09. Application of Proceeds of Series 2015A Bonds..... | 7 |
| SECTION 12.10. Special Provisions for Book-Entry Only System for the Series 2015A Bonds..... | 7 |
| ARTICLE XIII AMENDMENTS..... | 9 |
| SECTION 13.01. Amendment to Section 7.01(e) | 9 |
| ARTICLE XIV MISCELLANEOUS | 9 |
| SECTION 14.01. Severability | 9 |
| SECTION 14.02. Counterparts | 9 |
| SECTION 14.03. Provisions of Trust Agreement Not Otherwise Modified..... | 10 |
| SECTION 14.04. Governing Law; Venue..... | 10 |
| SECTION 14.05. Successors and Assigns..... | 10 |
| SECTION 14.06. Effective Date | 10 |
| APPENDIX A-1 FORM OF BOND..... | A-1 |

FIRST SUPPLEMENTAL TRUST AGREEMENT

This First Supplemental Trust Agreement dated as of May 1, 2015 (this "First Supplemental Trust Agreement"), between the CITY OF PASADENA, CALIFORNIA (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and validly existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"):

WITNESSETH:

WHEREAS, the City, in accordance with Article XV of the City Charter, enacted Chapter 2.250 of Title II, Article VI of the Pasadena Municipal Code (as each may be amended from time to time, being referred to herein as the "Retirement Law"); and

WHEREAS, the Retirement Law obligates the City to (1) make contributions to the City of Pasadena Fire and Police Retirement System (the "System") to fund pension benefits of certain of its employees, (2) amortize the unfunded actuarial accrued liability ("UAAL") with respect to such pension benefits, and (3) appropriate funds for the purposes described in (1) and (2); and

WHEREAS, pursuant to that certain Fire and Police Retirement System Contribution Agreement (the "First Contribution Agreement") by and between the City and the System, the City committed to make payments toward the unfunded actuarial accrued liability existing as of May 23, 1991 and committed to contribute to the System all sums received by the City under the Amended and Restated Reimbursement Agreement, dated as of July 7, 1986, by and between the City and the Pasadena Community Development Commission; and

WHEREAS, as of March 18, 1999, the City and the System entered into a new contribution agreement (No. 16,900) (the "Second Contribution Agreement") which, subject to the terms and conditions thereof, superseded and replaced the First Contribution Agreement, and under which, subject to certain conditions, the City agreed to issue bonds in a sufficient amount to generate net proceeds to be paid to the System, after payment of costs of issuance, of \$100 million; and

WHEREAS, on April 26, 1999, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, the City filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of certain pension obligation bonds (including refunding bonds) and other matters; and

WHEREAS, on June 7, 1999, the court entered a default judgment (the "1999 Validation") to the effect that, among other things, such bonds were valid, legal and binding obligations of the City and were in conformity with all applicable provisions of the law; and

WHEREAS, in August 1999, the City issued \$101,940,000 aggregate principal amount of City of Pasadena Taxable Pension Funding Bonds, Series 1999 (the "1999 Bonds"), pursuant to a Trust Agreement, dated as of August 1, 1999 (the "1999 Trust Agreement"), by and between the City and BNY Western Trust Company, as trustee (the "1999 Trustee"), for the purpose of

refunding as much as all of the City's then existing obligations to the System and thereby providing funds to the System for investment; and

WHEREAS, in August 2004, relying on the 1999 Validation, the City issued an additional \$41 million of City of Pasadena Taxable Pension Funding Bonds, Series 2004 (Index Bonds) (the "2004 Bonds"), pursuant to the 1999 Trust Agreement, as amended and supplemented by that certain First Supplemental Trust Agreement (the "2004 Supplement"), dated as of August 1, 2004, by and between the City and the 1999 Trustee, to refinance additional UAAL payable to the System under a separate contribution agreement, by refunding debentures issued by the City to the System in an equivalent amount; and

WHEREAS, as of November 1, 2011, the City and the System entered into an amended and restated contribution agreement (No. 20,823) (the "Contribution Agreement") which, subject to the terms and conditions thereof, superseded and replaced the First Contribution Agreement and Second Contribution Agreement, and under which, subject to certain conditions, the City agreed to issue bonds in a sufficient amount to generate net proceeds to be paid to the System, after payment of costs of issuance, of \$46.6 million; and

WHEREAS, on November 15, 2011, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, the City filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of certain additional pension obligation bonds (including refunding bonds) and other matters; and

WHEREAS, on January 26, 2012, the court entered a default judgment to the effect that, among other things, such bonds were valid, legal and binding obligations of the City and were in conformity with all applicable provisions of the law; and

WHEREAS, in March 2012, the City issued an additional \$47,440,000 of City of Pasadena Taxable Pension Obligation Bonds, Series 2012 (Mandatory Tender Bonds) (the "2012 Bonds," and together with the 1999 Bonds and the 2004 Bonds, the "Prior Bonds") pursuant to a Trust Agreement, dated as of March 1, 2012 (as amended and supplemented by this First Supplemental Trust Agreement, the "Trust Agreement"), by and between the City and the Trustee to refinance additional UAAL payable to the System under the Contribution Agreement with the System, by refunding a debenture issued by the City to the System in an equivalent amount; and

WHEREAS, the City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") to issue refunding bonds for the purpose of refunding any evidence of indebtedness of the City; and

WHEREAS, each of the 1999 Trust Agreement and the Trust Agreement provides that such agreement may be amended at any time to authorize bonds of a series and provide for the issuance of such series of bonds, pursuant to a supplemental trust agreement; and

WHEREAS, the City has provided for the issuance of one additional series of bonds under the 1999 Trust Agreement pursuant to the terms of a Second Supplemental Trust Agreement, for the purpose of refunding the City's 1999 Bonds; and

WHEREAS, the City now desires to issue one additional series of bonds under the Trust Agreement designated as City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds) (the "Series 2015A Bonds"), in the principal amount of \$ _____ (together with any additional bonds which may be issued under the Trust Agreement, the "Bonds") for the purpose of refunding the 2012 Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2015A Bonds, to establish and declare the terms and conditions upon which the Series 2015A Bonds are to be issued and to secure the payment of the principal thereof, and premium, if any, and interest thereon, the City has authorized the execution and delivery of this First Supplemental Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2015A Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the City payable in accordance with their terms, and to constitute this First Supplemental Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this First Supplemental Trust Agreement have been in all respects duly authorized;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Series 2015A Bonds at any time issued and outstanding under the Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2015A Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants therein and herein contained and of the purchase and acceptance of the Series 2015A Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree with the Trustee, for the benefit of the respective Holders from time to time of the Series 2015A Bonds, as follows:

ARTICLE XI

DEFINITIONS AND ADDITIONAL DEFINITIONS

SECTION 11.01. Definitions. Unless otherwise specifically provided in the recitals hereto, or in Section 11.02 below, capitalized terms used in this First Supplemental Trust Agreement shall have the meanings ascribed to them in the Trust Agreement.

SECTION 11.02. Additional Definitions. Unless the context otherwise requires, the terms defined in this Section 11.02 shall have the meanings herein specified for all purposes of this First Supplemental Trust Agreement (including all Appendices attached hereto), and for all

purposes of any certificate, opinion, request or other document mentioned herein or in the Trust Agreement:

“Series 2015A Bonds” means the Bonds designated the Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds), and issued on May 15, 2015, *i.e.*, the Closing Date for the Series 2015A Bonds.

(a) Amended Definitions. The following definitions set forth in the Trust Agreement are hereby amended in their entirety to read as follows:

“Bond Fund” means the City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015A, Bond Fund established by the City with the Trustee pursuant to Section 3.01 of this Trust Agreement.

“Bonds” shall have the meaning ascribed to such term in the Recitals hereto.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and Digital Assurance Corporation, L.L.C., dated May 15, 2015.

“Debenture” means any Pension Obligation Debenture delivered by the City in favor of the System to evidence the City’s obligations under the Retirement Law.

“Interest Payment Date” means any date on which interest is due on any of the Bonds. The Interest Payment Dates with respect to the Series 2015A Bonds are set forth in Section 12.02 hereof.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2015A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2015A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

ARTICLE XII

THE SERIES 2015A BONDS

SECTION 12.01. Authorization and Designation.

(a) The Trustee is hereby authorized and directed, without further request, to register, authenticate and deliver the Series 2015A Bonds in the aggregate principal amount of \$_____. The Series 2015A Bonds shall be designated “City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds).”

SECTION 12.02. Terms of the Series 2015A Bonds.

(a) The Series 2015A Bonds shall be issued under the Trust Agreement in the form of Bonds in the principal amount set forth in Section 12.01. The Series 2015A Bonds shall mature (subject to prior redemption as provided herein) on the dates and shall bear interest (payable on November 15, 2015, and semiannually thereafter on May 15 and November 15 of each year through the maturity dates thereof) at the interest rates per annum as follows:

| <u>Maturity Date (May 15)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------------------------|-------------------------|----------------------|
| | \$ | % |

(b) The Series 2015A Bonds shall be issued in fully registered form and shall be numbered in any manner deemed appropriate by the Trustee. The Series 2015A Bonds shall be issued substantially in the form of Appendix A, hereto. There shall be no Credit Facility supporting the Series 2015A Bonds.

The Series 2015A Bonds shall be in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof. The Series 2015A Bonds shall be dated the Closing Date, and the principal thereof shall be payable on their respective Principal Payment Dates as provided herein.

