

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA ESTABLISHING COMPETITIVE BIDDING PROCEDURES FOR, APPROVING THE PUBLICATION OF NOTICE OF, AND AUTHORIZING THE DISTRIBUTION OF A REQUEST FOR LOAN FACILITY (ELECTRIC SYSTEM); AND AUTHORIZING THE ENTRY INTO A LOAN FACILITY AND CERTAIN ACTIONS RELATING THERETO

WHEREAS, pursuant to an Ordinance of the City of Pasadena (the "City"), adopted on even date herewith (the "Ordinance") amending the City's competitive bidding ordinance, the City Council has authorized the City to enter into a loan facility evidenced by a subordinate electric revenue bond designed to serve as an interim financing of improvements to the City's electric utility, in accordance with competitive bidding procedures to be established in a resolution of the City authorizing any such loan facility; and

WHEREAS, subject to publication of such Ordinance, the City desires to authorize certain officers of the City to enter into a loan facility (the "Loan") evidenced by a subordinate electric revenue bond for the purpose of financing certain improvements to the City's electric utility (the "Electric System") and to establish competitive bidding procedures with respect thereto; and

WHEREAS, the City's obligations under the Loan will constitute a subordinate obligation pursuant to the Electric Revenue Bond Fiscal Agent Agreement relating to the City's existing and future parity electric system revenue bonds (the "Fiscal Agent Agreement") and will be a special, limited obligation payable solely from Net Income of the Electric System remaining in the Light and Power Fund of the City's Water and Power Department after all deposits and transfers required to be made under the Fiscal Agent Agreement for principal, interest, reserve fund and any other debt service requirements on outstanding electric system revenue bonds as the same become due and payable;

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

Section 1. Competitive Bidding Procedure. At any time following the date upon which the Ordinance shall become effective, the City Manager or the Director of Finance is hereby authorized and directed to competitively solicit a Loan evidenced by a subordinate electric revenue bond (the "Subordinate Bond") designed to serve as an interim financing of improvements to the Electric System, subject to the parameters therefor as set forth in this Resolution, by: (i) publishing a Notice of Request for Loan Facility (Electric System), substantially in the form annexed hereto as "Exhibit A" and hereby approved by the City Council, at least once in The Bond Buyer, a financial publication generally circulated throughout California reasonably designed to reach potential providers, at least ten (10) days prior to the date for receipt of proposals; and (ii) distributing, through Public Resources Advisory Group, as financial advisor for the City, upon request to prospective providers and to no less than three (3) prospective providers selected by the City Manager or the Director of Finance as potential

providers meeting the qualifications as set forth in Section 2 of this Resolution, a Request for Loan Facility (Electric System), substantially in the form annexed hereto as "Exhibit B" and hereby approved by the City Council. Public Resources Advisory Group is hereby authorized and directed to receive proposals for the Loan by e-mail transmission to Public Resources Advisory Group no later than the date and time set forth in the Notice of Request for Loan Facility (Electric System) as hereinabove approved. The City Manager or the Director of Finance (or in their absence, their designee) is hereby authorized and directed on behalf of the City to accept the best bid for the Loan received (or reject all bids) pursuant to and subject to the terms and conditions set forth in the Request for Loan Facility (Electric System) and to take such other actions as the City Manager or the Director of Finance (or in their absence, their designee) deems appropriate, consistent with the provisions hereof, and upon the execution by any member of this City Council and by the City Manager or the Director of Finance (or in their absence, their designee) of an order to award the Loan to the best bidder, the Loan shall be so awarded, and the method of calculating the interest rate or rates on the Subordinate Bond as have been bid by the best bidder so awarded the Loan shall be fixed.

The City Manager or the Director of Finance may amend, modify or withdraw the Request for Loan Facility (Electric System); waive or revise any requirement of the Request for Loan Facility (Electric System) (subject to the parameters set forth in Sections 2 and 3 of this Resolution); acquire any supplemental information from any potential provider; accept or reject any or all quotes received; or negotiate or hold discussions with any potential provider in order to negotiate the terms of the Loan (except there shall be no increase in the pricing of the Loan), as the City Manager or the Director of Finance shall determine to be in the best interests of the City.

Section 2. Qualification of Providers. The provider of the Loan shall be a bank that is experienced in the purchase of tax-exempt municipal bonds or other tax-exempt municipal obligations, or in providing loans to governmental entities, and is rated in the top three rating categories by any of Standard & Poor's Ratings Services, Moody's Investors Service or Fitch Ratings, Inc.

Section 3. Transactions Authorized. The City Manager or the Director of Finance is hereby authorized to enter into the Loan and accept and execute the Loan and the Subordinate Bond, such execution thereof to constitute conclusive evidence of the approval of the City; provided, however, that the following limitations shall be applicable to the Loan: (i) the term of the Loan shall not exceed 6 years; (ii) the principal amount of the Loan and the Subordinate Bond shall not exceed \$75,000,000; and (iii) all payment obligations of the City under the Loan as evidenced by the Subordinate Bond shall constitute a subordinate obligation pursuant to the Fiscal Agent Agreement and shall be a special, limited obligation payable solely from Net Income of the Electric System remaining in the Light and Power Fund of the City's Water and Power Department after all deposits and transfers required to be made under the Fiscal Agent Agreement for principal, interest, reserve fund, and any other debt service requirements as the same shall become due and payable.