The interest on the Series 2015A Bonds shall be payable in lawful money of the United States of America on their respective Interest Payment Dates, as set forth in the forms of the Series 2015A Bonds contained in Appendix A. The principal or Accreted Value of the Series 2015A Bonds shall be payable in lawful money of the United States of America on their Principal Payment Dates upon surrender of the Bonds at the Corporate Trust Office of the Trustee. Interest on overdue principal of the Series 2015A Bonds shall bear interest payable in lawful money of the United States of America at the rate last established for the Series 2015A Bonds before the principal thereof became overdue until duly paid or provided for.

(c) The obligations of the City under the Series 2015A Bonds, including the obligation to make all payments of the interest on and the principal of the Series 2015A Bonds when due or upon prior redemption, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Series 2015A Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, and neither the Series 2015A Bonds nor the obligation of the City to make payment of the interest on or the principal of the Series 2015A Bonds constitutes an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 12.03. Optional Redemption.

(a) [The Series 2015A Bonds maturing on or after [May 15, 2026], shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source

of available funds, as a whole or in part, and, if in part, by lot within any single maturity, on any date on or after [May 15, 2025], at a redemption price equal to 100% of the principal amount of the Series 2015A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.]

SECTION 12.04. Mandatory Redemption.

(a) The Series 2015A Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15 of each year on or after May 15, 20__, from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

| Mandatory Sinking Fund Payment Date (May 15) | Mandatory Sinking Fund Payment |
|---|--------------------------------|
| | \$ |

*

* Maturity.

SECTION 12.05. Make-Whole Optional Redemption. The Series 2015A Bonds are subject to redemption prior to their stated maturity date at the option of the City, in whole or in part, on any date prior to [May 15, 2025], at a redemption price equal to the greater of:

- (a) the principal amount of the Series 2015A Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015A Bonds are to be redeemed, discounted to the date on which such Series 2015A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus ____ basis points;

plus, in each case, accrued interest on such Series 2015A Bonds to be redeemed to the redemption date.

SECTION 12.06. Purchase in Lieu of Redemption. In lieu of optional, mandatory sinking fund or make-whole redemption of the Series 2015A Bonds, the City may purchase such Series 2015A Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Series 2015A Bonds purchased by the City in any

twelve-month period ending on [September 15] in any year will be credited towards and will reduce the par amount of such Series 2015A Bonds, required to be redeemed as described above in Section 12.04 on the next succeeding [November 15].

SECTION 12.07. Notice of Redemption. Notice of redemption of the Series 2015A Bonds shall be given in accordance with the terms and provisions of Section 2.10 and Section 10.06 of the Trust Agreement. Failure by the Trustee to give notice pursuant to the provisions of the Trust Agreement, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Series 2015A Bonds.

SECTION 12.08. Forms of the Series 2015A Bonds. The Series 2015A Bonds shall be delivered in the form of fully registered bonds without coupons in Authorized Denominations. The Series 2015A Bonds shall be assigned such alphabetical and numerical designations as shall be deemed appropriate by the Trustee.

SECTION 12.09. Application of Proceeds of Series 2015A Bonds. At any time after the sale of the Series 2015A Bonds in accordance with the Act, the City shall execute the Series 2015A Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the Series 2015A Bonds shall be authenticated and delivered by the Trustee to the Original Purchasers thereof upon the Written Request of the City and upon receipt of the net payment therefor from the Original Purchasers thereof (as provided in such Written Request).

(a) Upon receipt of payment for the Series 2015A Bonds from the Original Purchasers thereof, the Trustee shall set aside and deposit the net proceeds received from such sale in the following order of priority:

(1) The Trustee shall deposit with the Director the amount of \$_____, to be applied by the City to pay the costs of issuance of the Series 2015A Bonds.

(2) The Trustee shall apply the remainder of the proceeds of the Series 2015A Bonds to the redemption of the 2012 Bonds on the Closing Date.

SECTION 12.10. Special Provisions for Book-Entry Only System for the Series 2015A Bonds.

(a) Except as otherwise provided in subsections (b) and (c) of this section, all of the Series 2015A Bonds shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Representation Letters. Payment of the interest on any Series 2015A Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Series 2015A Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letters.

(b) The Series 2015A Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of the Series 2015A Bonds, representing the aggregate principal amount of the Series 2015A Bonds of such maturity. The

Trustee and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2015A Bonds registered in its name for the purposes of payment of the interest on and principal of such Series 2015A Bonds, selecting the Series 2015A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders hereunder, registering the transfer of Series 2015A Bonds, obtaining any consent or other action to be taken by Holders of the Series 2015A Bonds and for all other purposes whatsoever, and neither the Trustee nor the City shall be affected by any notice to the contrary. Neither the Trustee nor the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2015A Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Holder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the interest on or the principal of any of the Series 2015A Bonds, (iii) any notice which is permitted or required to be given to Holders of Series 2015A Bonds hereunder, or (iv) any consent given or other action taken by DTC as Holder of Series 2015A Bonds. The Trustee shall pay the interest on and principal of the Series 2015A Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letters, and all such payments shall be valid and effective to satisfy fully and discharge the City's obligations with respect to the interest on and principal of the Series 2015A Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2015A Bonds will be transferable to such new nominee in accordance with subsection (f) of this section.

(c) In the event that the City determines that it is in the best interests of the beneficial owners of the Series 2015A Bonds that they be able to obtain definitive Series 2015A Bonds, the Trustee shall, upon receipt of a Written Request of the City, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of definitive Series 2015A Bonds, and in such event the Series 2015A Bonds shall be transferable in accordance with subsection (f) of this section. DTC may determine to discontinue providing its services with respect to the Series 2015A Bonds at any time by giving written notice of such discontinuance to the Trustee or the City and discharging its responsibilities with respect thereto under applicable law, and in such event the Series 2015A Bonds shall be transferable in accordance with subsection (f) of this section. Whenever DTC requests the Trustee or the City to do so, the Trustee and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2015A Bonds then Outstanding, and in such event the Series 2015A Bonds shall be transferable to such securities depository in accordance with subsection (f) of this section, and thereafter, all references in the Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision hereof to the contrary, so long as all Series 2015A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the interest on and the principal of each such Series 2015A Bond and all notices with respect to each such Series 2015A Bond shall be made and given, respectively, to DTC as provided in the Representation Letters.

(e) The Trustee and the City are each hereby authorized and requested to execute and deliver the Representation Letters and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions hereunder.

(f) In the event that any transfer or exchange of Series 2015A Bonds is authorized under subsection (b) or (c) of this section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2015A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.14 and 2.15 of the Trust Agreement. In the event that definitive Series 2015A Bonds are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2015A Bonds, another securities depository as holder of all the Series 2015A Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.14 and 2.15 shall also apply to, among other things, the registration, exchange and transfer of the Series 2015A Bonds and the method of payment of the interest on and the principal of the Series 2015A Bonds.

ARTICLE XIII

AMENDMENTS

SECTION 13.01. Amendments to the Trust Agreement.

(a) Section 7.01(e) of the Trust Agreement is hereby amended to provide that any reference to "Bonds" in such Section 7.01(e) shall be deemed to refer to only the Series 2015A Bonds.

(b) The following sentence is added to Section 4.07, immediately before the first sentence:

The City covenants to enter into and maintain the Continuing Disclosure Agreement.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Severability. If any provision of this First Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 14.02. Counterparts. This First Supplemental Trust Agreement may be simultaneously executed in several counterparts each of which, when executed and delivered, shall be an original and all of which shall constitute one and the same instrument.

SECTION 14.03. Provisions of Trust Agreement Not Otherwise Modified. Except as specifically amended or supplemented by this First Supplemental Trust Agreement, the Trust Agreement is hereby ratified, approved and confirmed and remains in full force and effect.

SECTION 14.04. Governing Law; Venue. This First Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California. This First Supplemental Trust Agreement shall be enforceable in the State of California and any action arising out of this First Supplemental Trust Agreement shall be filed and maintained in Pasadena, California, unless the City waives this requirement.

SECTION 14.05. Successors and Assigns. Whenever in this Trust Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the City which are contained in this Trust Agreement shall inure to the benefit of the successors and assigns of such parties.

SECTION 14.06. Effective Date. This First Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

IN WITNESS WHEREOF, the City has caused this First Supplemental Trust Agreement to be executed on its behalf by its Director of Finance and duly attested by the City Clerk and the Trustee has caused this First Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF PASADENA, CALIFORNIA,

By: _____
Director of Finance

ATTEST:

By _____
City Clerk

APPROVED AS TO FORM:

Javan N. Rad
Chief Assistant City Attorney

APPROVED AS TO FORM:

Eric D. Tashman, Esq.
Sidley Austin LLP
Bond Counsel

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

APPENDIX A

[FORM OF BOND]

CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BOND
SERIES 2015A
(FIXED RATE BOND)

No. R _____ \$ _____

| Interest Rate | Maturity Date | Original Issue Date | CUSIP |
|---------------|---------------|---------------------|-------|
| _____ % | _____ | _____ | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided) the principal amount specified above, together with interest on such principal amount from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated during the period from the first (1st) day of the month in which an interest payment date occurs to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated prior to [November 15, 2015], in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable in lawful money of the United States of America on [November 15, 2015], and semiannually thereafter on May 15 and November 15

of each year until the maturity or prior redemption of this Bond. The interest due on or before the maturity or prior redemption hereof shall be payable by check mailed on each interest payment date by first class mail to the registered owner hereof; provided, that upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee at least fifteen (15) days prior to any interest payment date, such interest shall be payable by wire transfer of immediately available funds. The principal due at the maturity or prior redemption hereof is payable upon surrender hereof at the Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter defined) of the Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), in _____ or _____.

This Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Obligation Refunding Bonds, Series 2015A (Fixed Rate Bonds)" (the "Bonds") in the aggregate principal amount of _____ dollars (\$ _____), and is issued under and pursuant to the provisions of the Charter of the City, Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and Resolution No. 9152, adopted by the City Council on October 24, 2011, Resolution No. 9183, adopted by the City Council on February 27, 2012, and Resolution No. 9516, adopted by the City Council on February 9, 2015, and under and pursuant to the provisions of a Trust Agreement dated as of March 1, 2012, as amended and supplemented by that certain First Supplemental Trust Agreement, dated as of May 1, 2015, by and between the Trustee and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office of the Trustee).

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

[The Bonds maturing on or after [May 15, 2026], shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part, and, if in part, by lot within any single maturity, on any date on or after [May 15, 2025], at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.]

The Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15 of each year on or after May 15, 20__, from mandatory sinking fund payments to be made by the City in the amounts set

forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

| | |
|---|--------------------------------------|
| Mandatory Sinking Fund Payment Date (May 15) | Mandatory Sinking Fund Payment \$ |
|---|--------------------------------------|

*

* Maturity.

This Bond is subject to redemption prior to its stated maturity date at the option of the City, in whole or in part, on any date prior to [May 15, 2025], at a redemption price equal to the greater of:

- (a) the principal amount to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of this Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which this Bond is to be redeemed, discounted to the date on which this Bond is to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus ____ basis points;

plus, in each case, accrued interest on this Bond to the redemption date.

“Treasury Rate” means, with respect to any redemption date for this Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of this Bond; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

In lieu of optional, mandatory sinking fund or make-whole redemption of the Bonds, the City may purchase such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Bonds purchased by the City in any twelve-month period ending on [September 15] in any year will be credited towards and will reduce the par amount of such Bonds, required to be redeemed as described above on the next succeeding [November 15].

Notice of redemption of any Bonds or any portions thereof shall be given by first class mail not less than ten (10) days nor more than forty-five (45) days before the redemption date of such Bonds or portions thereof to the respective registered owners thereof as their names and addresses appear on the registration books maintained by the Trustee pursuant to the Trust Agreement and to the MSRB; all subject to and in accordance with the provisions of the Trust Agreement. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The Trustee and the City may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Trustee nor the City shall be affected by any notice or knowledge to the contrary; and payment of the interest on or principal or redemption price of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Pasadena has caused this Bond to be executed in its name and on its behalf by the signature of the Director of Finance of the City and

countersigned by the signature of the City Clerk who has impressed the seal of the City hereon, and has caused this Bond to be dated as of the original issue date specified above.

CITY OF PASADENA

By: _____
Authorized Officer

[SEAL]

Countersigned:

City Clerk

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on _____.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT]

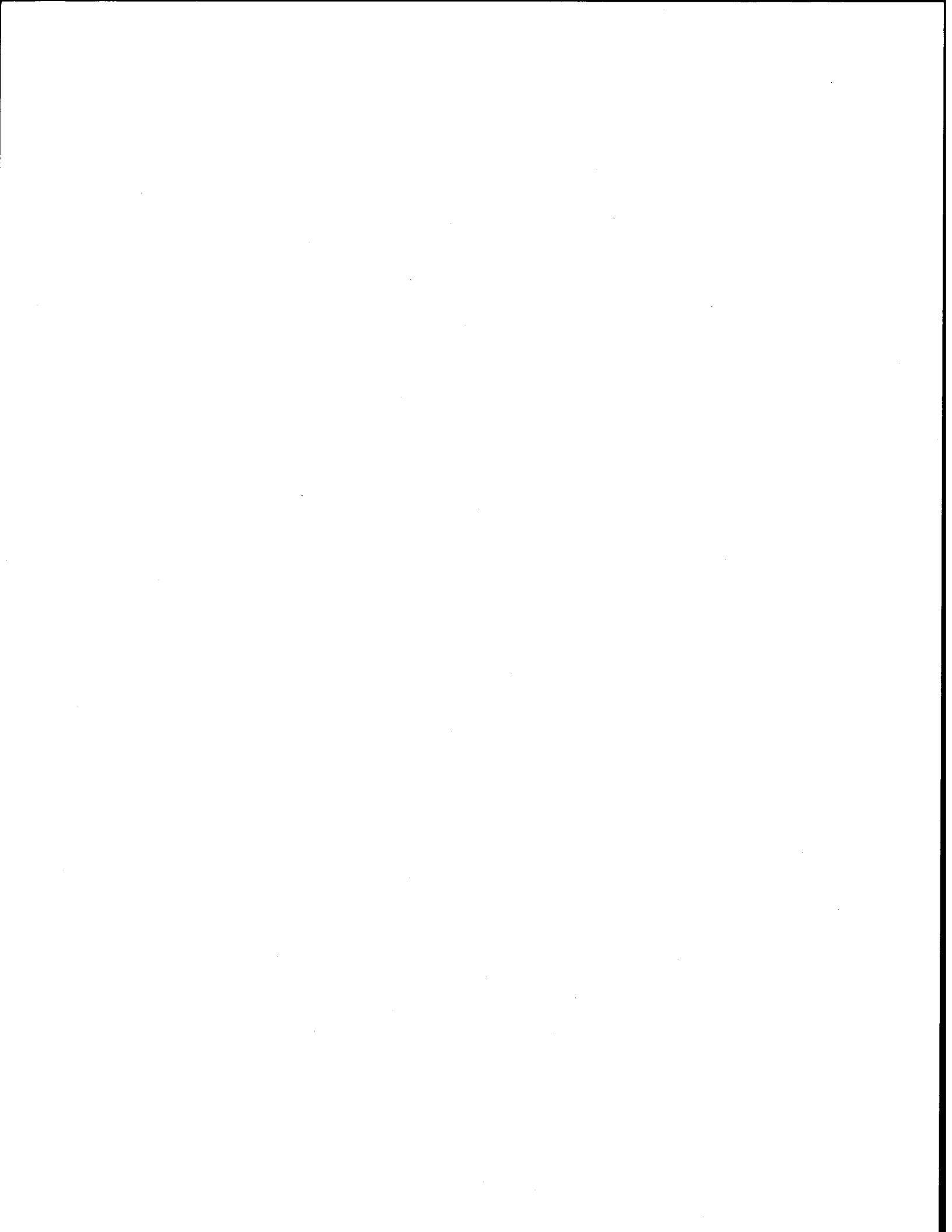
For value received the undersigned hereby sells, assigns and transfers unto _____
(Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and
hereby irrevocably constitutes and appoints _____ attorney to transfer
the within bond on the books kept for registration thereof, with full power of substitution in the
premises.

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of
the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

Notice: Signature must be guaranteed by an eligible guarantor institution.



SECOND SUPPLEMENTAL TRUST AGREEMENT

between the

CITY OF PASADENA, CALIFORNIA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 1, 2015

CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BONDS

SERIES 2015B
(FIXED RATE
BONDS)

(Supplemental to the Trust Agreement, dated as of August 1, 1999)

TABLE OF CONTENTS

Page

| | |
|---|-----|
| ARTICLE XI DEFINITIONS AND ADDITIONAL DEFINITIONS | 3 |
| SECTION 11.01. Definitions..... | 3 |
| SECTION 11.02. Additional Definitions..... | 3 |
| ARTICLE XII THE SERIES 2015B BONDS | 4 |
| SECTION 12.01. Authorization and Designation | 4 |
| SECTION 12.02. Terms of the Series 2015B Bonds..... | 5 |
| SECTION 12.03. Optional Redemption | 5 |
| SECTION 12.04. Mandatory Redemption..... | 6 |
| SECTION 12.05. Make-Whole Optional Redemption..... | 6 |
| SECTION 12.06. Purchase in Lieu of Redemption..... | 6 |
| SECTION 12.07. Notice of Redemption | 7 |
| SECTION 12.08. Forms of the Series 2015B Bonds..... | 7 |
| SECTION 12.09. Application of Proceeds of Series 2015B Bonds..... | 7 |
| SECTION 12.10. Special Provisions for Book-Entry Only System for the Series 2015B Bonds..... | 7 |
| ARTICLE XIII AMENDMENTS..... | 9 |
| SECTION 13.01. Amendments to Trust Agreement..... | 9 |
| ARTICLE XIV MISCELLANEOUS | 10 |
| SECTION 14.01. Severability | 10 |
| SECTION 14.02. Counterparts | 10 |
| SECTION 14.03. Provisions of Trust Agreement Not Otherwise Modified..... | 10 |
| SECTION 14.04. Governing Law; Venue | 10 |
| SECTION 14.05. Successors and Assigns..... | 10 |
| SECTION 14.06. Effective Date | 10 |
| APPENDIX A-1 FORM OF BOND..... | A-1 |

SECOND SUPPLEMENTAL TRUST AGREEMENT

This Second Supplemental Trust Agreement dated as of May 1, 2015 (this "Second Supplemental Trust Agreement"), between the CITY OF PASADENA, CALIFORNIA (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and validly existing under and by virtue of the laws of the United States of America, and successor in interest to BNY Western Trust Company, as trustee (the "Trustee"):

WITNESSETH:

WHEREAS, the City, in accordance with Article XV of the City Charter, enacted Chapter 2.250 of Title II, Article VI of the Pasadena Municipal Code (as each may be amended from time to time, being referred to herein as the "Retirement Law"); and

WHEREAS, the Retirement Law obligates the City to (1) make contributions to the City of Pasadena Fire and Police Retirement System (the "System") to fund pension benefits of certain of its employees, (2) amortize the unfunded actuarial accrued liability ("UAAL") with respect to such pension benefits, and (3) appropriate funds for the purposes described in (1) and (2); and

WHEREAS, pursuant to that certain Fire and Police Retirement System Contribution Agreement (the "First Contribution Agreement") by and between the City and the System, the City committed to make payments toward the unfunded actuarial accrued liability existing as of May 23, 1991 and committed to contribute to the System all sums received by the City under the Amended and Restated Reimbursement Agreement, dated as of July 7, 1986, by and between the City and the Pasadena Community Development Commission; and

WHEREAS, as of March 18, 1999, the City and the System entered into a new contribution agreement (No. 16,900) (the "Second Contribution Agreement") which, subject to the terms and conditions thereof, superseded and replaced the First Contribution Agreement, and under which, subject to certain conditions, the City agreed to issue bonds in a sufficient amount to generate net proceeds to be paid to the System, after payment of costs of issuance, of \$100 million; and

WHEREAS, on April 26, 1999, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, the City filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of certain pension obligation bonds (including refunding bonds) and other matters; and

WHEREAS, on June 7, 1999, the court entered a default judgment (the "1999 Validation") to the effect that, among other things, such bonds were valid, legal and binding obligations of the City and were in conformity with all applicable provisions of the law; and

WHEREAS, in August 1999, the City issued \$101,940,000 aggregate principal amount of City of Pasadena Taxable Pension Funding Bonds, Series 1999 (the "1999 Bonds"), pursuant to a Trust Agreement, dated as of August 1, 1999 (the "1999 Trust Agreement"), by and between

the City and BNY Western Trust Company, predecessor in interest to the Trustee, as trustee (the "1999 Trustee"), for the purpose of refunding as much as all of the City's then existing obligations to the System and thereby providing funds to the System for investment; and

WHEREAS, in August 2004, relying on the 1999 Validation, the City issued an additional \$41 million of City of Pasadena Taxable Pension Funding Bonds, Series 2004 (Index Bonds) (the "2004 Bonds"), pursuant to the 1999 Trust Agreement, as amended and supplemented by that certain First Supplemental Trust Agreement (the "First Supplement"), dated as of August 1, 2004, by and between the City and the 1999 Trustee, (the 1999 Trust Agreement, as amended and supplemented by the First Supplement and by this Second Supplemental Trust Agreement, the "Trust Agreement"), to refinance additional UAAL payable to the System under a separate contribution agreement, by refunding debentures issued by the City to the System in an equivalent amount; and

WHEREAS, as of November 1, 2011, the City and the System entered into an amended and restated contribution agreement (No. 20,823) (the "Contribution Agreement") which, subject to the terms and conditions thereof, superseded and replaced the First Contribution Agreement and Second Contribution Agreement, and under which, subject to certain conditions, the City agreed to issue bonds in a sufficient amount to generate net proceeds to be paid to the System, after payment of costs of issuance, of \$46.6 million; and

WHEREAS, on November 15, 2011, acting pursuant to the provisions of Sections 860 *et seq.* of the State Code of Civil Procedure, the City filed a complaint in the Superior Court of the State for the County of Los Angeles seeking judicial validation of the transactions relating to the issuance of certain additional pension obligation bonds (including refunding bonds) and other matters; and

WHEREAS, on January 26, 2012, the court entered a default judgment to the effect that, among other things, such bonds were valid, legal and binding obligations of the City and were in conformity with all applicable provisions of the law; and

WHEREAS, in March 2012, the City issued an additional \$47,440,000 of City of Pasadena Taxable Pension Obligation Bonds, Series 2012 (Mandatory Tender Bonds) (the "2012 Bonds," and together with the 1999 Bonds and the 2004 Bonds, the "Prior Bonds") pursuant to a Trust Agreement, dated as of March 1, 2012 (the "2012 Trust Agreement"), by and between the City and the Trustee, to refinance additional UAAL payable to the System under the Contribution Agreement with the System, by refunding a debenture issued by the City to the System in an equivalent amount; and

WHEREAS, the City is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") to issue refunding bonds for the purpose of refunding any evidence of indebtedness of the City; and

WHEREAS, each of the 1999 Trust Agreement and the 2012 Trust Agreement provides that such agreement may be amended at any time to authorize bonds of a series and provide for the issuance of such series of bonds, pursuant to a supplemental trust agreement; and

WHEREAS, the City has provided for the issuance of one additional series of bonds under the 2012 Trust Agreement pursuant to the terms of a First Supplemental Trust Agreement, for the purpose of refunding the City's 2012 Bonds; and

WHEREAS, the City now desires to issue one additional series of bonds under the Trust Agreement designated as City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015B (Fixed Rate Bonds) (the "Series 2015B Bonds"), in the principal amount \$_____ (together with any additional bonds which may be issued under the Trust Agreement, the "Bonds") for the purpose of refunding the 1999 Bonds and 2004 Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the Series 2015B Bonds, to establish and declare the terms and conditions upon which the Series 2015B Bonds are to be issued and to secure the payment of the principal thereof, and premium, if any, and interest thereon, the City has authorized the execution and delivery of this Second Supplemental Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Series 2015B Bonds, when executed by the City, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the City payable in accordance with their terms, and to constitute this Second Supplemental Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Second Supplemental Trust Agreement have been in all respects duly authorized;

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and interest on all Series 2015B Bonds at any time issued and outstanding under the Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2015B Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants therein and herein contained and of the purchase and acceptance of the Series 2015B Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree with the Trustee, for the benefit of the respective Holders from time to time of the Series 2015B Bonds, as follows:

ARTICLE XI

DEFINITIONS AND ADDITIONAL DEFINITIONS

SECTION 11.01. Definitions. Unless otherwise specifically provided in the recitals hereto, or in Section 11.02 below, capitalized terms used in this Second Supplemental Trust Agreement shall have the meanings ascribed to them in the Trust Agreement.

SECTION 11.02. Additional Definitions. Unless the context otherwise requires, the terms defined in this Section 11.02 shall have the meanings herein specified for all purposes of this Second Supplemental Trust Agreement (including all Appendices attached hereto), and for

all purposes of any certificate, opinion, request or other document mentioned herein or in the Trust Agreement:

“Series 2015B Bonds” means the Bonds designated the Taxable Pension Obligation Refunding Bonds, Series 2015B (Fixed Rate Bonds), and issued on May 15, 2015, *i.e.*, the Closing Date for the Series 2015B Bonds.

(a) Amended Definitions. The following definitions set forth in the Trust Agreement are hereby amended in their entirety to read as follows:

“Bond Fund” means the City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015B, Bond Fund established by the City with the Trustee pursuant to Section 3.01 of this Trust Agreement.

“Bonds” shall have the meaning ascribed to such term in the Recitals hereto.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and Digital Assurance Corporation, L.L.C., dated May 15, 2015.

“Debenture” means any Pension Obligation Debenture delivered by the City in favor of the System to evidence the City’s obligations under the Retirement Law.

“Interest Payment Date” means any date on which interest is due on any of the Bonds. The Interest Payment Dates with respect to the Series 2015B Bonds are set forth in Section 12.02 hereof.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2015B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2015B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

ARTICLE XII

THE SERIES 2015B BONDS

SECTION 12.01. Authorization and Designation.

(a) The Trustee is hereby authorized and directed, without further request, to register, authenticate and deliver the Series 2015B Bonds in the aggregate principal amount of \$_____. The Series 2015B Bonds shall be designated “City of Pasadena Taxable Pension Obligation Refunding Bonds, Series 2015B (Fixed Rate Bonds).”

SECTION 12.02. Terms of the Series 2015B Bonds.

(a) The Series 2015B Bonds shall be issued under the Trust Agreement in the form of Bonds in the principal amount set forth in Section 12.01. The Series 2015B Bonds shall mature (subject to prior redemption as provided herein) on the dates and shall bear interest (payable on November 15, 2015, and semiannually thereafter on May 15 and November 15 of each year through the maturity dates thereof) at the interest rates per annum as follows:

| Maturity Date (May 15) | Principal Amount | Interest Rate |
|------------------------|------------------|---------------|
| | \$ | % |

(b) The Series 2015B Bonds shall be issued in fully registered form and shall be numbered in any manner deemed appropriate by the Trustee. The Series 2015B Bonds shall be issued substantially in the form of Appendix A-1 hereto. There shall be no Credit Facility supporting the Series 2015B Bonds.

The Series 2015B Bonds shall be in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof. The Series 2015B Bonds shall be dated the Closing Date, and the principal thereof shall be payable on their respective Principal Payment Dates as provided herein.

The interest on the Series 2015B Bonds shall be payable in lawful money of the United States of America on their respective Interest Payment Dates, as set forth in the forms of the Series 2015B Bonds contained in Appendix A. The principal or Accreted Value of the Series 2015B Bonds shall be payable in lawful money of the United States of America on their Principal Payment Dates upon surrender of the Bonds at the Corporate Trust Office of the Trustee. Interest on overdue principal of the Series 2015B Bonds shall bear interest payable in lawful money of the United States of America at the rate last established for the Series 2015B Bonds before the principal thereof became overdue until duly paid or provided for.