Section 4. Appointment of Bond Counsel and Financial Advisor. The law firm of Fulbright & Jaworski LLP, Los Angeles, California, is hereby retained as Bond Counsel and the firm of Public Resources Advisory Group, Los Angeles, California, is hereby retained as

financial advisor, in connection with the procurement of the Loan, upon such terms and conditions as shall be approved by the City Manager or the Director of Finance.

Section 5. Additional Actions. The City Manager, the Director of Finance, the City Treasurer, the City Clerk and any and all other officers of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to take such actions as may be necessary or convenient, to carry out the City's obligations under and to effect the purposes of each of, the Loan, this Resolution and the transactions herein authorized. All actions heretofore taken by the officers, representative or agents of the City, in connection with the execution and delivery of the Loan and the other actions contemplated by this Resolution are hereby ratified, approved and confirmed.

Section 6. Effective Date of Resolution. This Resolution shall take effect immediately upon the publication of the Ordinance.

ADOPTED at a regular meeting of the City Council this 14th day of July, 2014, by the following vote:

Ayes:


Noes:

Absent:

Abstain:

APPROVED AS TO FORM:


ATTEST:



Lisa Hosey
Deputy City Attorney

Mark Jomsky
City Clerk

APPROVED AS TO FORM AND CONTENT:



Danny Kim, Partner
Fulbright & Jaworski LLP
Bond Counsel

EXHIBIT A

NOTICE OF REQUEST FOR LOAN FACILITY (ELECTRIC SYSTEM)

EXHIBIT B
REQUEST FOR LOAN FACILITY
(Electric System)

**Request for Loan Facility
(Electric System)**

City of Pasadena, California

RFP Date: July __, 2014

Response Deadline: August 7, 2014 by 10:00 a.m. PT

PURPOSE OF SOLICITATION

The City of Pasadena, California ("City") is soliciting offers from banks for a loan facility ("Loan Facility") in the amount of \$75,000,000, which the City would use primarily to fund certain improvements to its Electric System (as defined below). The City is not soliciting offers for a revolving line of credit.

The City intends to use this solicitation to select the bank that, at the City's sole discretion, is found to provide the City the most favorable Loan Facility; however, the City is not obligated to proceed with any Loan Facility or to select any bank. Key selection criteria will be interest cost and document terms and conditions.

ELECTRIC SYSTEM

The City owns and operates a municipal electric public utility (the "Electric System"). The Electric System is managed and controlled by Pasadena Water and Power Department ("PWP") and supplies electricity to virtually all of the electric customers within the City limits. For the Fiscal Year ended June 30, 2013, the City estimates there were 64,931 customers of the Electric System, comprised of 56,393 residential customers, 8,528 commercial and industrial customers, five street lighting and traffic signals customers and five wholesale customers. The total quantity of energy generated and purchased was 1,384,249 megawatt hours, and the peak demand was 292 megawatts.

SECURITY FOR THE LOAN FACILITY

The Loan Facility will be evidenced by a subordinate electric revenue bond (the "Subordinate Bond"). The Subordinate Bond will be a limited obligation of the City and will not be secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except for the Net Income of the Electric System remaining in the Light and Power Fund of the City's Water and Power Department after required deposits are made to the Parity Obligation Fund and the Parity Reserve Fund of the City's Light and Power Fund, all as described in the Electric Revenue Bond Fiscal Agent Agreement (attached hereto as Appendix A). Neither the full faith and credit nor the taxing power of the City will be pledged to the payment of the principal of, premium, if any, or interest on the Subordinate Bond. No tax or other source of funds, other than amounts remaining in the City's Light and Power Fund after required deposits are made to the Parity Obligation Fund and the Parity Reserve Fund of the City's Light and Power Fund, will be pledged to pay the principal of, premium, if any, or interest on the Subordinate Bond. Neither the payment of the principal of, premium, if any, or the interest on the Subordinate Bond constitutes a debt, liability or obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which it has levied or pledged any form of taxation.

The City has outstanding the following senior electric revenue bonds (Parity Obligations), which senior electric revenue bonds are rated "AA" by Fitch Ratings, Inc. and "AA-" by Standard & Poor's Ratings Services: \$51,400,000 Electric Revenue Bonds, 2008

Series, \$31,785,000 Electric Revenue Refunding Bonds, 2009 Series, \$31,590,000 Electric Revenue Refunding Bonds, 2010A Series, \$7,475,000 Electric Revenue Refunding Bonds, 2012A Series, and \$80,485,000 Electric Revenue/Refunding Bonds, 2013A Series.

LEGAL OPINION

The City will furnish to the successful bidder at the closing of the Subordinate Bond, the legal opinion of Bond Counsel, Fulbright & Jaworski LLP, that under existing law, interest on the Subordinate Bond is exempt from personal income taxes of the State of California and that based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Subordinate Bond is excluded from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986 and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Subordinate Bond.