(c) The obligations of the City under the Series 2015B Bonds, including the obligation to make all payments of the interest on and the principal of the Series 2015B Bonds when due or upon prior redemption, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Series 2015B Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, and neither the Series 2015B Bonds nor the obligation of the City to make payment of the interest on or the principal of the Series 2015B Bonds constitutes an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 12.03. Optional Redemption.

(a) [The Series 2015B Bonds maturing on or after [May 15, 2026], shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source

of available funds, as a whole or in part, and, if in part, by lot within any single maturity, on any date on or after [May 15, 2025], at a redemption price equal to 100% of the principal amount of the Series 2015B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.]

SECTION 12.04. Mandatory Redemption.

(a) The Series 2015B Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15 of each year on or after May 15, 20__, from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

| | |
|--|---------------------------------------|
| <u>Mandatory Sinking Fund Payment Date</u> (May 15) | <u>Mandatory Sinking Fund Payment</u> |
| \$ | |

*

* Maturity.

SECTION 12.05. Make-Whole Optional Redemption. The Series 2015B Bonds are subject to redemption prior to their stated maturity date at the option of the City, in whole or in part, on any date prior to [May 15, 2025], at a redemption price equal to the greater of:

- (a) the principal amount of the Series 2015B Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2015B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2015B Bonds are to be redeemed, discounted to the date on which such Series 2015B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus ____ basis points;

plus, in each case, accrued interest on such Series 2015B Bonds to be redeemed to the redemption date.

SECTION 12.06. Purchase in Lieu of Redemption. In lieu of optional, mandatory sinking fund or make-whole redemption of the Series 2015B Bonds, the City may purchase such Series 2015B Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Series 2015B Bonds purchased by the City in any twelve-month period

ending on [September 15] in any year will be credited towards and will reduce the par amount of such Series 2015B Bonds, required to be redeemed as described above in Section 12.04 on the next succeeding [November 15].

SECTION 12.07. Notice of Redemption. Notice of redemption of the Series 2015B Bonds shall be given in accordance with the terms and provisions of Section 2.10 and Section 10.06 of the Trust Agreement. Failure by the Trustee to give notice pursuant to the provisions of the Trust Agreement, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Series 2015B Bonds.

SECTION 12.08. Forms of the Series 2015B Bonds. The Series 2015B Bonds shall be delivered in the form of fully registered bonds without coupons in Authorized Denominations. The Series 2015B Bonds shall be assigned such alphabetical and numerical designations as shall be deemed appropriate by the Trustee.

SECTION 12.09. Application of Proceeds of Series 2015B Bonds. At any time after the sale of the Series 2015B Bonds in accordance with the Act, the City shall execute the Series 2015B Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the Series 2015B Bonds shall be authenticated and delivered by the Trustee to the Original Purchasers thereof upon the Written Request of the City and upon receipt of the net payment therefor from the Original Purchasers thereof (as provided in such Written Request).

(a) Upon receipt of payment for the Series 2015B Bonds from the Original Purchasers thereof, the Trustee shall set aside and deposit the net proceeds received from such sale in the following order of priority:

(1) The Trustee shall deposit with the Director the amount of \$ _____, to be applied by the City to pay the costs of issuance of the Series 2015B Bonds.

(2) The Trustee shall apply the remainder of the proceeds of the Series 2015B Bonds to the redemption of the 1999 Bonds and the 2004 Bonds on the Closing Date.

SECTION 12.10. Special Provisions for Book-Entry Only System for the Series 2015B Bonds.

(a) Except as otherwise provided in subsections (b) and (c) of this section, all of the Series 2015B Bonds shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), or such other nominee as DTC shall request pursuant to the Representation Letters. Payment of the interest on any Series 2015B Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Series 2015B Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letters.

(b) The Series 2015B Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of the Series 2015B Bonds, representing the aggregate principal amount of the Series 2015B Bonds of such maturity. The

Trustee and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2015B Bonds registered in its name for the purposes of payment of the interest on and principal of such Series 2015B Bonds, selecting the Series 2015B Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders hereunder, registering the transfer of Series 2015B Bonds, obtaining any consent or other action to be taken by Holders of the Series 2015B Bonds and for all other purposes whatsoever, and neither the Trustee nor the City shall be affected by any notice to the contrary. Neither the Trustee nor the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Series 2015B Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Holder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the interest on or the principal of any of the Series 2015B Bonds, (iii) any notice which is permitted or required to be given to Holders of Series 2015B Bonds hereunder, or (iv) any consent given or other action taken by DTC as Holder of Series 2015B Bonds. The Trustee shall pay the interest on and principal of the Series 2015B Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letters, and all such payments shall be valid and effective to satisfy fully and discharge the City's obligations with respect to the interest on and principal of the Series 2015B Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Series 2015B Bonds will be transferable to such new nominee in accordance with subsection (f) of this section.

(c) In the event that the City determines that it is in the best interests of the beneficial owners of the Series 2015B Bonds that they be able to obtain definitive Series 2015B Bonds, the Trustee shall, upon receipt of a Written Request of the City, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of definitive Series 2015B Bonds, and in such event the Series 2015B Bonds shall be transferable in accordance with subsection (f) of this section. DTC may determine to discontinue providing its services with respect to the Series 2015B Bonds at any time by giving written notice of such discontinuance to the Trustee or the City and discharging its responsibilities with respect thereto under applicable law, and in such event the Series 2015B Bonds shall be transferable in accordance with subsection (f) of this section. Whenever DTC requests the Trustee or the City to do so, the Trustee and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Series 2015B Bonds then Outstanding, and in such event the Series 2015B Bonds shall be transferable to such securities depository in accordance with subsection (f) of this section, and thereafter, all references in the Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision hereof to the contrary, so long as all Series 2015B Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the interest on and the principal of each such Series 2015B Bond and all notices with respect to each such Series 2015B Bond shall be made and given, respectively, to DTC as provided in the Representation Letters.

(e) The Trustee and the City are each hereby authorized and requested to execute and deliver the Representation Letters and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions hereunder.

(f) In the event that any transfer or exchange of Series 2015B Bonds is authorized under subsection (b) or (c) of this section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Series 2015B Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.14 and 2.15 of the Trust Agreement. In the event that definitive Series 2015B Bonds are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Series 2015B Bonds, another securities depository as holder of all the Series 2015B Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.14 and 2.15 shall also apply to, among other things, the registration, exchange and transfer of the Series 2015B Bonds and the method of payment of the interest on and the principal of the Series 2015B Bonds.

ARTICLE XIII

AMENDMENTS

SECTION 13.01. Amendments to Trust Agreement.

(a) The definition of "Bond Fund" shall be replaced in its entirety with the following:

"Bond Fund" means the City of Pasadena Taxable Pension Funding Bonds, Series 2015B, Bond Fund established by the City with the Trustee pursuant to Section 3.01.

(b) The following shall replace in its entirety Section 3.01:

SECTION 3.01 The City agrees and covenants that on or before the 5th Business Day preceding each date on which interest on and principal of the Bonds is due and payable, the City shall deposit with the Trustee in immediately available funds an amount of money equal to the interest on or principal or Accreted Value of the Bonds due on such date, and all amounts payable to the Trustee hereunder shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated the "City of Pasadena Taxable Pension Funding Bonds, Series 2015B, Bond Fund" (which fund is hereby established, and shall be maintained in trust by the Trustee so long as any Bonds are Outstanding). On any Business Day when any other Obligation (including payments under any Swap Agreement) is due, the City shall make payment thereof to the person to whom such Obligation is due. The Trustee, at the direction of the City, may establish such other accounts within the Bond Fund as deemed necessary to accommodate the purchase, redemption or payment of Variable Rate Bonds from the proceeds of remarketing, or payments under a Liquidity Facility or Credit Facility, or payments from the City.

(c) The following sentence is added to Section 4.07, immediately before the first sentence:

The City covenants to enter into and maintain the Continuing Disclosure Agreement.

(d) Section 7.01(v) of the Trust Agreement is hereby amended to provide that any reference to "Bonds" in such Section 7.01(v) shall be deemed to refer to only the Series 2015B Bonds.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Severability. If any provision of this Second Supplemental Trust Agreement shall be held or deemed to be illegal, inoperative or unenforceable, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever.

SECTION 14.02. Counterparts. This Second Supplemental Trust Agreement may be simultaneously executed in several counterparts each of which, when executed and delivered, shall be an original and all of which shall constitute one and the same instrument.

SECTION 14.03. Provisions of Trust Agreement Not Otherwise Modified. Except as specifically amended or supplemented by this Second Supplemental Trust Agreement, the Trust Agreement is hereby ratified, approved and confirmed and remains in full force and effect.

SECTION 14.04. Governing Law; Venue. This Second Supplemental Trust Agreement shall be governed by and construed in accordance with the laws of the State of California. This Second Supplemental Trust Agreement shall be enforceable in the State of California and any action arising out of this Second Supplemental Trust Agreement shall be filed and maintained in Pasadena, California, unless the City waives this requirement.

SECTION 14.05. Successors and Assigns. Whenever in this Trust Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the City which are contained in this Trust Agreement shall inure to the benefit of the successors and assigns of such parties.

SECTION 14.06. Effective Date. This Second Supplemental Trust Agreement shall be effective upon the execution hereof by the parties hereto.

IN WITNESS WHEREOF, the City has caused this Second Supplemental Trust Agreement to be executed on its behalf by its Director of Finance and duly attested by the City Clerk and the Trustee has caused this Second Supplemental Trust Agreement to be executed in its name by its duly authorized officer all as of the day and year first above written.

CITY OF PASADENA, CALIFORNIA,

By: _____
Director of Finance

ATTEST:

By _____
City Clerk

APPROVED AS TO FORM:

Javan N. Rad
Chief Assistant City Attorney

APPROVED AS TO FORM:

Eric D. Tashman, Esq.
Sidley Austin LLP
Bond Counsel

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

APPENDIX A

[FORM OF BOND]

CITY OF PASADENA
TAXABLE PENSION OBLIGATION REFUNDING BOND
SERIES 2015B
(FIXED RATE BOND)

No. R__ \$ _____

| Interest Rate | Maturity Date | Original Issue Date | CUSIP |
|---------------|---------------|---------------------|-------|
| _____ % | _____ | _____ | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THE OBLIGATIONS OF THE CITY HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS WHEN DUE, ARE OBLIGATIONS OF THE CITY IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, AND NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The City of Pasadena, a political subdivision duly organized and existing under the Constitution and laws of the State of California and its Charter (the "City"), for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided) the principal amount specified above, together with interest on such principal amount from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated during the period from the first (1st) day of the month in which an interest payment date occurs to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated prior to [November 15, 2015], in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable in lawful money of the United States of America on [November 15, 2015], and semiannually thereafter on May 15 and November 15

of each year until the maturity or prior redemption of this Bond. The interest due on or before the maturity or prior redemption hereof shall be payable by check mailed on each interest payment date by first class mail to the registered owner hereof; provided, that upon the written request of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee at least fifteen (15) days prior to any interest payment date, such interest shall be payable by wire transfer of immediately available funds. The principal due at the maturity or prior redemption hereof is payable upon surrender hereof at the Corporate Trust Office (as that term is defined in the Trust Agreement hereinafter defined) of the Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), in _____ or _____.

This Bond is one of a duly authorized issue of bonds of the City designated as its "Taxable Pension Obligation Refunding Bonds, Series 2015B (Fixed Rate Bonds)" (the "Bonds") in the aggregate principal amount of _____ dollars (\$ _____), and is issued under and pursuant to the provisions of Charter of the City, Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act"), Resolution No. 7749, adopted by the City Council on April 26, 1999, Resolution No. 7778, adopted by the City Council on July 19, 1999, and Resolution No. 9516, adopted by the City Council on February 9, 2015, and under and pursuant to the provisions of a Trust Agreement dated as of August 1, 1999, as amended and supplemented by that certain First Supplemental Trust Agreement, dated as of August 1, 2004, and by that certain Second Supplemental Trust Agreement, dated as of May 1, 2015, each by and between the Trustee and the City (the "Trust Agreement") (copies of which are on file at the Corporate Trust Office of the Trustee).

Under the Trust Agreement, additional obligations may be issued on a parity with the Bonds, and the Bonds and any additional obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the City pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof for a description of the terms on which the Bonds are issued, for the rights of the registered owners of the Bonds, for the security for payment of the Bonds, for the remedies upon default and limitations thereon and for the provisions for the amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the City and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

[The Bonds maturing on or after [May 15, 2026], shall be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part, and, if in part, by lot within any single maturity, on any date on or after [May 15, 2025], at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.]

The Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15 of each year on or after

May 15, 20__ , from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

| | |
|---|--------------------------------|
| Mandatory Sinking Fund Payment Date (May 15) | Mandatory Sinking Fund Payment |
| | \$ |

*

* Maturity.

This Bond is subject to redemption prior to its stated maturity date at the option of the City, in whole or in part, on any date prior to [May 15, 2025], at a redemption price equal to the greater of:

- (a) the principal amount to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of this Bond, not including any portion of those payments of interest accrued and unpaid as of the date on which this Bond is to be redeemed, discounted to the date on which this Bond is to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus ____ basis points;

plus, in each case, accrued interest on this Bond to the redemption date.

“Treasury Rate” means, with respect to any redemption date for this Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of this Bond; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

In lieu of optional, mandatory sinking fund or make-whole redemption of the Bonds, the City may purchase such Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the City may in its discretion determine. The par amount of any such Bonds purchased by the City in any twelve-month period ending on [September 15] in any year will be credited towards and will reduce the par amount of such Bonds, required to be redeemed as described above on the next succeeding [November 15].

Notice of redemption of any Bonds or any portions thereof shall be given by first class mail not less than ten (10) days nor more than forty-five (45) days before the redemption date of such Bonds or portions thereof to the respective registered owners thereof as their names and addresses appear on the registration books maintained by the Trustee pursuant to the Trust Agreement and to the MSRB; all subject to and in accordance with the provisions of the Trust Agreement. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an Event of Default, as that term is defined in the Trust Agreement, shall occur, the principal or Accreted Value (as that term is defined in the Trust Agreement) of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; provided, that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The Trustee and the City may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Trustee nor the City shall be affected by any notice or knowledge to the contrary; and payment of the interest on or principal or redemption price of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the City of Pasadena has caused this Bond to be executed in its name and on its behalf by the signature of the Director of Finance of the City and

countersigned by the signature of the City Clerk who has impressed the seal of the City hereon, and has caused this Bond to be dated as of the original issue date specified above.

CITY OF PASADENA

By: _____
Authorized Officer

[SEAL]

Countersigned:

City Clerk

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on _____.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.,
as Trustee

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT]

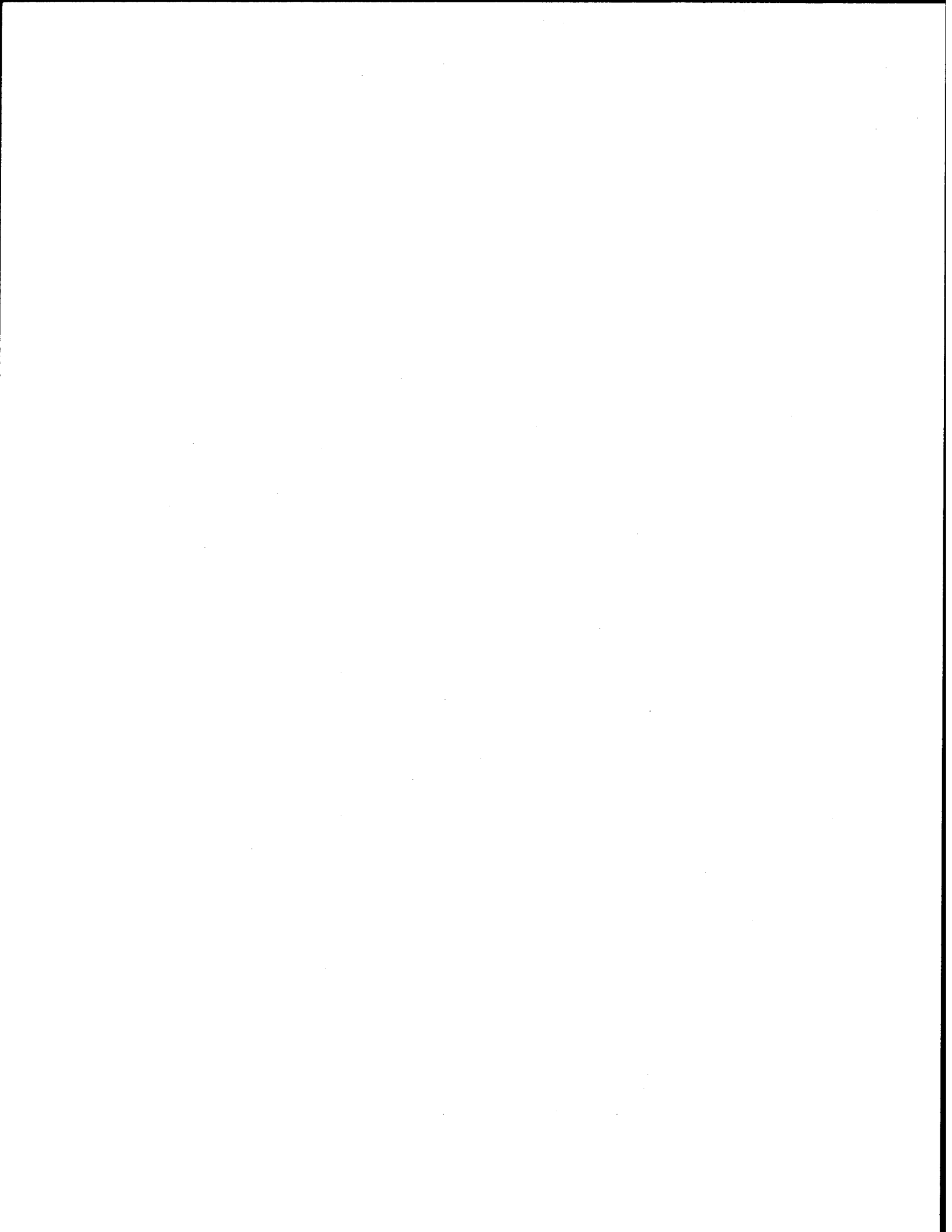
For value received the undersigned hereby sells, assigns and transfers unto _____
(Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and
hereby irrevocably constitutes and appoints _____ attorney to transfer
the within bond on the books kept for registration thereof, with full power of substitution in the
premises.