DESCRIPTION OF THE PROJECT

The proposed project would include a new combined-cycle power generating unit with an estimated gross capacity of 71 MW, to be known as Unit GT-5, and other related Electric System improvements. The new unit would be installed on the Glenarm site to replace steam generating Unit B-3, which is located on the Broadway site and would be decommissioned after Unit GT-5 is commissioned. Unit GT-5 would be located south of the existing Glenarm Building and will include a new gas turbine, steam turbine, once-through steam generator, wet-type cooling tower, water storage tank and electric powered fuel gas compressors. The proposed project would also include construction of an approximately 18,000 square-foot administrative/control room, including administrative offices and a control station for existing and proposed power-generation units.

The project is part of the PWP long-term energy supply plan as approved by the City Council in the 2009 Energy Integrated Resource Plan. Unit B-3, which will be replaced by the new generating unit GT-5, is nearly 50 years old and is incurring increasing costs of maintenance and repair and reduced reliability. Unit GT-5 will improve reliability of energy delivery throughout the system, especially during high-usage periods or when there is an interruption in imported power supply from external resources. Unit GT-5 will also have the capability of quickly reaching maximum generating capacity, improving PWP's disaster response and recovery. The flexible operating characteristics of Unit GT-5 will improve integration of resources such as wind and solar energy by providing "firm" energy to augment the variable delivery of renewable resources. Commissioning of the new generating Unit GT-5 is currently scheduled for mid- 2016.

PREFERRED TERMS AND CONDITIONS

The City would ideally prefer the following terms and conditions, but is willing to entertain responses that may not fully conform to these preferences. These terms will be

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balanced against, among other things, cost considerations, so the City may choose a Loan Facility which does not have all of these terms and conditions even if an available Loan Facility does provide all of them.

- Interest based on SIFMA or LIBOR Index
- Balloon payment at maturity
- 3-year or 5-year maturity
- Legal structure will need to account for the existing Electric Revenue Bond Fiscal Agent Agreement framework
- Ability to draw upon the Loan Facility at least once a month over the term of the Loan Facility to the \$75 million maximum amount specified
- No disclosure document and no continuing disclosure obligations added beyond the City's existing continuing disclosure obligations
- No ratings required
- No reserve fund required

Any proposed structure will be subject to review by bond counsel and tax counsel.

SCOPE OF SERVICES

The bank selected will be expected, among other things, to fulfill the following duties:

- Participate in meetings and or calls related to the financing
- Provide ongoing information to the City's finance team regarding status of the Loan Facility and any relevant market conditions, including regular updates to the interest costs associated with the Loan Facility
- Drafting of necessary bank documentation
- Providing necessary closing documents and opinions to the City

QUESTIONS

The City would ask that you limit your response to less than five pages (excluding term sheet) with a one page cover letter and succinctly address the questions below.

- **General:** Please provide a descriptive overview of your Loan Facility. Describe all material terms (including interest cost for a 3-year and a 5-year maturity Loan

Facility) and conditions in a Term Sheet. Please be specific and do not respond with "and material terms customary for transactions of this nature" or similar language.

- **Structure:** Is your Loan Facility a direct loan, a line of credit or an alternate structure? Specifically address the following as part of your description:
 - What is the charge for the undrawn/unutilized portion of the Loan Facility which the City has not drawn upon?
 - Will your bank be the lender for entire tenor of the Loan Facility? If not, under what circumstances could your Loan Facility be sold or transferred by your bank to another entity without the City's approval?
- **Reporting Requirements:** Please list any reporting requirements of the City to be required not already covered under the existing continuing disclosure requirements.
- **Credit Ratings:** Please describe credit rating requirements needed, if any. In light of Standard & Poor's recent pronouncements related to "direct loans," please provide thoughts on any credit risks associated with the proposed Loan Facility.
- **Prepayment Penalty:** Please clearly describe the mechanics and calculation methodology of any proposed pre-payment penalties. Please provide definitions of key terms.
- **Fees:** Please describe any upfront fees or expenses which your bank would incur in relation to the Loan Facility and which would be payable by the City at the time of closing.
- **Bank Counsel:** Please provide the name of any outside legal firm you would use and the person from that firm that would serve as the primary contact for legal purposes.

SUBMISSION REQUIREMENTS

Electronic copies of your response should be delivered on or before August 7, 2014 by 10:00 a.m. PT to:

*Vic Erganian (verganian@cityofpasadena.net)
Shari Thomas (stthomas@cityofpasadena.net)
Ed Soong (esoong@pragla.com)*

Should you have any questions regarding this request, please do not hesitate to contact the City's Financial Advisor, Public Resources Advisory Group, 11500 West Olympic Boulevard, Suite 502, Los Angeles, California 90064, Attention: Edmund Soong (telephone (310) 477-8487, fax (310) 477-0105).

Appendix A – Electric Revenue Bond Fiscal Agent Agreement

[TO BE ATTACHED AT TIME OF DELIVERY]