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of
the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

Notice: Signature must be guaranteed by an eligible guarantor institution.



ATTACHMENT D

City of Pasadena, California

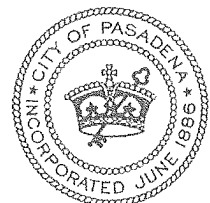
Direct Purchase Taxable Pension Obligation Refunding Bonds Series 2015

March 19 2015

PRIVATE AND CONFIDENTIAL

Bank of America Merrill Lynch
555 California Street, Suite 1160
San Francisco, CA 94104

Bank of America 
Merrill Lynch



Confidential Notice to Recipient

"Bank of America Merrill Lynch" is the marketing name for the global banking and global markets businesses of Bank of America Corporation. Lending, derivatives, and other commercial banking activities are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., member FDIC. Securities, strategic advisory, and other investment banking activities are performed globally by investment banking affiliates of Bank of America Corporation ("Investment Banking Affiliates"), including, in the United States, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp., which are both registered broker dealers and members of FINRA and SIPC, and, in other jurisdictions, by locally registered entities.

**Investment products offered by Investment Banking Affiliates:
Are Not FDIC Insured * May Lose Value * Are Not Bank Guaranteed.**

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We do not provide legal, compliance, tax or accounting advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by us to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed herein is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor. Notwithstanding anything that may appear herein or in other materials to the contrary, the Company shall be permitted to disclose the tax treatment and tax structure of a transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or, except to the extent relating to such tax structure or tax treatment, any nonpublic commercial or financial information) on and after the earliest to occur of the date of (i) public announcement of discussions relating to such transaction, (ii) public announcement of such transaction or (iii) execution of a definitive agreement (with or without conditions) to enter into such transaction; provided, however, that if such transaction is not consummated for any reason, the provisions of this sentence shall cease to apply. Copyright 2014 Bank of America Corporation.

Summary of Terms and Conditions

Submission date: March 19, 2015

Parties to the Transaction

Borrower: City of Pasadena, California (the "Borrower")

Lender: Bank of America, N.A. or a related subsidiary of Bank of America, N.A. ("BANA" or the "Bank")

The Facility

Facility: Non-revolving direct funded line of credit (the "Facility" or "Agreement") that is available in the amount and for the term set forth below. Amounts available under the Facility may be drawn on the effective date of the Facility (the "Closing Date") or thereafter once per month until the maturity date thereof; however, once the Borrower has drawn all or a portion of the amount available, such remaining amount available will be reduced permanently by the amount drawn.

Existing Credit Agreement: The recently executed Credit Agreement providing for funding in an amount up to \$75,000,000 related to the City of Pasadena (CA) Subordinate Electric Revenue Bonds, Series 2015 (Tax-Exempt), dated February 1, 2015 by and between the City of Pasadena (CA) and Bank of America, N.A. (the "Existing Credit Agreement") will be used as the base document template in preparing documentation for the Facility. The Bank shall either receive a bond or a promissory note (the "Debt Instrument") to evidence the loan made under the Facility.

Maturity Date: One (1) year from the Closing Date (the "Maturity Date").

Facility Amount: \$125,000,000*

Security: The Borrower shall provide a General Fund pledge for repayment of all principal, interest and other amounts due on the Facility. The obligation of the City to make payments with respect to the Debt Instrument is an absolute and unconditional obligation of the City imposed upon the City by law, and payable from all legally available funds of the City. Payment of principal of and interest on the Debt Instrument is not limited to any special source of funds of the City. The assets of the Pasadena Fire and Police Retirement System (the "FPRS") are not available for payment of the Debt Instrument, and the Debt Instrument does not constitute an obligation of the FPRS.

Use of Proceeds: The Facility shall be used for the purpose of refinancing and refunding a portion of the City's outstanding pension obligation bonds which were issued in 1999, 2004 and 2012, for the purpose of funding a portion of the City's unfunded liability of the FPRS and to pay costs of issuance associated therewith.

Tax Status: Taxable

Optional Prepayments



and Commitment Reductions:

The Borrower may prepay the outstanding LIBOR borrowing in whole or in part at any time without premium or penalty so long as any potential optional prepayment occurs at the end of an Interest Rate Period (available interest rate period ends are daily, one, two, three or six-month LIBOR tranches, or at the end of 1-year LIBOR tranche, based on outstanding draws)

To the extent that outstanding LIBOR borrowings are optionally prepaid on a date other than at the end of an Interest Rate Period, the following would apply:

The outstanding LIBOR borrowings may be prepaid in whole, or in part, with three (3) Business days prior written notice to the Bank by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment, plus the Prepayment Fee, as defined in Section 2.20 and Schedule I of the Existing Credit Agreement (the "Make Whole Amount").

Facility Fees:

Unused Commitment

Fee: A per annum rate to be mutually agreed upon between the City and the Bank prior to the Closing Date, payable quarterly in arrears.

Rates:

Interest Rate: Each advance under the Facility will bear interest at a rate equal to 100% of the applicable LIBOR plus the Applicable Spread (which Applicable Spread shall be negotiated between the City and the Bank, based on the City's ratings and other applicable information at inception).

The Borrower may select a LIBOR Daily Floating Rate (equal to that day's 1-month LIBOR rate, adjusted daily) or interest periods of one, two, three, or six months LIBOR or one-year LIBOR. Interest shall be payable quarterly in arrears on the first Business Day of each January, April, July and October, computed on the basis of a year of 360 days and actual days elapsed.

Maximum Number of Advances: Up to one advance per month (with an understanding that such advances may be aggregated after initially drawn in order to ease administrative requirements).

Minimum Advance Size: Advances shall be in the minimum amount of \$1,000,000 per draw if a Floating Rate Loan or in the minimum amount of \$1,500,000 per draw if a Fixed Rate Loan, or such alternative minimum amount mutually agreed upon by the Borrower and the Bank.

Default Rate: During the continuance of any Event of Default under the Facility, the Interest Rate on any utilized amounts, (i.e., advances), under the Facility shall increase by 4% per annum.

LIBOR Rate: "LIBOR" means, for any applicable interest period, the rate per annum equal to the London Interbank Offered Rate (or a comparable or successor rate which is approved by the Bank), as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by the Bank from time to time) at approximately



11:00 a.m. London time two (2) London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term equivalent to such interest period. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars.

Performance Pricing:

Applicable Margin: The Applicable Margin shall be, at any time, the rate per annum to be determined based on the City's long-term general fund unsecured ratings, with pricing increases upon each rating downgrade. In the case of a split rating, the lowest rating will apply.

| Ratings | | Applicable Margin |
|--------------|--------------|--|
| S&P | Fitch | |
| AAA | AAA | To be negotiated between the City and the Bank |
| AA- or above | AA- or above | +12.5 bps |
| A+ | A+ | +12.5 bps |
| A | A | +12.5 bps |
| A- | A- | +20 bps |
| BBB+ | BBB+ | +25 bps |
| BBB | BBB | +25 bps |
| Below BBB | Below BBB | Default Rate |

Plus an additional 150 bpps (1.50%) should a rating be withdrawn or suspended for any credit-related reason. All such fees shall be cumulative.

Other Fees and Expenses

Bank Counsel: Based on the assumptions set forth below, Nixon Peabody estimates its fees to be \$25,000, plus disbursements, it being understood that (1) if the transaction does not close and the Agreement never becomes effective, the City will agree to pay the fees incurred by Nixon Peabody to the date the transaction is terminated at a discounted hourly rate of \$550/hr for the time incurred through termination and (2) in no event will the aggregate of the fee described in clause (1) exceed \$25,000, plus disbursements.

The assumptions for the fee quoted above are (1) the City, its counsel and bond counsel recognize that the Existing Credit Agreement between the City and the Bank will be the template for the Agreement documenting the current transaction and, as such, all participants in the current transaction will endeavor to minimize the revisions to the Agreement except as necessary to accommodate (a) the terms and conditions agreed upon by the City and the Bank for the current transaction and (b) the differences between the security and repayment sources applicable to the Existing Credit Agreement; (2) the current transaction is concluded by June 1, 2015; and (3) the structure and/or security of the current transaction does not change materially once a first draft of the Agreement has been prepared and circulated to the City and its representatives. In the event that the assumption in (2) or (3) is not realized, Nixon Peabody will be entitled to increase its fee above the amount first estimated above, applying the discounted hourly rate cited above.



Administrative Fees: Amendments, transfers, standard waivers or consents: \$2,500 plus attorney's fees and expenses.

Payment of Fees and Expenses

Timing and Computation of Payments: All fees are non-refundable. BANA's Counsel's fees and expenses and BANA's out-of-pocket expenses (if any) are payable at the Closing Date in immediately available funds.

Interest on advances and the Commitment Fee is payable quarterly in arrears on the first business day of each calendar quarter (i.e., 1/1/, 4/1, 7/1 and 10/1), and at Maturity. All calculations of interest and fees shall be made on the basis of the actual number of days elapsed in a 360 day year.

Fees and Expenses Valid for 90 Days: All fees and expenses, including those of Bank Counsel, are subject to increase if the transaction is not closed within 90 days from the date the Bank receives the mandate from the Borrower. In addition, the fees and expenses payable to Bank Counsel may be increased if the security and/or structure of the transaction changes materially once documentation has commenced.

Borrower Responsible For All Fees and Expenses: The Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration, and closing of all loan documentation including, without limitation, the legal fees of counsel to the BANA, regardless of whether or not the Facility is closed. The Borrower will also pay the expenses of BANA in connection with the enforcement of any loan documentation.

Event of Default: All amounts owed to the Bank become due and payable immediately, as and to the extent the Facility permits. Interest accrues daily on such amounts at the Default Rate and is payable on demand.

Interest Recapture: The Agreement will include interest rate recapture ("Excess Interest") language allowing the Bank to recover interest in excess of any maximum interest rate imposed by law. If there is any accrued and unpaid Excess Interest amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the maximum interest rate imposed by law until payment to the Bank of the entire Excess Interest amount.

Other Standard Provisions

Increased Costs: Customary increased cost and capital adequacy language as already accepted by the City and set forth in Section 2.8 of the Existing Credit Agreement.

Indemnification: Customary indemnification language as already accepted by the City and set forth in Section 9.4 of the Existing Credit Agreement, to the extent permitted by law.

Assignments / Participations: Customary ability to provide for consents, assignments, and participations as agreed to and set forth in Section 9.7 of the Existing Credit Agreement.

OFAC Language: Customary Bank U.S. Treasury Department Office of Foreign Asset Control (OFAC) language as already accepted by the City and as set forth in Section 5.24 and Section 9.14 of the Existing Credit Agreement.



Choice of Law / Jury Trial

- Governing Law:** This Proposed Term Sheet, the Agreement, the Fee Letter and any other documents to which the Bank shall become a party will be governed by the laws of the State of California.
- Jury Trial:** The Borrower agrees to waive a jury trial in any proceedings against the Bank to the extent permitted by law, and disputes shall be resolved by means of California's judicial reference provisions (section 638 et seq of the Code of Civil Procedures).
- Venue:** Any litigation involving the Bank shall be brought in the appropriate California state court or federal court located in the Central District of California.

Description of the Basic Documentary Terms and Conditions

- Documentation:** Documentation will include the Agreement and a Fee Letter to be prepared by Bank Counsel. The Agreement will include, but not be limited to, the terms and conditions outlined herein, as well as provisions that are customary and standard with respect to conditions precedent, representations and warranties, covenants, events of default and remedies (including acceleration of the Borrower's obligations under the Agreement, if applicable). The Fee Letter will describe the fees and expenses payable by the Borrower to the Bank. To the extent possible, Bank Counsel will utilize the Existing Credit Agreement as the model for documenting the Facility, with certain revisions as appropriate to reflect the current security structure, tax status, use of proceeds, etc.

Conditions Precedent To Closing:

The closing and the initial extension of credit under the Facility will be subject to satisfaction of the conditions precedent deemed appropriate by BANA including, but not limited to:

The negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions and other closing documents) for the Facility satisfactory to BANA. The Bank's Counsel shall provide an enforceability opinion with respect to the Bank's obligations under the Agreement.

There shall not have occurred any event or condition that has had or could be reasonably expected, either individually or in the aggregate, to have a Material Adverse Effect. "Material Adverse Effect" means (A) a material adverse change in, or a material adverse effect on, the operations, business, assets, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Borrower; (B) a material impairment of the rights and remedies of BANA under any loan documentation, or of the ability of the Borrower to perform its obligations under any loan documentation to which it is a party; or (C) a material adverse effect upon the legality, validity, binding effect or enforceability against the Borrower of any loan documentation to which it is a party, in each case as determined in the sole discretion of BANA.

Receipt of satisfactory financial information, budgets, projections, etc. as requested by the BANA.

Certified copies of relevant ordinances, validation judgments, resolutions, agreements, contracts, certificates, etc.



Bring down of representations and warranties, receipt of statement as to compliance with covenants and of no Event of Default and any other event that, with the passage of time, the giving of notice, or both, would result in an Event of Default.

Other conditions precedent as are customary for a financing of the type contemplated, including payment of fees on the Closing Date.

Conditions Precedent to All Extensions of Credit:

Usual and customary for transactions of this type including, without limitation, the following:

- All of the representations and warranties in the loan documentation shall be true and correct as of the date of such extension of credit
- No event of default under the Facility or inchoate default shall have occurred and be continuing, or would result from such extension of credit

Representations and Warranties:

Usual and customary for transactions of this type, as set forth in Article V of the Existing Credit Agreement, with revisions as appropriate to reflect the current security structure, tax status, use of proceeds, etc.

Covenants: Usual and customary for transactions of this type, as set forth in Article VI and VII of the Existing Credit Agreement, with revisions as appropriate to reflect the current security structure, tax status, use of proceeds, etc.

Reporting Requirements: The Borrower shall provide the following financial information and statements in form and content acceptable to BANA:

- (a) Within 210 days after the close of each fiscal year of the Borrower, the complete audited financial statements of the City;
- (b) Within 45 days after the commencement of each fiscal year of the Borrower, the City Council authorized budget of the City for the next fiscal year;
- (c) Simultaneously with the delivery of each set of the financial statements referred to above, a certificate of the Borrower (i) stating whether there exists on the date of such certificate any Default or Event of Default and if so, the details thereof and the action which the Borrower is taking or proposes to take with respect thereto, and (ii) setting forth in detail, compliance with the financial covenants and the supporting calculations; and
- (d) Such other information respecting the affairs, condition and/or operations, financial or otherwise, of the City as the Bank may from time to time reasonably request.

Events of Default: Usual and customary in transactions of this type including, as set forth in Article VIII of the Existing Credit Agreement, with revisions as appropriate to reflect the current security structure, tax status, use of proceeds, etc.



Remedies: The Bank may, among other things, increase the Facility Fee pursuant to the Agreement, accelerate the loan (if permitted by law), cause the Default Rate to apply to all outstanding obligations of the Borrower to the Bank under the Facility, and pursue any other remedies to which it is entitled under the Agreement, at law or in equity.

Contacts

Bank of America, N.A. (BANA):

| | | |
|------------|--|--|
| Name: | Grace Barvin | Greg Bailey |
| Title: | Senior Vice President | Senior Vice President |
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Bank Counsel: Nixon Peabody LLP

| | | |
|------------|--|--|
| Name: | Rudy Salo | Dominique de La Chapelle |
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Proposed Terms and Conditions Subject to Certain Events

This Summary of Terms is intended only as an outline of certain of the material terms of the Facility and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive documentation for the Facility contemplated hereby. This Summary of Terms is not a commitment. It represents a willingness on the part of BANA to seek approval to provide the commitment indicated herein and consummate a transaction based upon the terms and conditions outlined in this term sheet and is subject to:

Final credit approval (see "Credit Process Timeframe" below),

Absence of any material adverse change in the financial condition, operations or prospects of the Borrower, or in any law, rule or regulation (or their interpretation or administration), that, in each case, may adversely affect the consummation of the transaction, to be determined in the sole discretion of BANA,

Such additional due diligence as BANA may require, and

Agreement as to all final terms and conditions and satisfactory documentation thereof (including satisfactory legal opinions).

Credit Process: The credit process will take 10 business days from the point at which the Bank is officially awarded the transaction and has in its possession all materials necessary to undertake a full credit analysis.

Expiration: Consideration of a financing based on the terms and conditions presented in this term sheet shall automatically expire 60 days from the date hereof.



If the Bank issues a commitment, the Bank reserves the right to terminate, reduce or otherwise amend its commitment if the subject transaction is not closed within 75 days of the receipt of a signed term sheet.

Future Modifications: The terms, conditions, pricing levels and fees (including legal fees and expenses) cited herein reference the financing and the Facility Amount as described in this Summary of Terms and Conditions and are subject to revision in the event that (i) the Facility Amount changes, (ii) the security or transaction structure is modified, (iii) the transaction deviates materially from what was initially described, or (iv) the proposed financing does not close within 75 days of the receipt by Bank of America of a signed term sheet.

Confidentiality

This Summary of Terms and Conditions contains confidential and proprietary structuring and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the Facility or as may be required by law, the contents of this Summary of Terms and Conditions may not be disclosed in whole or in part to any other person or entity without our prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed Facility.

No Advisory or Fiduciary Role

The Borrower acknowledges and agrees that: (i) the transaction contemplated by this Summary of Terms and Conditions is an arm's length, commercial transaction between the Borrower and the Bank in which the Bank is acting solely as a principal and for its own interest; (ii) the Bank is not acting as a municipal advisor or financial advisor to the Borrower; (iii) the Bank has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Borrower on other matters); (iv) the only obligations the Bank has to the Borrower with respect to the transaction contemplated hereby expressly are set forth in this Summary of Terms and Conditions; and (v) the Bank is not recommending that the Borrower take an action with respect to the transaction contemplated by this Summary of Terms and Conditions, and before taking any action with respect to the contemplated transaction, Borrower should discuss the information contained herein with its own legal, accounting, tax, financial and other advisors, as it deems appropriate. If Borrower would like a municipal advisor in this transaction that has legal fiduciary duties to Borrower, Borrower is free to engage a municipal advisor to serve in that capacity. This Summary of Terms and Conditions is provided to Borrower pursuant to and in reliance upon the "bank exemption" and "IRMA exemption" provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 *et seq.*



Agreement by the Borrower

The Borrower hereby agrees to engage Bank of America, N.A. to provide the Facility, which is the subject hereof, pursuant to the terms and conditions stated herein.

Please evidence your agreement with the foregoing by signing and returning a copy of the document to Bank of America, N.A..

Accepted and Agreed to:

By: _____ Date: _____



